

GAMBLING COMMISSION

Annual report and accounts 2009/10

keeping gambling fair and safe for all






Report and accounts of the Gambling Commission 2009/10

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

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Chairman and Chief Executive's statement



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

In pursuance of paragraph 16(1) of Schedule 4 to the Gambling Act 2005 (the Act) we have the honour to present the annual report of the Gambling Commission (the Commission), covering the period 1 April 2009 to 31 March 2010.

The past year has been a challenging one for many businesses facing the impact of the worldwide recession, and the gambling industry is no exception. Against this background, the Commission has continued to develop a cost-effective and proportionate approach to keeping gambling fair and safe for all. We are conscious both of the economic pressures on operators and the constraints on our own resources, with fee levels frozen for at least two years and a small decline in fee income this year.

The vast majority of operators aim to offer gambling responsibly and legally. Increasingly, this enables us to limit our role with those operators to the provision of advice and oversight of their own efforts to ensure compliance. As a result we are able to concentrate our efforts on those who compete unfairly and put the public significantly at risk by trading illegally or otherwise flouting regulatory requirements.

Making the regulatory regime more effective

Over the past year we have worked with the industry on making the regulatory regime more effective while reducing, where possible, its burden on operators. This has involved:

- developing further our risk-based approach so that we can concentrate our resources on those areas where they are most needed
- responding to developments that test the boundaries of the Act (for example on the distinction between gaming and skill with prizes machines)
- building up our knowledge base of the gambling industry, which informs risk assessments and has enabled us to clarify and, in some cases, reduce the information requirements on industry and local licensing authorities
- assessing the effectiveness of the regime (for example through test purchasing to check the effectiveness of age verification procedures)
- fostering a better understanding of the requirements of the regulatory regime, especially among smaller operators (for example by holding regional meetings and by producing explanatory material aimed at small and medium enterprises)
- improving the information available to consumers (for example with clearer information on our website and information leaflets).

Working with co-regulators

We have made particular efforts over the past year to clarify roles, minimise duplication of effort and maximise the benefits from collaboration with licensing authorities, the police and other regulatory bodies. In particular we have worked closely with the Local Authorities Coordinators of Regulatory Services (LACORS) to define more clearly our role and that of licensing authorities locally and to begin to reflect that understanding in practical protocols for handling different issues, such as age verification in different premises. We have also maintained active links with overseas regulators to pool experience, promote common standards and to exchange information and intelligence.

Illegal gambling

Our strategic risk-based approach to illegal gambling activity led us to concentrate on areas such as illegal gaming machine supply, illegal poker and suspicious sports betting activities. We have focused our efforts on cases with national significance, with licensing authorities being better placed to decide how to pursue those with more local impact. We have used our powers of investigation and prosecution plus other interventions to deter and combat illegal activity. This has resulted in the issue of warnings, the seizure of gaming machines, cautions and criminal prosecutions.

Effective research, education and treatment

We have worked with the industry and others concerned in implementing the more strategic and effective approach needed to determine what research, education and treatment is needed, as well as how to raise and distribute the necessary funds for it. During its first year of operation we provided the Responsible Gambling Strategy Board (RGSB), set up by the Commission under Baroness Neuberger to advise us and others, with both financial and secretariat support. At the same time, under the new voluntary system the GReAT (Gambling Research, Education and Treatment) Foundation and the Responsible Gambling Fund (the successors to the Responsibility in Gambling Trust) became established respectively to raise funds and distribute them.

The new arrangements are still bedding down but are already showing results. There is now a more coherent and soundly based approach to commissioning and evaluating research, education and treatment and the industry has raised £5 million for 2009/2010 to support the implementation of the strategy recommended by the RGSB.

Policy development

We worked closely with the Department for Culture, Media and Sport (DCMS) this year on two major policy initiatives that have significant implications for the Commission's future focus and priorities.

A review of sports betting integrity was undertaken by a panel chaired by Rick Parry which included both Ben Gunn, a Commissioner (in his role as an independent sports betting integrity expert), and Nick Tofiluk, our Director of Regulation, with support provided by Commission employees.

We welcomed the panel's recommendations, which developed and built on the approach we had outlined in our *Betting integrity, policy position paper - March 2009* and have already implemented one of its major proposals, the creation of a Sports Betting Intelligence Unit (SBIU) within the Commission.

The unit will gather and process intelligence relating to potential criminal activity affecting Great Britain, share wider learning and, where appropriate, specific intelligence with other partners, both nationally and internationally. Our intention is that the SBIU will help bring together the intelligence efforts of partners and play its part in protecting sport from corruption.

We also provided considerable input to the DCMS review of remote gambling regulation. This resulted in proposals being published for consultation in March 2010 to extend the current licensing system to cover overseas gambling operators that market to, and are used by, British consumers. If implemented, these proposals would address the financial and operational difficulties we face at the moment in monitoring overseas operators targeting British consumers, and provide the public with confidence that all remote gambling promoted to them in Great Britain is subject to the same regulatory requirements.

Impact of the recession

Like the industry, we have not escaped the impact of the recession. Fee income has been lower than forecast due to consolidation, contraction and closures within the industry as well as some operators moving offshore. With no fee increases due in 2010 we have cut our staff and expenditure accordingly - by £1.3 million in 2009/10 compared to 2008/09 - and we are committed to working within our projected fee income for 2010/11. This has meant deferring some activity, such as enhanced web-based transactional services for operators and a more radical look at our fee structure for betting, bingo and arcades, on which we had planned to consult this year.

Without a growth in fee income we will have further difficult choices to make, for example on what enforcement action we can fund, especially prosecutions, and the level of specialist advice we are able to take in more complex cases.



The future

In addition to the implementation of the Parry recommendations on sports betting integrity and the proposal to licence overseas operators, we are also preparing for the potential merger with the National Lottery Commission (NLC). We already work closely with the NLC on research and responsible gambling issues and would expect any such merger to offer scope for further synergies and some improved cost-effectiveness.

In the short term though, any merger will present a challenge to both organisations to minimise the disruption, impact on employees and loss of momentum that such geographical and structural change inevitably involves.


We will be looking closely over the coming months at whether, with limited funds, we need to focus even more tightly on those operators and issues that have national impact; to ask whether greater collaboration with and reliance on other bodies such as licensing authorities might be more cost-effective overall; and to explore the scope for more effective collaboration with other regulatory and law enforcement bodies both here and overseas.

Our people

Our employees have shown great energy and commitment this year in developing our understanding of the Act and in developing our regulatory role while cutting costs.

Our leadership development programme successfully promoted cross-functional team-working across our organisation - and this was reflected in this year's employee survey where team-working came out strongly as one of the strengths of our organisation.

We said goodbye to Roy Penrose who retired in July 2009 as a Commissioner after eight years with the Commission, and previously the Gaming Board of Great Britain (GBGB); and to Tom Kavanagh, the Deputy Chief Executive who retired in January after almost 19 years spanning the Commission and the GBGB, although Tom remains as an adviser to the Commission on statistical matters. We will greatly miss their experience and wise counsel.



Jenny Williams
Chief Executive



Brian Pomeroy
Chairman

GAMBLING COMMISSION



operating review

The Commission's remit

The Commission regulates most commercial gambling in Great Britain, working closely with our co-regulators, licensing authorities and other organisations such as the police. The Commission regulates casinos, bingo, gaming machines and lotteries as well as betting, arcades and remote gambling, but not the National Lottery or spread betting which are the responsibility of the National Lottery Commission and the Financial Services Authority respectively. DCMS estimated that the industries regulated by the Commission generated around £6 billion in gross gambling yield (stakes less winnings paid out) in 2008/9.

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

- Keeping crime out of gambling.
- Ensuring gambling is conducted fairly and openly.
- Protecting children and vulnerable people from being harmed or exploited by gambling.

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

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

The Commission has:

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

Commission funding

The Commission is an independent body funded in the main by licence fees paid by the gambling industry but set by the Secretary of State and approved by Parliament. All our regulatory activity is funded by licence fee income (see appendix 6).

With effect from 1 August 2009 fees were revised by the Secretary of State following a public consultation held jointly with the Commission. For some 850 small operators, fees were maintained at previous levels. For the remainder, the increases on annual fees were 4.75% for most smaller operators, and 6.25% for larger operators, including all casino operators. These increases were less than the 9% rate of inflation over the period since fees were last set in 2006. Application fees were reduced by 5% through more streamlined processes. The structure of fees for those providing facilities for remote casinos, remote bingo and betting on virtual events was amended to reflect our costs more closely, reducing the fees paid by some operators who provided more than one type of remote gambling. There were changes to some fee bandings and the method used for calculating working days for on-course greyhound bookmakers. Fees were not increased for off-course bookmakers who do not provide gaming machines on their premises. No fee increases are planned for 2010 and a further review is expected early in 2011.

A funding agreement with DCMS which sets out a series of targets against which the Commission is monitored (see Table 1), as well as detailing grant-in-aid (GIA) funding from DCMS for research activity (see page 22) is in place until the end of this financial year (2010/11). GIA is used solely to support the Commission's research and prevalence study responsibilities.

Most licensed operators pay their annual fees on time but 20 who failed to pay this year had their licences revoked.

Table 1: Funding agreement targets and performance indicators

The principal targets set out in DCMS's funding agreement are below with examples of progress made against them.

Target	Progress
Develop a comprehensive compliance programme based on an intelligence-led assessment of the risks posed by licensed operators and individuals to the regulatory framework.	The Commission's developed risk assessment framework was finalised and communicated to stakeholders. All operators are risk assessed as part of a licence application. Compliance programme planning is now based on the developed risk assessment methodology, growing intelligence and regulatory returns data.
Provide advice to Ministers and others on the incidence, effects and regulation of gambling as well as the manner in which gambling is carried on.	Fieldwork for the British Gambling Prevalence Survey 2010 began during the reporting year (and is now substantially complete with a higher than expected sample size). Quarterly data collection through the ICM omnibus survey on gambling participation, remote gambling participation and perceptions of gambling, its regulation and crime has continued. Participation and perceptions data was published for the first time in January 2010 and will be published quarterly alongside the existing remote gambling data.
Complete and advise about/assist with the implementation of the Review of Research, Education and Treatment (RET).	The Responsible Gambling Strategy Board (RGSB) issued their first set of advice in October 2009 (RGSB Initial Strategy and Priorities). A revised version is expected later in the year. Most transitional issues (mainly relating to governance) were resolved within 2009/2010, and the secretariat function (shared executive) transferred successfully to the Responsible Gambling Fund (RGF) executive team (who service both RGF and RGSB) in November 2009. A new CEO for both organisations took up post in February 2010, and the executive team supporting both bodies is now largely complete.
Collect comprehensive information on business, individual and social aspects of the gambling industry to provide advice to the Secretary of State on the incidence, effects and regulation of gambling, and to measure the effectiveness of the Commission in meeting its licensing objectives.	Information has been collected on a range of topics including remote gambling, betting integrity, RET and gaming machines via: regulatory returns, compliance visits, local authorities' returns, intelligence (including from betting operators under licence condition 15.1 and by suspicious activity reports on money laundering) and from trade bodies, other regulators and law enforcement bodies. Industry statistics are published annually.
Review the impact of the licensing process on the industry, with special reference to small and medium-sized operators.	Applications dealt with within target timescales. Open meetings with smaller operators have been held to obtain feedback. Particular problems affecting small operators, such as loss of licence on death of a sole trader, are being pursued with DCMS.
Drive the development of an organisational culture which ensures that the principles of diversity and the Commission's values are embedded.	We have revised the Commission's Single Equalities Scheme to bring it up to date.
Deliver 3% value for money (VFM) efficiency savings (cash and non-cash), for example reduction in employees to steady state, productivity improvements and maintenance savings, through effective delivery of the corporate plan.	Delivered 8.7% efficiency savings in 2009/2010 compared to previous years, with reduction in senior management costs, other restructuring and streamlining savings.

key achievements

<i>Protecting young people</i>	A series of test purchase exercises was carried out in betting shops to establish whether operators had adequate and effective processes in place to prevent under-age gambling. The original disturbing results were discussed with the operators who took remedial action. Follow-up tests showed that the five major betting operators in Great Britain had made substantial improvements.
<i>Illegal gambling</i>	We concluded 125 enforcement cases during the year and revoked 46 operating licences. We won two court cases regarding illegal gaming machine supply (appeal outstanding in one case) and have a third case due in court later this year.
<i>Betting integrity</i>	We played an integral part in the government's panel looking at betting integrity and have now set up the recommended Sports Betting Intelligence Unit (SBIU) within the Commission. We are working closely with sports governing bodies (SGBs) to help keep corruption out of sports betting and encourage a better flow of intelligence in both directions.
<i>Research, education and treatment</i>	The new structure we recommended last year has been successfully set up with the Responsible Gambling Strategy Board (RGSB) under Baroness Neuberger providing advice on the strategy for research, education and treatment of problem gamblers in Great Britain. The GReAT (Gambling Research, Education and Treatment) Foundation has raised £5 million this year and the Responsible Gambling Fund (RGF) has made a start on improving how the funds are distributed.
<i>Remote gambling</i>	We worked closely with DCMS on a review of remote gambling and the recently conducted consultation on extending the existing licensing system to overseas operators providing facilities for gambling remotely to consumers in Great Britain.
<i>Partnership working</i>	We prioritised building a closer working relationship with licensing authorities and, in conjunction with LACORS, have developed a revised concordat to improve understanding of what we, licensing authorities and the industry may expect of each other.
<i>Communication</i>	Our contact centre handled 25,657 enquiries during the year, an increase of nearly 40% over the previous year with 97.4% being dealt with within three days. We held a series of open events for smaller operators to discuss issues and answer questions about the Act and our role.

Our business plan for 2009/10 details our planned activity for the year and underpins the corporate plan that was established in October 2007. Both reflect the statutory framework within which we operate and our strategic objectives.

The Commission's strategic objectives

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

We have made considerable progress in a number of areas. A report of the Commission's Hampton Implementation Review (HIR) was published in April 2009. It had been undertaken relatively early in the Commission's operational life, at our request, to help us determine whether we were on the right track. The review concluded that 'if current plans are successfully implemented, the Commission should be in a strong position to demonstrate the Hampton characteristics of better regulation throughout their work'.

The recommendations in the report have now been fully integrated into the way that the Commission approaches and conducts its business and are reflected in our business plan. This is now better focused on outcomes, covering programmes of work such as technology and innovation, betting integrity and remote gambling.

We have improved our use of intelligence and risk analysis and established the SBIU within our existing resources (see page 16 for more detail); we are improving the quality of the data collected through regulatory returns and the explanation for the data requested. We target clear, tailored guidance and advice to specific audiences.

We are building relationships with our co-regulators, particularly licensing authorities, and in March 2010 agreed an updated concordat with LACORS. This sets out the principles in general terms which determine the respective roles of the Commission and licensing authorities and provides the framework within which they carry out their respective duties under the Act.

We have also developed our relationship with organisations such as the Association of Chief Police Officers (ACPO) (see page 20), and our compliance managers are developing good relationships with licensing officers, local police and other partners in our local area.

We continue to develop our engagement with operators, particularly those in sectors brought into Commission regulation in 2007 by the Act. For example we conducted a series of open meetings nationally, aimed particularly at smaller betting and arcade operators to give them the opportunity to meet the Commission, discuss industry issues and raise their concerns.

Principal risks and uncertainties facing the Commission

■ **Scale and make-up of the industry:** The past year has seen operators go out of business or reduce their scale of operation and some have moved offshore. Such changes result in a reduction in the Commission's fee income and are ongoing, while the effects on our income of any recovery will be delayed. Our income assumptions are prudent but assume that the economic situation is not going to deteriorate further. Until the end of September, when the bulk of our annual fee income should have been collected, there will be uncertainty about this year's fee income and that uncertainty will continue in future years.

■ **Policy changes:** Final decisions have not yet been taken, but it is likely that the government will decide to merge the National Lottery Commission and the Gambling Commission. The form and timing of the merger will depend in part on how the government decides to handle the key differences in the remits of the two Commissions. The Commission's future remit and structure will also depend on the government's decision on whether to require the licensing of remote operators who wish to provide gambling to UK based gamblers.

We expect international issues to continue to affect our work more widely. We work with other jurisdictions to gain a common understanding of our differing approaches and issues. We now have agreements with, for example, FIFA and International Sports Monitoring to help gather information on betting in overseas markets. The Commission may also be affected by other aspects of the government's arms length body review and prospective legislation on public bodies.

■ **Legal challenges:** The past year has seen a number of challenges to our interpretation of the Act. We expect these to continue, especially with the rate of innovation and technological development in the industry, with unpredictable consequences in relation to expenditure on legal and other expert advice.

■ **Evidence base:** While considerable progress has been made in building up data on the industry and on the risks to the licensing objectives, there is still some way to go. In particular more evidence is needed on what would help consumers avoid harm from gambling, on what particular aspects of gambling or gambling products lead to addictive behaviour, and on what treatment is most effective. The RGSB will advise us on the range and quality of evidence available, and we maintain a small in-house research capability.

■ **Sports betting integrity:** It is not clear whether the proposals for improved arrangements for detecting and dealing with sports betting corruption will lead to a significantly greater workload for the Commission. At present the Commission is absorbing the additional costs, for example of the SBIU, within its existing budget.

■ **Co-regulation:** There is more work to do in delineating the respective responsibilities of the partners in the regulatory system - the Commission, local authorities, the police and others. Expectations of the regulatory system and the Commission often exceed what the Commission should, or can in practice, deliver. This can lead to frustration, particularly on the part of licensed operators, at perceived inconsistencies and lack of action. We have published jointly with LACORS a renewed enforcement concordat and are establishing a series of working protocols to guide our co-operation on gambling regulation. This is an area where we plan further work with our co-regulators and other stakeholders, taking account of the new government's policy on decentralisation and engaging with local democracy, which may have implications for the Commission's resourcing and structure.

Further information about our approach to risk management is detailed within our Statement on Internal Control on page 35.

effective regulation

Licensing activity

Risk assessment begins with the licence application and every applicant goes through a rigorous process to ascertain their suitability to hold a licence.

This year 725 operating and 77 ancillary licensed activities were assessed and issued under operating licences. We issued 5,025 personal licences of which 4,154 were personal functional licences (PFLs) relating to the casino industry. Because a licence may authorise more than one licensed activity, the total number of licences does not correspond to the total number of activities.

All individuals in the casino industry who held section 19 certificates under the Gaming Act 1968 became the holders of personal licences under the Gambling Act 2005 by 31 December 2009.

The increase in non-remote licensed activities for gaming machine technical suppliers was largely due to 62 operators who previously held 1968 Act certificates which had expired applying for non-remote licences under the 2005 Act.

The number of non-remote bingo operators almost doubled (from 17 in 2008/09 to 32 this year) with only 11 licences being issued to new operators and most of the rest coming from existing adult gaming centre (AGC) operators who applied for a variation to their existing licence.

At 31 March 2010 we had 3,275 operators licensed to carry out 3,997 licensed activities and around 12,900 personal licence holders. Details of licensing activity during the year are shown in Table 2.



Table 2: Licensing activity

1 April 2009 to 31 March 2010									
Licensed activity*	New licensed activity		Licensed activity surrendered		Licensed activity revoked/suspended /lapsed/expired/ superseded		Total as at 31 March 2010		
	non-remote	remote	non-remote	remote	non-remote	remote	non-remote	remote	total
New casino	1	3	0	3	1	2	3	18	21
Existing casino	2	-	6	-	1	-	50	0	50
Bingo	32	3	13	0	7	0	228	12	240
General betting (standard)	77	16	102	9	35	6	590	73	663
General betting (limited)	32	-	56	-	9	-	681	0	681
General betting (telephone only)	-	8	-	5	-	2	0	41	41
Pool betting	3	20	6	6	0	3	23	53	76
Betting intermediary	0	13	0	4	1	4	2	24	26
Gaming machine general: AGC**	51	-	45	-	26	-	612	0	612
Gaming machine general: FEC***	13	-	25	-	33	-	274	0	274
Gaming machine technical: Full	15	1	4	1	4	0	61	12	73
Gaming machine technical: supplier	124	0	13	1	10	0	316	1	317
Gaming machine technical: software	3	2	1	0	1	0	12	5	17
Gambling software	5	17	7	6	3	5	50	55	105
External lottery manager	3	2	6	2	1	0	24	10	34
Society lottery	226	53	20	7	1	0	357	96	453
Converted lottery	0	-	59	-	219	-	62	0	62
Converted machine	0	-	22	-	93	-	252	0	252
Totals	587	138	385	44	445	22	3597	400	3997

* An operating licence may be non-remote, remote or ancillary and may authorise more than one licensed activity. Thus, the total number of activities is not a true reflection of the total number of licences

** Adult gaming centre

*** Family entertainment centre

Compliance activity

Once an operator is licensed, the pattern of our compliance activity is influenced by a range of factors including customer complaints, website reviews, test purchase exercises, previous compliance visits and assessments. We may also identify concerns from intelligence gathered about an operator that lead to direct compliance activity. This means that, in the longer term, all operators will receive the regulatory intervention that their performance warrants.

Our compliance activity remained focused on a proportionate, cost-effective approach to help licensed operators comply with the licensing objectives. Our compliance managers work closely with licensing officers and other partners to provide support to our enforcement teams. This year they carried out 2,471 premises visits and, between 1 September 2009 and 31 March 2010, we completed 142 compliance telephone calls – an efficient approach to assessing operator compliance that we commenced in some industry sectors in September 2009. Following these telephone calls, no further action was required in 98 cases. In the remainder, action was taken on a range of issues from giving advice to arranging for a licence variation (see Table 3).

All new operators now receive a telephone call (known as a first contact call) within three months of receiving their operating licence. This is to ensure that they are clear about what they need to do to ensure compliance with our Licence Conditions and Codes of Practice (LCCP). Between 1 October 2009, when we commenced first contact calls, and 31 March 2010 we completed 118 such contacts. No further action was required in 102 cases.

The follow-up calls to 16 operators covered a range of issues from the requirement for a licence variation to a change in contact details.

Chart A: Compliance visits to licence holders

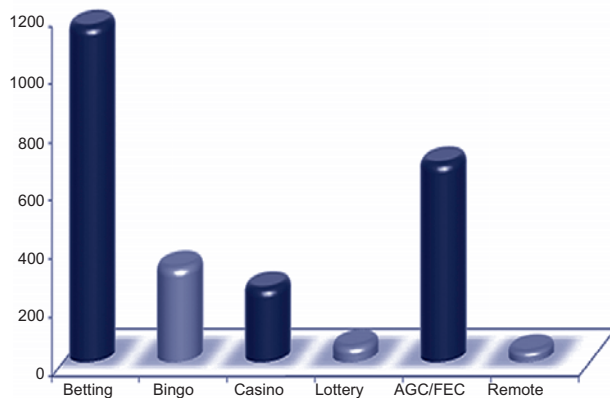


Table 3: Visits to licence holders

Industry sector	Compliance visits – premises		Compliance handled centrally
	Non-remote 1 April 2009 – 31 March 2010	Remote 1 April 2009 – 31 March 2010	1 Sept 2009 – 31 March 2010
Betting	1153	29	139
Bingo	326	4	1
Casino	254	5	2
Lottery	55		
AGC/FEC	683		
Total	2471	38	142*

* this total does not include the first contact compliance calls (see above)

Developing the regulatory framework

As a principles-based regulator, the Commission recognises that it can help secure a compliant industry by testing and developing the regulatory framework, in partnership with the industry, local authorities and others. Some highlights from this year include:

Betting and integrity

The Commission has been developing its expertise and understanding of the profile and scale of threats to betting integrity since we were set up in September 2007. We have also developed relationships with SGBs, betting operators and the police to build the capacity and the legal framework to help manage betting integrity issues.

In March 2009 we published a policy paper on betting integrity which noted that the sports themselves (SGBs, clubs and players), the betting industry and enforcement authorities – principally the Commission and the police – all play important roles in maintaining the integrity of sport. Following this paper, in June 2009 the Minister for Sport brought together a panel of experts from the betting industry, the police, players, fans, SGBs, the legal profession and the Commission to make recommendations on how the bodies concerned could work together more effectively.

“Our intention is that the SBIU will help bring together the intelligence efforts of partners and play its part in protecting sport from corruption.”

The panel’s report, published in February 2010, made a number of recommendations including the establishment of the SBIU within the Commission.

We welcomed the recommendations and are supporting all those involved in implementing them. The SBIU is already operational and we began a review of the operation of the licence condition concerning the reporting of suspicious offences. We are also working with betting operators to make the contravention of professional or employer rules on betting a breach of the betting operators’ licence conditions, which we believe will represent an important strengthening of the regime.

We carried out two rounds of test purchasing to examine controls on under-age betting. The results of the first round, which concentrated on the larger operators, were very disappointing. However, the operators responded constructively and results of the second round were much better, although there remains scope for improvement.

The second round of testing also looked at arrangements in place outside the main high street operators and we are grateful for the support provided by local authorities, who are co-regulators under the Act, in carrying out this exercise.

Inherent in the LCCP is the concept of the primary responsibility for compliance lying with the operator. We are placing increasing emphasis on examining the controls - for example self-testing - that operators have themselves put in place.

We are also encouraging the sharing of good practice, and, in this respect, we welcome the establishment by the Association of British Bookmakers (ABB) of its Social Responsibility Forum.

A new licence condition and code of practice on primary gambling activity was introduced in May 2009 for most operators (detailed in a LCCP supplement published in January 2009). To establish principle and precedent, and to help clarify the law for operators, in December 2009 we successfully made 18 representations on premises licence applications. We did this when it became known that operators planned to vary existing premises in a manner incompatible with the provision of their primary gambling activity. Following a media campaign targeted at trade associations, trade press and licensing authorities, we now have evidence that the industry itself is making representations on such applications, informed by our stance on primary gambling activity requirements. Throughout this process we have worked very closely with both LACORS and individual licensing authorities to share our understanding and discuss concerns at the earliest opportunity.

Elsewhere, we issued advice to racecourses about corporate hospitality boxes following concern that some may be operating as unlicensed trading rooms. We continued to take action on betting in pubs, directly through enforcement action and by providing information to operators and others about the law in this area.

Remote gambling

An increasing number of gambling operators now maintain their remote gaming business offshore - sometimes regulated by different jurisdictions for different products - the result of which is that they fall outside the scope of the Act and are not regulated by the Commission. During the course of the year William Hill, Ladbrokes and Skybet relocated all or part of their remote operations offshore, further increasing the proportion of services targeting consumers in Great Britain which are not regulated here. At the same time, the European market is changing with a number of member states introducing national licensing regimes for remote gambling.

Against this background, and following concerns raised by Parliamentarians and others as to whether the current protections for consumers in Great Britain are sufficient, in April 2009 the Government announced that it intended to review the system of remote gambling regulation. The Commission was closely involved in the review.

“...these proposals would ... provide consumers with confidence that all remote gambling promoted to them in Great Britain is subject to the same regulatory requirements.”

This was followed by a public consultation launched by DCMS in January on the feasibility of extending the existing licensing system for remote gambling to overseas-based operators that offer services to or advertise in the UK. The main outcome - which we welcome - was the publication by DCMS in March 2010 of proposals to extend the current licensing system to cover overseas gambling operators that market to, and are used by, British consumers. That consultation closed in mid-June.

In the meantime, we continued to carry out head office inspections of remote gambling operators regulated by the Commission, using a risk-based approach. And, as part of a rolling test purchase programme on under-age gambling, we focused on those operators with deficiencies identified in previous tests to ensure they had taken appropriate and timely action to rectify shortcomings. These operators will be retested in the future.

Technology and innovation - gaming machines

There is a great deal of innovation within the gaming machine industry, which tests the boundaries of the Act. We work closely with the industry and trade bodies such as the British Amusement and Catering Trade Association (BACTA) to develop the regulatory regime within the framework of the Act taking account of the practical realities of running a business in the sector.

We have worked intensively this year with the industry, trade bodies and HMRC, on characteristics to help clarify what constitutes a skill with prizes (SWP) machine as opposed to a gaming machine. SWPs are not regulated by the Commission. However, machines offering games that are based on chance or on chance and skill combined, or are presented as a game of chance, are recognised by the Act as gaming machines and are therefore regulated by the Commission.

We have recently published the criteria we currently apply to decide whether a machine is a gaming machine, which will help manufacturers, suppliers and operators determine whether a specific machine is a SWP or gaming machine.

An innovation from the bingo sector this year was the introduction of video bingo terminals (VBTs) - machines that play bingo and are therefore exempt from limits on numbers, and stakes and prizes. Following initial concerns that some of the first VBTs developed were in fact gaming machines and not machines offering genuine bingo, the Commission worked with both the Bingo Association and BACTA to produce a list of characteristics that must be present in games, whether or not played by machine, to be classed as bingo. The characteristics were published in June 2009.

Casinos

Also in June 2009, following consultation with the casino industry, we made a change to the current casino reserve arrangements, to base the reserve on the single highest-staking table in a casino group, without any additional sums being required; the casino industry welcomed this move. Our plan is to follow this up with further work on the level of reserves needed, subject to resource availability.

To date we have approved over 35 trial games, variations and side bets for the British market and we are currently reviewing the way casino games are trialed in Great Britain. The industry has been involved in developing proposals and a consultation will follow in the autumn, along with a new edition of the rules of casino games in Great Britain.

We are scoping a focused review of LCCP to ensure its relevance for 2005 Act casinos, and continue to engage with the Local Authorities Casino Network Forum to discuss issues facing the 16 local authorities within the 2005 Act permitted areas.

Lotteries

Although the Commission has no direct regulatory responsibility for genuine prize competitions and free draws, we continue to monitor the boundary between them and lotteries, and to work with other regulators such as the Office of Fair Trading (OFT), Ofcom and Phonepayplus on, for example, ensuring that TV quizzes comply with the law.

This year the number of house competitions giving cause for concern fell as organisers took heed of our advice. We have distinguished between lotteries and genuine prize competitions and free draws and advised organisers to obtain legal advice before proceeding.

Poker

The Commission has had concerns about the number of reports of poker being played illegally throughout the country. This includes pub poker league tournaments, poker played in pubs outside of leagues, poker played for commercial gain under the guise of a club gaming permit and poker played without permits or permissions. While we now consider that the majority of operators comply with the rules, to ensure these are fully understood, we published a guide in July 2009 to help organisers of poker events ensure that they do so legitimately. Where illegal poker was identified we worked with licensing authorities (who are responsible for granting club gaming permits and therefore often take the lead in tackling this type of illegal activity) and the police.

Enforcement activity

We received 140 referrals to our Enforcement department during the year, which added to the 111 active cases at 1 April 2009. This total of 251 cases consisted of criminal and regulatory matters across all industry sectors.

We are committed to completing investigations as quickly as possible whilst adhering to the procedures that protect the right of those being investigated and the interests of the Commission. Each case is different, some being completed within a relatively short time whilst others, due to the complexity of the circumstances, can take many months to conclude and be costly to undertake. In some cases the nature of the matters under investigation require us to work with other regulatory and law enforcement bodies, and throughout the year we have enjoyed productive collaborations.

Of the 251 cases this year, we brought 153 to conclusion, with 98 remaining as active cases on 1 April 2010. Of those concluded, 33 were dealt with as criminal investigations and the remaining 120 as regulatory cases. Table 4 illustrates the breakdown as to how cases were finalised.

Table 4: Enforcement disposals

Enforcement disposals	Criminal/illegal				Regulatory								
	Prosecutions	No further action	Cautions	Referral to another agency	No further action	Licence condition added	Advice to conduct	Warnings	Warning with conditions	Licence surrendered	Lapsed	Revocations	
1 April 2009 to 31 March 2010													
Arcades	0	0	0	0	8	0	7	1	0	0	0	0	1
Betting	0	5	1	0	13	1	4	2	3	2	0	0	1
Bingo	0	0	0	0	2	0	1	1	0	0	0	0	2
Casino	1	0	1	1	12	0	7	13	0	1	3	0	21
Gaming machine supply	1	13	7	0	4	0	3	0	0	0	0	0	0
Lottery	0	1	0	1	4	0	0	0	0	2	0	0	1
Remote	0	1	0	0	0	0	0	0	0	0	0	0	0
Total	2	20	9	2	43	1	22	17	3	5	3	0	26

We revoked 54 licences between 1 April 2009 and 31 March 2010, the breakdown of issues giving rise to revocations shown in Table 5. There were 26 personal licences revoked due to a variety of circumstances and 28 operating licences from 24 different operating licence holders. 27 of the operator licence revocations resulted from the non-payment of the annual fees and the remaining one resulted from breaching licence conditions and codes of practice (LCCP).

In addition, two operating licences were suspended during the year, one for a breach of licence concerning the location of remote gaming equipment and the other because directors of the company were arrested for other serious criminal offences.

All the court cases undertaken to date have involved the illegal supply of gaming machines. One operator pleaded guilty to supplying gaming machines to 19 premises without an operating licence and was fined £2,000, and another operator was found guilty on eight counts of making gaming machines available for use and supplying and maintaining gaming machines without an operating licence. A third case, dating back to October 2008, is due to go to court in August 2010.

Co-regulation

While the Commission licenses operators and certain individuals in key positions within organisations, licensing authorities license gambling premises and issue permits within their local area.

In April 2009 we published updated guidance for licensing authorities concerning their functions under the Act. We have concentrated time and effort during the year on developing our relationship with licensing authorities, working closely with the Convention of Scottish Local Authorities (COSLA) and with LACORS. An open meeting, supported by the Scottish Executive and COSLA, was held with licensing standards officers and police representatives from across Scotland in November 2009 to discuss the requirements of the Act and how to improve our work together in Scotland. An updated concordat between the Commission and LACORS, which sets out principles in general terms of how the Commission and licensing authorities will carry out their respective duties under the Act, was published in March 2010 and protocols are now being drawn up detailing how we will work together on particular topics such as information exchange and test purchasing.

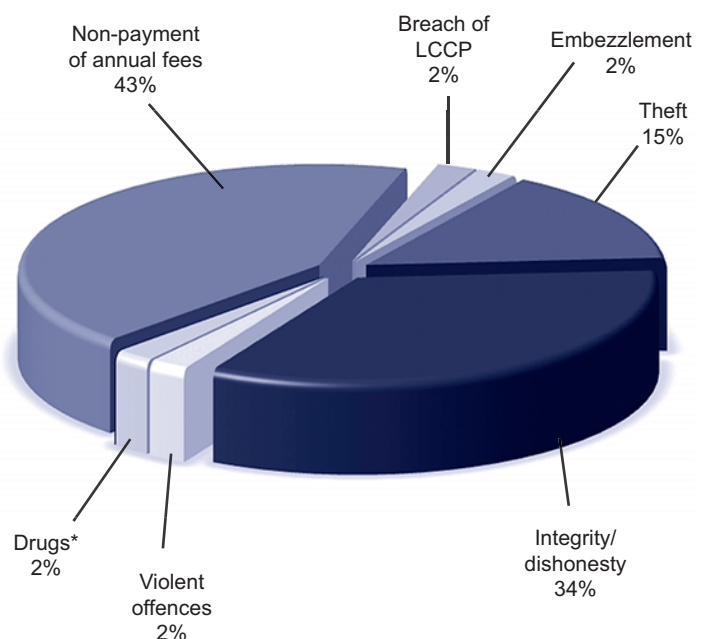
Table 5: Licence revocations


Reasons for revocations 1 April 2009 to 31 March 2010	Operating licences (2005 Act)	Personal licences (2005 Act)	Certificates (1968 Act)	Total 2009/10
Breach of LCCP	1	-	-	1
Embezzlement	-	1	-	1
Theft	-	-	6	6
Integrity/dishonesty	-	10	7	17
Drugs*	-	-	1	1
Violent offences	-	-	1	1
Non-payment of annual fees	27	-	-	27
Total	28	11**	15**	54

* Involvement with drugs (including drug-related convictions)

** See revocations column in Table 4

Chart B: Total revocations





Our joint challenge is to ensure that operators are fully aware of these protocols and the way we work together - that is, with the Commission prioritising high impact risks of regional or national significance while licensing authorities are concerned with risks within their geographical boundaries with a high impact at a local level.

We also developed memoranda of understanding (MOU) or information sharing agreements with the Association of Chief Police Officers (ACPO), the ACPO Criminal Records Office (ACRO), the Charity Commission, the Independent Betting Adjudication Service (IBAS) and the Local Better Regulation Office (LBRO) and, outside Great Britain, with the Federation of International Football Associations and International Sports Monitoring.

Working together to combat illegal activity

We have worked closely with the police on a number of joint operations. For example, we joined the Greater Manchester police in a community safety and intelligence gathering initiative, establishing an approach that can be rolled out elsewhere in Great Britain; we worked with Cheshire police on illegal poker in pubs; and with Lancashire police and Rossendale Borough Council on an operation regarding the illegal supply of gaming machines to alcohol-licensed premises. In addition our compliance managers worked on a number of joint operations with licensing authorities and the police. For example, we supported officers from Cheltenham Council and the Gloucestershire police to combat illegal gambling during Cheltenham Festival week.

Money laundering/proceeds of crime

The Commission is a supervisory authority under the Money Laundering Regulations 2007 and we work with the casino industry to ensure that they have suitable anti-money laundering processes in place. We also have a duty to help operators to meet their responsibilities under the Proceeds of Crime Act 2002 (POCA), and this year we published advice for non-casino operators on their duties and responsibilities under POCA as well as an information leaflet for small businesses.

In March 2010 the Commission recommenced quarterly anti-money laundering (AML) forums for the non-remote and remote casino sectors to allow casino money laundering reporting officers and Commission employees to share experience and best practice and to better inform our AML policy development.

Communication

We hold annual or bi-annual meetings with each of the seven gambling sectors we regulate as well as with faith groups and charities. We hold specific topic based meetings, for example, on bingo characteristics (see page 17), and we also meet more informally throughout the year. This year we undertook six consultations, for example on casino gaming reserve and our Statement of Principles, and one jointly with DCMS.

Commission representatives undertook a number of external speaking engagements to a variety of audiences including trade associations, licensing authorities and academic institutions as well as several engagements to promote a better European and international understanding of gambling regulation in Great Britain. In addition we had a presence at the International Gaming Expo (incorporating the International Casino Exhibition and the Betting Show) and the European Amusement and Gaming Expo in London.

As part of our drive to promote better understanding of our role and of the Act, we held 11 open events throughout the country to provide smaller operators with an opportunity to ask questions and discuss issues relating to the Act. Operators were able to meet a range of Commission personnel including Commissioners, senior managers and sector experts, and workshops held at the events covered topics selected by attendees in advance, such as self-exclusion and keeping children out of gambling premises. Around 500 operators attended, 75% of attendees said they found the events worthwhile. There was an element of frustration among operators, some of which was aimed at issues outside of the Commission's remit.

“... we supported officers from Cheltenham Council and the Gloucestershire police to combat illegal gambling during Cheltenham Festival week.”

Following in-depth consultation with users, the Commission launched an improved website in August 2009. We are now working towards providing more interactivity on the website and have recently introduced an improved fees calculator to help operators determine the levels of fees applicable to their operation.

We published 33 documents on the website including consultations, information and research findings and guidance and advice to the industry, plus information for other stakeholders. We also created a series of quick guides to provide clear basic information on a range of topics such as the rules regarding running a lottery including raffles, tombolas, sweepstakes and advice for organisers of race nights, casino nights or poker nights.

We worked with the Welsh Language Board (WLB) during the year to develop a Welsh language scheme for the Commission. Following consultation the scheme was approved by the WLB in January 2010 and we already have a dedicated page on our website for Welsh speakers.

Working with international regulators

Commission representatives attended a number of events with overseas regulators including the annual conference of the Gaming Regulators European Forum (GREF). The Commission's Chief Executive is on the steering committee of the International Association of Gambling Regulators (IAGR) and chairs the IAGR e-gambling working group.

Last year this group produced good practice guidelines for technical standards for remote gambling. It is now concentrating on sharing good practice in compliance and enforcement, and aims to publish a toolkit that can be used by regulators to develop or refine their regulation of remote gambling. A new GREF e-gambling group, jointly chaired by the Commission and the Danish regulator, was established last year to look at remote gambling developments in Europe and the regulatory implications.

The South African National Gambling Board visited our Birmingham offices in July 2009 and we met representatives from France and Denmark in January 2010. In addition, we accompanied DCMS and the UK Foreign and Commonwealth Office (FCO) to the Netherlands in October 2009 to discuss remote gambling with the Dutch Ministry of Justice; our Director of Regulation was invited to visit the Singapore authorities to advise them on gambling regulation and we provided evidence on remote gambling to both the US Congress and the Australian Productivity Commission.

Enquiries and complaints

Our contact centre handled 25,657 enquiries during the year, an increase of nearly 40% over the previous year, of which 97.4% were dealt with within three days. The queries covered a range of topics including regulatory returns, fees and our open events.



We received 122 complaints against operators, personal licence holders and other bodies, of which 72% were dealt with within ten days. In addition, we received 146 reports of suspected illegal operations, that were passed, to our Intelligence team. These calls covered a range of topics including allegations of illegal betting, illegally sited gaming machines or allegations that machines had been tampered with to reduce or restrict payouts.

A total of 17 complaints were received about the Commission during the year. Investigations into two complaints continue; eight were not upheld, three were partially upheld and four, relating to service provision, were upheld.

Table 6: Enquiries and complaints

1 April 2009 to 31 March 2010	Total
Enquiries	25,657
Complaints against an operator	73
Complaints about personal licence holders	0
Complaints about other bodies	49
Reports on suspected illegal operations	146
Total	25,925

research, education and treatment (RET)

In October 2008, the Commission recommended improvements to the way in which research, education and treatment (RET) in relation to problem gambling is delivered. Those recommendations were accepted and we now have in place the Responsible Gambling Strategy Board (RGSB), chaired by Baroness Neuberger and consisting of experts in the fields of research, education and treatment. This independent board advises the Commission on the research, education and treatment elements of a responsible gambling policy. It delivered its initial recommendations to the Commission in October 2009 and will publish full recommendations later in 2010.

Greater certainty over funding and better distribution of the funds raised is being secured through:

- the GReAT Foundation, a charity that collects voluntary donations from the gambling industry to support research, education and treatment.
- the Responsible Gambling Fund (RGF), also a charity, which distributes the funds raised by the gambling industry.

To save on costs the RGSB and RGF share an executive team. In 2009/10 the Commission made available £250,000 from fee income to fund the activities of the RGSB, and will make the same amount available for 2010/2011. This funding supports the core work of the Chair and Board members (in terms of attendance fees at meetings and reasonable travel and subsistence costs) as well as a proportion of the costs of the shared executive team. In the last year the Commission supported the transition to this new structure including the secondment of employees from the Commission and DCMS to a temporary secretariat.

This level of involvement ceased at the end of March 2010, as a new chief executive of the RGSB and RGF took up post in February 2010 and the remaining posts within the shared executive were filled.

Three expert panels (on research, on prevention and on education and treatment) advise both the RGSB and RGF. The Commission holds an observer post on the research panel and continues to share knowledge on research and regulatory matters with the panel members. In particular we have shared our research findings on high-stake, high-prize gaming machines - a key priority within the RGSB's research programme.

Research

Throughout the year the Commission has been completing the commitments set out in our research programme. This included one final, small-scale project examining recovery from problem gambling and a larger body of work to complete our studies relating to the previous British Gambling Prevalence Survey (BGPS) 2007. Further follow-up with participants from the 2007 survey resulted in two outputs - a qualitative study of gambling experiences and impacts, and testing of a range of questions that could be suitable for a longitudinal study of gambling.

“... there is now a more coherent and soundly based approach to commissioning and evaluating research, education and treatment and the industry has raised £5 million for 2009/2010...”

We concluded our research programme on high-stake, high-prize gaming machines in June 2009 and identified a set of priorities for further research into their impact. Our findings and recommendations were outlined in a letter to the then Minister for Sport in June 2009, which included reference to two research projects that were published fully in October 2009. The first was an exploratory exercise with a Commission-appointed panel of academics with particular machine expertise. The second was a qualitative study of machine gamblers. The priorities we identified and our knowledge in this area has been shared with the RGSB and its research panel to enable them and the RGF to take this work forward.

research activity 2009/10

Table 7: Research activity

Research	Published	Purpose
Prevalence Survey and problem gambling		
Qualitative study: Recovery from problem gambling	April 2009	Analysis that examines the routes in and out of problem gambling, exploring the motivations, attitudes and self-perceptions of gamblers.
British Gambling Prevalence Survey 2007: Qualitative follow-up	June 2009	In-depth study that explores the BGPS 2007 participants' gambling experiences and behaviours, and the impacts of these.
Questionnaire development for a longitudinal study of gamblers: Parts 1 and 2*	Sept 2009	Questionnaire development for a longitudinal study of gamblers - phase 1 and phase 2.
Machines research programme		
Letter to the Minister on machines programme	June 2009	To inform the Minister of the outcomes of our research programme on machines.
Gaming machines research programme: Qualitative study into machine gambling	Oct 2009	Explores patterns of behaviour and views of gaming machine players.
Gaming machines research programme: Expert panels	Oct 2009	A number of international and British academic experts were consulted to identify and prioritise a programme of research on gaming machines in Great Britain.
Participation and attitudes		
Omnibus data on remote gambling	April 2009, July 2009, Oct 2009, Jan 2010	Quarterly trend data on participation in remote gambling.
Omnibus data on participation in all forms of gambling (to be published as a combined report with the remote data above)	Jan 2010	Quarterly trend data on participation in all forms of gambling.
Omnibus data on perceptions of crime and gambling	Jan 2010	Annual trend data on public perceptions of whether gambling can be trusted and the association between gambling and crime to indicate the level of confidence in the effectiveness of the regulatory regime in Great Britain.

* This study was co-funded by the National Lottery Commission and the Responsibility in Gambling Trust

We completed our existing research programme during 2009 and, with the RGSB and the RGF in place, the Commission has refocused its research activity. Our research efforts will now primarily focus on our duty to advise the Secretary of State on the incidence and effects of gambling. To this end, the fieldwork for the Commission's second prevalence survey has been underway throughout the year, the results of which will be published in February 2011.

As part of our ongoing research activity, we are currently reviewing the mechanism for collecting gambling participation and problem gambling prevalence data. This includes considering the efficacy of the prevalence survey as a mechanism for producing data on who gambles and the levels of, and factors associated with, problem gambling.

Throughout the year we have been making better use of regular omnibus surveys that ask questions of a smaller sample size, but produce quick and regular results. The omnibus surveys have been used to collect data on gambling participation in a wide range of gambling activities and we first published these results alongside our longstanding data on remote gambling participation in January 2010.

We have also used this survey vehicle to ask about people's perceptions of gambling in relation to two of our licensing objectives (association with crime and whether gambling is fair and can be trusted). This provides feedback on how effective the regulatory regime appears to the public and tells us what particularly concerns them. This information was first published in January 2010. In addition, we have started trialling the use of problem gambling screening measures within the omnibus survey to assess whether this can produce reliable results. How we proceed longer term with the collection of this information will be the topic of a consultation to take place throughout the autumn of 2010.

The Commission is developing an even closer working relationship with the National Lottery Commission on research matters.

Our current strands of research activity are set out in Table 8.

Table 8: Research ongoing in 2010/11

Research	To be published	Purpose
British Gambling Prevalence Survey 2010	February 2011	An updated picture of national gambling participation, problem gambling prevalence and attitudes.
Mini-screens trial	Ongoing	To establish how problem gambling screening instruments perform in a telephone omnibus survey.
Omnibus data on participation in all forms of gambling and remote gambling	Quarterly (April 2010 July 2010 Oct 2010 Jan 2011)	Quarterly trend data on participation in all forms of gambling and participation in remote gambling.
Omnibus data on perceptions of crime and gambling	Jan 2011	Annual trend data on public perceptions of whether gambling can be trusted and the association between gambling and crime to indicate the level of confidence in the effectiveness of the regulatory regime in Great Britain.

how we manage our business

Led by the Chairman, Brian Pomeroy, a Board of Commissioners (the Board) oversees the business of the Commission. Day-to-day activity is managed by the senior management team led by the Chief Executive, Jenny Williams.

The Commission is managed through three boards with distinct remits – the Management Board (the senior management team), Operations Board and the Regulatory Policy Board. In addition the Risk Management Committee sits quarterly (see appendix 4 for information on their remit and membership).

The Commissioners

Commissioners are appointed by the Secretary of State for Culture, Olympics, Media and Sport and include the Commission's Chief Executive. Details of the Commissioners are given at appendix 1. Commissioners are responsible for the strategic direction of the Commission and for the performance of the senior management team.

They also determine some more complex licence applications and retain responsibility for the more serious regulatory decisions in, for example, cases of licence revocations.

During the year they focused on:

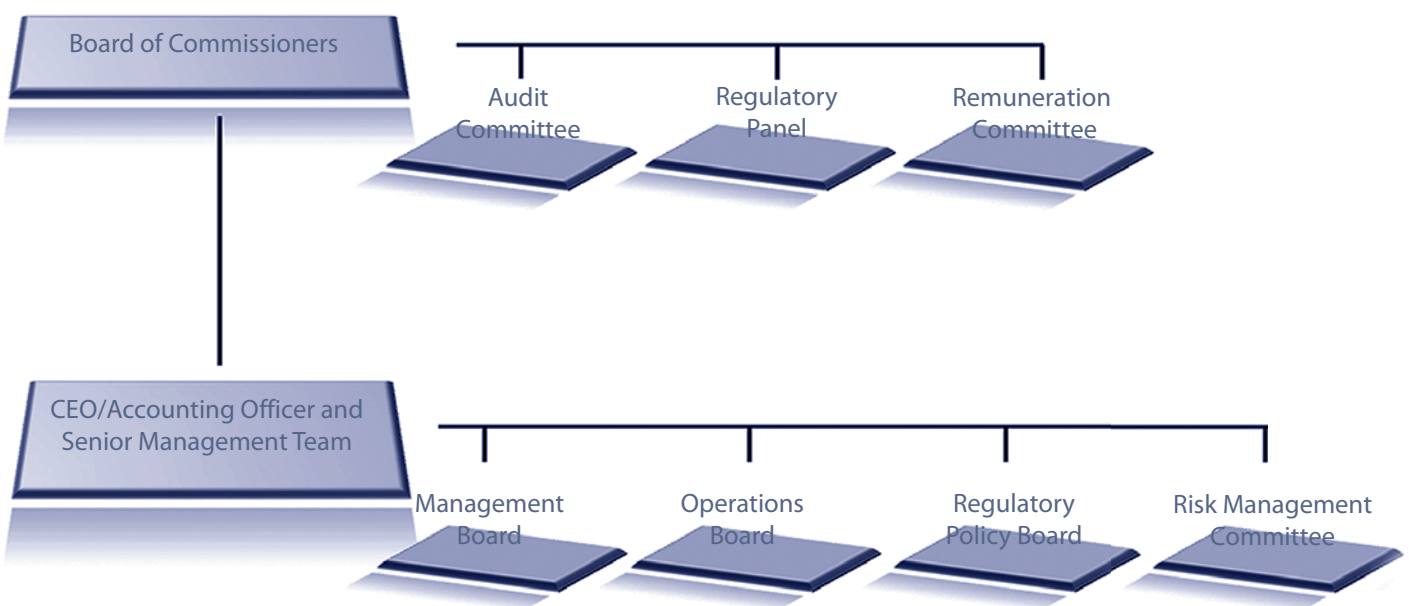
- identification and management of our key risks
- financial management and governance
- the development of policies, procedures and controls in the light of experience gained
- development of strategy for research, education and treatment by the Responsible Gambling Strategy Board
- management of relationships with our stakeholders.

In line with our Corporate Governance framework and the Code of Practice for Commissioners, the Commission is committed to a full external evaluation of the way in which the Board functions and its overall effectiveness in order to identify any areas for improvement and development.

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

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

Chart C: Reporting structure



our people

Employees

We continued to invest time and resource in developing our leadership capability. Management and leadership development programmes focus managers and employees on achieving our corporate objectives as effectively as possible. The outcome in areas such as cross-functional team-working appears constructive and positive.

Achieving Investors in People status last year was a positive step in the Commission's drive to be an employer committed to high standards and continuous improvement. We collect, analyse and disseminate employee views through, for example, employee surveys and in November 2009 employees participated in the Sunday Times Best Companies Best Places to Work in the Public Sector 2010 survey.

The results told us that, compared to other similar size public sector organisations, we performed particularly well in the areas of employee wellbeing and team-working but not so well in others such as 'fair deal', which includes how well employees feel their pay and benefits compare to similar operations. We intend to participate in this survey again in 2010 and to benchmark future results against these responses.

The Commission has a full suite of employment policies and procedures, all of which have been developed in consultation with our employees. As employment legislation is complex and constantly evolving, we review our policies and procedures regularly to ensure we meet our employment obligations over the key areas of recruitment and selection, pay and benefits, training and development, equal opportunities and employment relations.

Following an employee consultation, we are now talking to the Public and Commercial Services Union (PCS) regarding trade union recognition for Commission employees.

As at 31 March 2010 we had 222 employees, with 49 being home based and 173 based in Birmingham. A full breakdown of the make-up of our employees is included at appendix 5.

Sickness absence

During the year the average proportion of working days lost to sickness was 2.5%. This compares favourably with the public sector average of 3.8% (IRS Employment Review).

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

Equality and diversity

An Equality and Diversity Group has been established, chaired by the Director of Strategy, Research and Analysis, to support the Commission's strategic objectives.

During the year the Commission revised its Single Equalities Scheme and reviewed the plans for further development including:

- the establishment of an online training programme
- support for employee attendance at Real Experience events. The Real Experience programme aims to raise awareness of diversity issues through involvement with community projects.
- provision of Equality Impact Assessment (EIA) training for appropriate employees.

In addition a full review of how the tendering process can influence equality and diversity with suppliers will take place during 2010.

Commission employees support a recognised charity, Promise Dreams, an organisation that helps seriously and terminally ill children.

The Commission and the environment

The Commission's environmental policy was established in 2008 to minimise our environmental impact and cost-effectively improve the environment in line with legislation. Our environment group works to raise awareness within the Commission and as a result this year our carbon footprint has been maintained at a level of 1.4 tonnes per employee (at 31 March 2010) well below the statutory requirement of two tonnes.

In our Birmingham offices:

- we have increased the level of products we recycle including paper, card, glass, tin, plastics, printer cartridges and batteries, by nearly 20%.
- our consumption of non-recyclable products is now negligible.

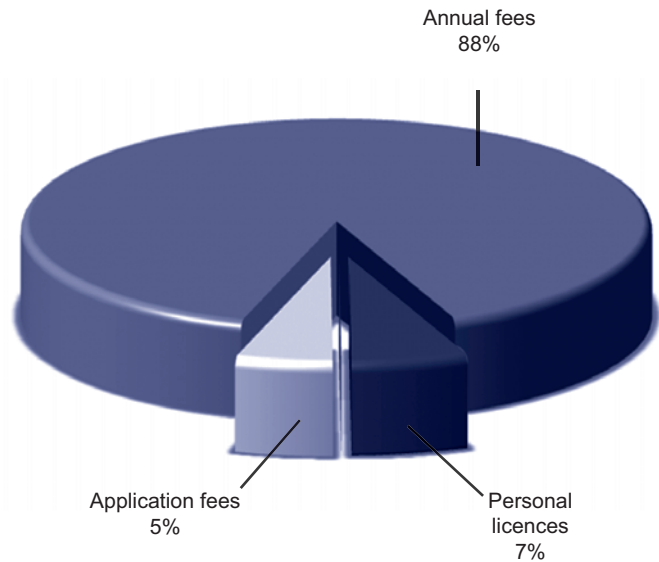
Income

Our total income from fees and other sources was £12.4 million for the year (2008/09: £12.8m), a 3.9% reduction on the prior financial year. The current economic climate led to a number of small operators closing, some operators merging and others moving offshore. The effect of this has been a reduction in the amount of income we received this year and reduced income forecasts.

Application fee income for the year amounted to £0.7 million, the same as the previous year (2008/09). In accordance with our accounting policies, fees for the current year have been recognised amounting to £0.7m for personal licences and £11.0m for operator annual licence fees (see table 2(c) page 49). Appendix 6 sets out the various licence fees and other charges.

We also received GIA financing from DCMS of £545,000 to support our research work. Chart D provides a breakdown of our total income from fees.

Chart D: Total income from fees



Expenditure

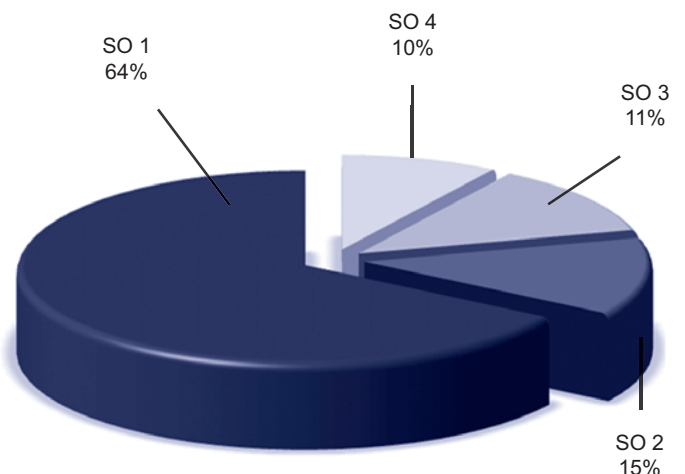
During the year expenditure on operational costs was £13.9 million (2008/09: £15.3m), a 9.2% reduction on the prior financial year. Expenditure has been reduced in line with the decreasing income profile. As we continue to streamline our operational activity we have managed to reduce operating costs by at least £1.3 million since 2008-09. Areas of significant variation compared to the previous year are as follows:

- Employee costs for 2009/10 were £8.98m (2008/09: £9.25m), £0.27m (2.9%) lower than the prior year. This is also reflected in the reduction of £0.23m (55%) in the recruitment and training spend.
- Temporary employees/consultant costs and professional fees were £0.79m (60%) lower, largely as a result of the gradual reduction in IT contractors that were used to support the implementation of capital projects.
- All discretionary spend is continually reviewed to ensure best value for money is consistently achieved. General savings have been made across travel and subsistence and other incidental expenditure compared with previous years.

Our expenditure is broken down by strategic objective in Chart E.

The analysis, including calculations of the notional element of costs, conforms with the HM Treasury's Fees and Charges Guide as far as practicable, and is not intended to comply with IFRS 8 as the Commission operates as a single segment (see paragraph 'n' on page 47).

Chart E: Expenditure by strategic objective (SO)



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

Net expenditure for the year

The deficit for the year was £0.8m (2008/09 deficit: £1.4m), which is better than the budgeted deficit position of £1.2m. The resulting end-of-year cumulative income and expenditure deficit at 31 March 2010 is £2.16 million; some £0.4m less than budgeted.

The five-year plan agreed with DCMS when the Commission began operations was for both application and annual fees to recover costs over a five year period, so that fees could be held broadly constant in real terms. The Commission incurred start-up costs in relation to the recruitment and training of employees and the development of policies and processes. The IT capital costs were met by a grant from DCMS and reflected in the depreciation charge, which smooths the impact of IT expenditure on fees. However other start-up costs went directly to the Net Expenditure Account (NEA). If these had been recovered from fees in the year incurred, fees in the first two years would have been significantly higher and then fallen markedly in subsequent years. Payment upfront in this way would have been unnecessarily burdensome on the existing industry and inequitable, as new entrants to the industry would not have contributed to the start-up costs.

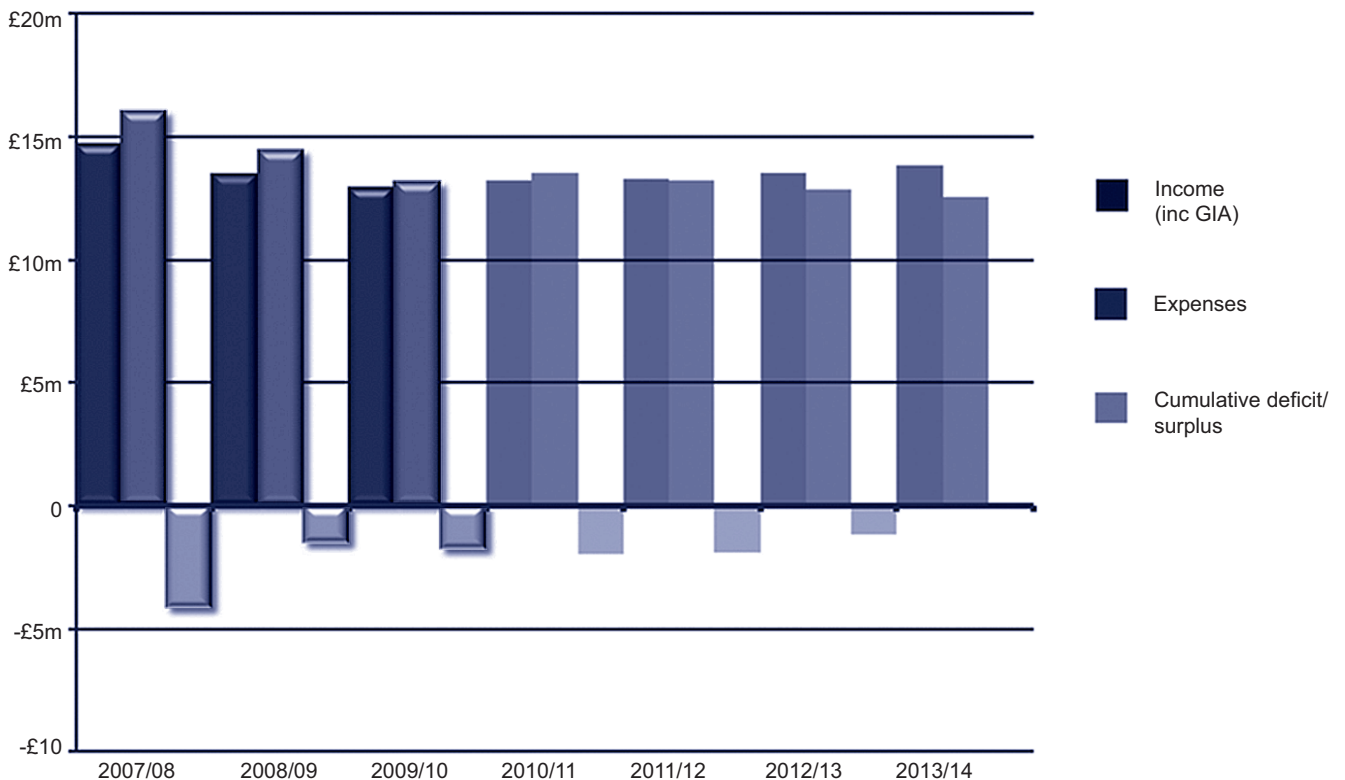
The agreed assumption underlying the fees set last year was that fees for 2009/10 and 2010/11 were intended to break even on each of the fee years (September to August) 2009/2010 and 2010/11.

As outlined above fee income was less than forecast with, for example, nearly £0.2m lost as operators moved remote operations offshore. As a result and despite cutting back on expenditure, we did not break even in the fee year 2009/10 but expect to do so for fee year 2010/11.

We have already made significant savings against budgeted expenditure and are committed to making further savings although, as these involve further cuts in employee costs, they cannot be achieved overnight. With all the uncertainties of the current economic climate, our income projections remain tentative until after the main collection period between August and October, when most of our income falls due. Despite the reduced income forecasts, we plan to break even on the fee year 2010/11 and to repay the accumulated deficit by 2013/14.

Chart F illustrates our trends in income and expenditure and the effect that this will have on our overall deficit. We expect the deficit to remain broadly stable for the next two years, before in-year surpluses in 2012/13 and 2013/14 eliminate the deficit.

Chart



Statement of financial position

In the period to 31 March 2010 the book value of non-current assets was £4.8 million. Assets less liabilities at 31 March 2010 amounted to £0.9 million.

The year-end closing cash balance at 31 March 2010 was £3.7m (2008/09: £3.9m). The cash balance reached its peak after receipt of the largest tranche of annual fees between August and October.

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 2010 96% (target 95%) of invoices totalling £5.1m were paid within 30 days of receipt.

Our approach to risk

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

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



financial statements and accounts

Remuneration report

This report covers the 12 months ending 31 March 2010 and sets out the policy and disclosures in relation to the remuneration of the senior managers of the Commission. Pages 31 to 33 of this report have been subject to audit review.

Remuneration of senior management

Commissioners

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

Brian Pomeroy was appointed as Chairman in January 2008. He joined the Commission as a Commissioner on 1 October 2007 for a three-year term. Brian has agreed to extend his current appointment by six months to end on 31 March 2011. His contract provides for him to work two to three days per week.

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.

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.

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

Details of all directors serving during the year are provided at appendix 3 and 4 including the duration of their service.

Salary and pension entitlements

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

(i) Remuneration

	2009/10		2008/09	
	Salary £'000s	Benefits in kind (to nearest £100)	Salary £'000s	Benefits in kind (to nearest £100)
Jenny Williams Chief Executive **	170-175	21,400	170-175	31,600
Tom Kavanagh Deputy Chief Executive ***	45-50	11,300	50-55	12,600
Bill Butler Director of Corporate Services (left the Commission on 26 July 2009)	35-40 (105-110 fye)	900	110-115	3,300
Nick Tofiluk Director of Regulation	105-110		105-110	
Justine Kenny Director of People and Organisational Development	95-100		40-45 (95-100 fye*)	
Matthew Hill Director of Strategy Research and Analysis	90-95		35-40 (90-95 fye*)	
Neil McArthur Director of Legal	80-85		35-40 (85-90 fye*)	
Julia Mackisack Director of Corporate Affairs	75-80		30-35 (75-80 fye*)	
Julie Grant Director of Finance	75-80		30-35 (75-80 fye*)	

* fye = full-year equivalent

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

*** Tom Kavanagh works 1.5 days a month from 1 March 2010 advising the Commission on statistical matters.

(i) *Remuneration (continued)*

	2009/10		2008/09	
	Salary £'000s	Benefits in kind (to nearest £100)	Salary £'000s	Benefits in kind (to nearest £100)
Brian Pomeroy* Chairman	50-55	5,500	65-70	3,100
Ben Gunn Commissioner	15-20	1,200	15-20	2,600
Bill Knight Commissioner	10-15	3,600	15-20	3,800
Rachel Lampard Commissioner	10-15	4,800	15-20	2,300
Andrew McIntosh Commissioner	10-15	3,000	15-20	4,000
Gill Milburn Commissioner	15-20	2,800	15-20	4,500
Roy Penrose Commissioner (Retired 31 July 2009)	5-10	3,000	20-25	7,100
Eve Salomon Commissioner	10-15	3,100	20-25	3,000
Peter Teague Commissioner	10-15	2,400	10-15	3,400

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

Salary: Salary is the gross salary; performance pay or bonuses; overtime; London weighting or allowances; recruitment and retention allowances; private office allowances; ex gratia payments and any other taxable allowance or payments. Apart from the Chairman and Chief Executive, all Commissioners work around one day per week with a standard daily fee rate.

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

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

Pension benefits 2009/10

2010 (12 months to 31 March 2010)	Accrued pension at age 60 as at 31/03/10 and related lump sum (£'000s)	Real increase in pension and related lump sum at age 60 (£'000s)	* CETV at end date to nearest (£'000s)	* CETV at start date to nearest (£'000s)	Employee contributions and transfers in (£'000s)	Real increase in CETV to nearest (£'000s)
Tom Kavanagh Deputy Chief Executive	32.5 - 35 of which 30 - 32.5 in payment lump sum 2.5 - 5 lump sum already paid 205 - 207.5	0 - 2.5 lump sum 0 - 2.5	707	663	0 - 2.5	43
Bill Butler Director of Corporate Services (left the Commission on 26 July 2009)	55 - 57.5 lump sum N/A	0 - 2.5 lump sum N/A	931	873	0 - 2.5	40
Nick Tofiluk Director of Operations	5 - 7.5 lump sum N/A	0 - 2.5 lump sum N/A	81	45	2.5 - 5	31
Justine Kenny Director of People and Organisational Development	30 - 32.5 lump sum N/A	0 - 2.5 lump sum N/A	336	291	2.5 - 5	23
Matthew Hill Director of Strategy, Research, Analysis	20 - 22.5 lump sum 32.5 - 35	5 - 7.5 lump sum 5 - 7.5	271	186	2.5 - 5	70
Neil McArthur Director of Legal	15 - 17.5 lump sum 50 - 52.5	0 - 2.5 lump sum 5 - 7.5	246	200	0 - 2.5	33
Julia Mackisack Director of Corporate Affairs	2.5 - 5 lump sum N/A	0 - 2.5 lump sum N/A	77	49	2.5 - 5	22
Julie Grant Director of Finance	2.5 - 5 lump sum N/A	0 - 2.5 lump sum N/A	31	16	2.5 - 5	12

* Cash Equivalent Transfer Value

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

Cash equivalent transfer values (CETV)

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Remuneration Committee

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



Jenny Williams
Chief Executive and Accounting Officer

The Gambling Commission

12 July 2010

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, which is a new occupational pension scheme). 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 changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

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

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

The Commission is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Olympics, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Commission's state of affairs at the year-end and on its income and expenditure, total recognised gains and losses and cash flows for the financial year. These accounts have been prepared for the period from 1 April 2009 to 31 March 2010.

In preparing the accounts the Commission is required to:

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

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

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



Jenny Williams
Chief Executive and Accounting Officer
The Gambling Commission
12 July 2010

Statement on Internal Control for the year ended 31 March 2010

Period of coverage

This Statement on Internal Control covers 2009/10. The Commission was established in accordance with Part 2 of the Act on 1 October 2005 and became fully operational on 1 September 2007. During 2009/10, the Commission has continued to develop the systems, processes, structures and investment to facilitate the delivery of its functions and responsibilities under the Act. The systems on internal control that support this statement have therefore continued to evolve during the period covered by this statement.

Scope of responsibility

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


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

The purpose of the system of internal control

The Commission's system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system on internal control is based on a process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage those risks efficiently, effectively and economically. The system on internal control has been in place in the Gambling Commission for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

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



As the Commission's Accounting Officer I, in conjunction with the Board, am responsible for ensuring that an appropriate corporate governance framework is in place at the Commission. To that end, I am supported by a Risk Management Committee. The Risk Management Committee is a senior management committee and convenes quarterly. It has been formed to support the responsibilities of the Chief Executive as Accounting Officer for the management of risk within the Commission. The Risk Management Committee provides the direction, ownership and resources with which to assess and manage risk. The Board takes its own view of corporate risk as part of its strategic role and oversight of the risk management process in the Commission, and is advised by the Risk Management Committee. The Committee involves, and is supported by, employees in the risk assessment and management process. This is achieved through employee induction, the focus of job roles and responsibilities, through policy and procedure guides and specific training and development programmes.

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

The Commission's Audit Committee, which is a committee of the Board, is responsible for reviewing the risk management approach. The Audit Committee also reviews internal control strategies and advises upon arrangements for internal audit including whether internal audit has the necessary resources and access to information to perform its role.

The risk and control framework

The Commission's risk management framework has continued to develop over the year as the Commission embeds its regulatory approach. The key risks and the framework have been reviewed regularly by the Risk Management Committee, and a key development in the Commission's risk management framework during 2009-10 has been the creation of programme workstream risk registers. These provide for a better alignment of the corporate business plan and associated risks and ensure clear linkages between operational risk and the corporate risk register.

During the year Internal Audit has carried out a review of risk management and, in May 2010, concluded that, subject to management effectively implementing the revisions that they have recently made to support continuous improvement in the risk management framework, arrangements were suitably designed and operating with sufficient effectiveness.

The risk management process supports the ongoing identification and assessment of risk. Specifically, the Commission has identified its current top corporate risks through discussions with directors and Omand* style sessions with the Board (see page 12).

The risk and control framework now sets out the sub-risks to the identified corporate risks, for example the failure to address issues of betting integrity effectively. The Commission worked closely with the sports betting integrity panel to mitigate this risk and, in the light of its recommendations, has set up the SBIU by enhancing its existing intelligence capacity.

The Commission's risk-based approach to licensing, compliance and enforcement depends critically on its assessment of the likelihood and impact of risks to the licensing objectives, as does its ability to give advice to the Secretary of State on gambling and its regulation. For this reason, an inadequate or insufficient evidence base has been identified as one of the Commission's key risks. To mitigate this, the Commission has devoted considerable effort to capturing information on its licensees, their performance in relation to the licensing objectives and on the environment within which they operate. Other mitigating factors in relation to this risk are the gambling prevalence study and other surveys and the creation, in early 2009, of the RGSB to advise the Commission on research, education and treatment.

The nature of the gambling industry and role of home-based compliance managers working alone pose risks to the Commission in terms of ensuring consistency and avoiding actual or perceived inequitable treatment. During the year our Internal Auditors have reviewed the quality assurance arrangements and the anti-fraud and corruption arrangements in place in respect of our fieldwork compliance processes. Whilst making a number of recommendations for further improvements, which have been accepted by management, both reviews concluded that the design of our arrangements was generally suitable. Further work will be carried out during 2010-11 to further enhance and embed the revised arrangements.

There have been no reported actual or attempted frauds at the Commission during 2009-10.

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

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

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

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

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

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

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

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

Risk appetite

The Commission regulates an industry that poses inherent risk to the public and therefore has a fairly low risk appetite. The Commission seeks actively to manage material risk to the business. This involves putting in place controls and actions to keep the level of residual risk to an acceptable level.

The Commission's risk appetite is expressed, therefore, through the level of residual risk judged acceptable for each risk identified. Risk owners are required to identify and implement mitigating actions to reduce the residual risk value down to an acceptable level. As indicated by the internal auditors' overall amber assessment the residual risk on, for example, the adequacy of the evidence base or consistency of compliance assessments is not yet at an acceptable level.

Significant internal control issues

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

Throughout the year we have strengthened our governance arrangements by requiring bi-annual assurance statements from senior managers. These statements are reviewed by the Risk Management Committee and provide a useful tool to identify any areas where further control improvements should be applied in the future. An area that has been highlighted this year has been the concerns over the economic climate, the effect of it on our fee income and our ability to forecast our fee income and take any necessary corrective action. Our expenditure has been continually refined in response to our changing income profile. Circumstances may change in future years, which in itself poses risks and challenges. The income profile may change and there is the potential merger with the National Lottery Commission and the remote review both on the horizon, as well as the arms-length bodies review.

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

Information assurance

The Commission achieved ISO27001 (Information security management systems) accreditation from the British Standards Institute this year, as well as maintaining compliance with Cabinet Office guidelines.

As part of our drive to strengthen our approach to information security and maintain compliance we also invested in new technology, equipment and employee development.

Five breaches of our Information Security Management System (ISMS) were reported to senior management during the year. These were minor in nature, such as unauthorised access to communal areas within the Commission's shared premises, and none related to the loss of personal data.

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

Access to information

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

We received 107 requests for information under the Freedom of Information Act during the year and in five cases were asked to conduct an internal appeal. In each case this was led by someone other than the original decision maker and was satisfactorily concluded. We also received four subject access requests under the Data Protection Act.

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

Review of effectiveness

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

In their annual report, the Commission's internal auditors 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, they carried out specific reviews on:

- risk management arrangements
- quality assurance – field compliance
- strategic and development response plans
- contact centre
- ICT data handling
- information for decision making purposes
- CRM/Siebel implementation
- regulatory returns
- core financial systems

Internal Audit did not identify any fundamental control weaknesses as part of their reviews, and action plans have been agreed to implement the recommendations raised during the year.

Overall, the Internal Auditor's annual assurance statement noted that the Commission has revised a number of its control frameworks during the year, for example quality assurance of fieldwork compliance.

They therefore concluded that, except for the need to fully embed the revisions made, the risk, governance and control activities that they reviewed were found to be suitably designed and operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the related risk management objectives were achieved during the period under review.

The Board reviews the system of internal control through reports from the Audit and Risk Management Committees and through directors responsible for key risks. Where there are control deficiencies, projects are initiated to mitigate them, for example, the defence in depth approach to fraud and corruption risk and the creation of the sports betting intelligence unit to mitigate sports integrity risk.

The Risk Management Committee has a key role in communicating emerging significant risks to the Board and ensuring that corporate risks requiring departmental mitigation are communicated to departments.



Jenny Williams
Chief Executive and Accounting Officer

Gambling Commission

12 July 2010

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 2010 under the Gambling Act 2005. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Gambling Commission, Chief Executive and auditor

As explained more fully in the Statement of the Commission's and the Chief Executive's responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and 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 am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities that govern them.

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Gambling Commission's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Gambling Act 2005 and directions issued by the Secretary of State for Culture, Olympics, Media and Sport.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State for Culture, Olympics, Media and Sport's directions issued under the Gambling Act 2005; and
- the information given in the Operating Review, Approach, How we manage our business, Our people, and Finances for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report

I have audited the financial statements which are prepared on a going concern basis. The Government has announced that the National Lottery Commission may be merged with the Gambling Commission in future. Notwithstanding this announcement I am content that the basis of preparation remains appropriate and that the evidence available to me at the date of this report does not indicate that there is a material uncertainty which may cast doubt upon the Gambling Commission's ability to continue as a going concern.

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

15 July 2010

**Net Expenditure Account (NEA)
for 12 months ended 31 March 2010**

	notes	31 March 2010 £'000s	31 March 2009 £'000s
Expenditure			
Employee costs	4	(8,980)	(9,248)
Depreciation	6 & 7	(1,080)	(998)
Other expenditure	5	(3,889)	(5,027)
		(13,949)	(15,273)
Income			
Licence fee income	2	12,348	12,842
Other income	3	5	1
		12,353	12,843
Net expenditure		(1,596)	(2,430)
Release of deferred government grant reserve	13	766	842
Interest receivable		13	196
Interest cost on pensions	4	(3)	(4)
Notional capital charges		(48)	(101)
Tax incurred on interest received		(3)	(41)
Net expenditure on ordinary activities		(871)	(1,538)
Write back of notional capital charges		48	101
Net expenditure after cost of capital charge and interest		(823)	(1,437)

The notes on pages 44 to 64 form part of these accounts

Statement of Financial Position as at 31 March 2010

	notes	31 March 2010 £'000s	31 March 2009 £'000s	1 April 2008 £'000s
Non-current assets				
Intangible assets	7	3,294	3,362	2,403
Property, plant and equipment	6	1,488	1,851	2,720
Total non-current assets		4,782	5,213	5,123
Current assets				
Trade and other receivables	8	624	610	308
Cash and cash equivalents	16	3,696	3,880	6,230
		4,320	4,490	6,538
Total assets		9,102	9,703	11,661
Current liabilities				
Trade and other payables	9	(7,621)	(7,322)	(7,847)
Provisions	12	(4)	(12)	(2)
		(7,625)	(7,334)	(7,849)
Non-current assets plus net current assets		1,477	2,369	3,812
Non-current liabilities				
Other payables	10 & 11	(604)	(512)	(73)
Assets less liabilities		873	1,857	3,739
Capital and reserves				
Income and expenditure reserve	13	(2,156)	(1,938)	(898)
Revaluation reserve	13	-	-	-
Deferred government grant reserve	13	3,029	3,795	4,637
Total capital and reserves		873	1,857	3,739

The notes on pages 44 to 64 form part of these accounts

Figures in grey columns relate to IFRS 1 - first time adoption of IFRS. The Commission is required to, for this year only, disclose the opening balances as at 1 April 2008 on the Statement of Financial Position and related notes to the accounts. These balances were re-stated from the UK GAAP figures as part of the IFRS conversion process.

These accounts were authorised for issue by the Accounting Officer on 15 July 2010.



Jenny Williams
Chief Executive and Accounting Officer

The Gambling Commission

12 July 2010

**Statement of cash flows
for 12 months ended 31 March 2010**

	notes	31 March 2010 £'000s	31 March 2009 £'000s
Cash flows from operating activities			
Net expenditure for the year		(1,596)	(2,430)
Adjustments for non-cash transactions			
Depreciation charge	6 & 7	1,080	998
Increase in trade and other receivables	8	(14)	(302)
Increase (decrease) in trade and other payables	9 & 10	396	(115)
Increase (decrease) in provisions	12	(8)	10
Net cash outflow from operating activities		(142)	(1,839)
Cash flows from investing activities			
Interest received		16	204
Payments to acquire property, plant and equipment	6 & 7	(599)	(1,327)
Net cash outflow from investing activities		(583)	(1,123)
Cash flows from financing activities			
Capital grant received	13 & 14	-	-
Grant-in-aid for revenue expenditure	14	545	608
1968 Act fee income received	2	-	4
Less fees appropriated to DCMS		(4)	-
Net cash inflow from investing activities		541	612
Net decrease in cash and cash equivalents in the period	16	(184)	(2,350)
Cash and cash equivalents at 1 April 2009			3,880
Cash and cash equivalents at 31 March 2010			3,696

The notes on pages 44 to 64 form part of these accounts

Statement of Changes in Taxpayers' Equity

	Revaluation reserve £'000s	Income and expenditure reserve £'000s	Deferred government grant reserve £'000s	Total reserves £'000s
Balances at 31 March 2008	(59)	(680)	4,637	3,898
Prior period adjustment	59	(218)	-	(159)
Restated balance at 1 April 2008	-	(898)	4,637	3,739
Changes in reserves				
Net loss on revaluation of property, plant and equipment	-	(238)	-	(238)
Net gain/(loss) on pension liability	-	27	-	27
Release of reserves to the NEA	-	-	(842)	(842)
Retained deficit	-	(1,437)	-	(1,437)
Total recognised income and expenditure for 2008-09	-	(1,648)	(842)	(2,490)
Grant-in-aid for revenue expenditure	-	608	-	608
Balance at 31 March 2009	-	(1,938)	3,795	1,857
Balance at 1 April 2009	-	(1,938)	3,795	1,857
Changes in reserves				
Net gain on revaluation of property, plant and equipment	-	49	-	49
Net gain/(loss) on pension liability	-	11	-	11
Release of reserves to the NEA	-	-	(766)	(766)
Retained deficit	-	(823)	-	(823)
Total recognised income and expenditure for 2009-10	-	(763)	(766)	(1,529)
Grant-in-aid for revenue expenditure	-	545	-	545
Balance at 31 March 2010	-	(2,156)	3,029	873

notes to the accounts

1: Accounting policies

The accounting policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been restated in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS was 31 March 2009.

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 2009/10 Financial Reporting Manual (FRm) issued by HM Treasury.

a) Accounting conventions

These are the accounts for the Commission covering the twelve months from 1 April 2009 to 31 March 2010. They have been prepared in a form directed by the Secretary of State for Culture, Olympics, Media, and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Act. A copy of the accounts direction can be obtained from the Commission.

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

b) Non-current assets

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

Depreciation/Amortisation

Depreciation/amortisation is provided on all non-current assets on a straight line basis to write off the cost or valuation evenly over the asset's currently anticipated life as in Table 9.

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

Table 9: Anticipated life of assets

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

Property, plant and equipment

Property, plant and equipment is stated at depreciated historic cost as a proxy for fair value. All of the Commission's assets are short life assets and therefore depreciated historic cost is considered a suitable measure of fair value. A review of property, plant and equipment is undertaken annually to ensure that all items are still in use and that no disposals have taken place. Annual reviews are also undertaken to identify any impairment of assets as per IAS 16. 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 Net Expenditure Account as Other Income or Other Expenditure.

All capital costs associated with the office 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 IAS 38. Under IFRS, software development (in most cases) is classified as an intangible asset.

Software development was previously treated as a tangible fixed asset under UK GAAP (classed as an Asset under Construction). Software development costs are classified as assets under the course of construction and have been reclassified from fixed assets to intangible assets. 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, for example the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset
- adequate financial, technical and other resources are available to the Commission to complete the development and sell or use the asset
- the Commission can measure reliably the expenses attributable to the asset during development.

Internal employee costs that have been directly incurred in the implementation of capital projects have been identified as capital expenditure, provided that they satisfy the conditions of 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 values. Negative revaluation reserve movements are not permissible under IFRS.

Non-current assets were revalued in 2008/09 through the application of an appropriate index to each asset (source: Office of National Statistics (ON) Price Index Numbers for Current Cost Accounting). Following prior year revaluation exercises, £49,000 has been posted to the Income and Expenditure Reserve in 2009/10 in respect of depreciation incurred on revalued assets. The next revaluation of non-current assets is due to be undertaken in 2013/14.

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

c) Deferred government grant reserve

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

The amount deferred is released back to the Income and Expenditure Account in line with the depreciation and amortisation charged against these specific assets.

Where assets have been disposed of, the release associated with the remaining grant for these specific assets has been credited directly to reserves.

d) Notional capital charges

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

e) Pension costs

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

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

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

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

f) Operating leases

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

Payments made under operating leases on land, buildings and equipment are recognised as an expense over the term of the lease. The Commission does not hold any finance leases, so there is no impact on assets or liabilities on the Statement of Financial Position.

g) Employee costs

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

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

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

h) Value added tax (VAT)

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

i) Licence fee receipts and fee income recognition

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

Operator licence application fees

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

Operator licence annual fees

Income is recognised equally over the duration of the licence.

Personal licence fees

60% of the income received is recognised when the licence is issued (to reflect the application costs). The remaining 40% is recognised equally over the duration of the licence (five years).

j) Revenue grant-in-aid

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

In previous years, Gaming Act 1968 fees collected have been repayable to DCMS in exchange for grant-in-aid, and such repayments are identified as financing activity within the Statement of Cashflows.

k) Financial instruments

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

l) Presentational/functional currency

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

m) Corporation Tax

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

n) Segmental reporting

The Commission has reviewed its operations against IFRS 8, and has concluded that it has a single segment for reporting purposes. The Commission reports performance internally to the Board at the summary Gambling Commission level, and has a single source of income from licence fee collection. Therefore the financial statements are reported as one segment.

o) Cash and cash equivalents

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

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

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

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

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010/11. None of them are expected to impact upon the Commission's financial statements.

- IAS 27 (Revised) Consolidated and separate financial statements
- Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues
- Amendment to IAS 39 Eligible hedged items
- IFRS 3 (Revised) Business combinations
- IFRIC 17 Distributions of non-cash assets to owners
- IFRIC 18 Transfer of assets from customers

q) Going concern

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

2: Fee receipts

2(a): Gaming Act 1968 fees

The Commission no longer collects 1968 Act fees in respect of certificates and registrations for remittance to DCMS.

Receipts in the year are £0 and as at 31 March 2010, the balance due to DCMS was also £0.

	2010 £'000s	2009 £'000s
Section 19 certificates	-	-
Section 27 certificates	-	0.2
Certificates of consent		
bingo	-	-
casino	-	-
Total gaming	-	0.2
Lotteries & Amusement Act 1976	-	1.4
Total fee income	-	1.6
Interest on fee income	-	2.6
Total	-	4.2

2(b): Gambling Act 2005 fees

The Act came fully into force on 1 September 2007, at which time gambling operators and some individuals in key positions were required to hold a relevant licence under the Act. Fees payable under the Act are received in respect of application fees, annual fees and changes and variations to licences. These monies are retained by the Commission to fund operational activities under the Act.

Licence fees received that relate to future periods are included within Statement of Financial Position Creditors as 'Deferred Income'. Gambling Act 2005 fee receipts in the year are as follows:

	2010 £'000s	2009 £'000s
Operator licence applications		
Application fees	716	718
Annual fees	11,655	11,646
Personal licence applications	922	986
Total fee income received	13,293	13,350
Interest on fee income	13	196
Total	13,306	13,546

2(c): Gambling Act 2005 income recognised

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

Recognised fee income is included within the Net Expenditure Account as 'Licence fee income'. Gambling Act 2005 fee income recognised in the year is as follows:

	2010 £'000s	2009 £'000s
Operator licence applications		
Application fees	610	718
Annual fees	10,989	11,410
Personal licence applications	749	714
Total fee income received	12,348	12,842
Interest on fee income	13	196
Total	12,361	13,038

3: Other income

Other income collected during the year related to penalties for late submission of regulatory returns.

	2010 £'000s	2009 £'000s
Other income	5	1
Total other income	5	1

4: Employee costs

a): Analysis of Commissioner and employee costs

	2010 £'000s Total	2010 £'000s Permanent	2010 £'000s Short term	2009 £'000s Total
Salaries and wages	7,125	6,570	555	7,346
Social security costs	576	523	51	604
Pension costs				
included within operating deficit	1,279	1,165	114	1,298
included as other finance costs	3	3	-	4
Recognised in Statement of Changes in Taxpayers' Equity	(11)	(11)	-	(27)
Total Commissioners' and employee costs	8,972	8,252	720	9,225

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

	2010 £'000s	2009 £'000s
Employee costs	8,980	9,248
Interest costs on pension provision	3	4
Actuarial adjustments to pension provisions	(11)	(27)
Total	8,972	9,225

Footnote to analysis of employee costs

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

	2010 £'000s Permanent	2010 £'000s Short term	2010 £'000s Total	2009 £'000s Total
Salaries and wages	35	-	35	-
Social security costs	2	-	2	-
Total capitalised employee costs	37	-	37	-



b) Retirement benefits

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

(i) Employees

The Commission provides pension benefits for permanent employees under the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2010.

You can find details in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk.

For 2009-10, employers' contributions of £1,238,059 were payable to the PCSPS (2008-09: £1,281,202) 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 £27,628 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 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £14,304 were paid to one or more of a panel of three appointed stakeholder pension providers.

Employers' contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,006, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £0. No contributions were prepaid.

ii) Past chairmen

There is no minimum retirement age and there are certain minor modifications to the standard civil service arrangements in respect of enhancements. The scheme is unfunded and there is no surplus or deficit. Benefits are paid as they fall due. In addition, 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 to the civil service classic scheme.

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2010. 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 2010	31 March 2009
Inflation assumption	2.75%	2.75%
Rate on increase in salaries	4.29%	4.29%
Rate of increase for pensions in payment, in line with inflation	2.75%	2.75%
Discount rate for scheme liabilities	4.60%	6.04%

Life expectancy at retirement

Current pensioners	As at 31 March 2010		As at 31 March 2009	
	men (years)	women (years)	men (years)	women (years)
Exact age				
60	29.1	32.3	28.6	31.8
65	23.9	27.1	23.5	26.7

The present value of the scheme liability at 31 March 2010 is £32,000.

The cumulative amount of actuarial gains since the formation of the Commission in September 2005 is £199,000. 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 £7,000.

	2010 £'000s	2009 £'000s
Analysis of amount charged to operating surplus:		
Current service cost (net of employee contribution)	-	-
Analysis of amount charged to other finance costs:		
Interest on pension scheme liabilities	3	4
Analysis of amount recognised in statement of changes in taxpayers equity (SCTE):		
Actuarial gain/(loss)	11	27
Overnight increase in liability (change on return)	-	-
Total gain recognised in SCTE	11	27

c) Average number of persons employed by the Commission:

	2010	2009
Permanent employees	219	219
Other employees (short term contract/secondments)	11	19
	230	238

5: Other operating costs

	2010 £'000s	2009 £'000s
Accommodation	1,124	1,174
Professional and accountancy fees	427	660
Travel and subsistence	442	503
Agency and other staff costs	107	665
Recruitment, training and development	184	413
Hospitality*	22	37
Office services	931	986
External audit fee**	39	47
Internal audit costs	32	42
Amount payable to CRB	135	132
Other	446	368
Total operating costs	3,889	5,027

* Hospitality is defined as refreshments for visitors, for example at meetings and workshops, working lunches and dinners.

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

Cost for the audit of the financial statements carried out by KPMG LLP on behalf of NAO:	£34,500
Cost for the audit of 2008/09 accounts in IFRS format carried out by KPMG LLP on behalf of NAO:	£4,000

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

	2010 £'000s	2009 £'000s
Land and buildings	809	808
Other	14	19
	823	827

6: Property, plant and equipment

	IT Hardware £'000s	Furniture and fittings £'000s	Plant and machinery £'000s	Transport equipment £'000s	Total £'000s
Cost/valuation					
At 1 April 2008	837	2,168	141	-	3,146
Revaluations	(55)	(305)	8	-	(352)
Additions	43	48	30	10	131
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2009	825	1,911	179	10	2,925
Accumulated depreciation					
At April 2008	316	389	38	-	743
Revaluations	(31)	(85)	2	-	(114)
Provided in year	192	228	22	3	445
Disposals	-	-	-	-	-
At 31 March 2009	477	532	62	3	1,074
Net book value at 31 March 2009	348	1,379	117	7	1,851
Net book value at 31 March 2008	521	1,779	103	-	2,403

	IT Hardware £'000s	Furniture and fittings £'000s	Plant and machinery £'000s	Transport equipment £'000s	Total £'000s
Cost/valuation					
At 1 April 2009	825	1,911	179	10	2,925
Revaluations	(4)	-	-	-	(4)
Additions	49	-	-	-	49
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2010	870	1,911	179	10	2,970
Accumulated depreciation					
At April 2009	477	532	62	3	1,074
Revaluations	(21)	(35)	2	-	(54)
Provided in year	205	232	23	2	462
Disposals	-	-	-	-	-
At 31 March 2010	661	729	87	5	1,482
Net book value at 31 March 2010	209	1,182	92	5	1,488
Net book value at 31 March 2009	348	1,379	117	7	1,851

The (£4,000) revaluation against information technology is a prior year adjustment relating to the 2008/09 asset revaluation exercise.

7: Intangible assets

	Development expenditure £'000s	IT Software £'000s	Software licences £'000s	Websites delivering services £'000s	Total £'000s
Cost/valuation					
At 1 April 2008	540	2,159	340	68	3,107
Revaluations	-	-	-	-	-
Additions	312	825	59	-	1,196
Transfers	(714)	714	-	-	-
Disposals	-	-	-	-	-
At 31 March 2009	138	3,698	399	68	4,303
Accumulated amortisation					
At April 2008	-	287	98	2	387
Revaluations	-	-	-	-	-
Provided in year	-	414	130	10	554
Disposals	-	-	-	-	-
At 31 March 2009	-	701	228	12	941
Net book value at 31 March 2009	138	2,997	171	56	3,362
Net book value at 31 March 2008	540	1,872	242	66	2,720

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

8: Trade receivables and other current assets

	2010 £'000s	2009 £'000s	2008 £'000s
Trade receivables	24	44	-
Deposits and advances	51	52	51
Prepayments and accrued income	549	514	257
	624	610	308

9: Trade payables and other current liabilities

	2010 £'000s	2009 £'000s	2008 £'000s
Trade payables	242	472	440
Employee cost payables	408	456	456
Other payables	3	117	72
Accruals and deferred income	6,968	6,277	6,879
	7,621	7,322	7,847

Other payables

The Commission held the following balances with other Government bodies as at 31 March 2010:

DCMS - £39,836 in respect of seconded employees
HMRC - £2,815 in respect of corporation tax due

The Commission holds deferred income balances of £5,927,193. This relates to:

licence fees paid that are due to be released to income in 2010/11 - £5,758,026
licence fees paid in advance of the anniversary of the licence - £169,167

10: Amounts falling due after more than one year

	2010 £'000s	2009 £'000s	2008 £'000s
Deferred income	572	469	-
	572	469	-

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 2011/12 onwards.

11: Pension liability

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

	2008 £'000s
At 31 March 2007	284
Current service cost	18
Employee contribution	1
Interest cost	13
Actuarial gain in the period	(234)
Pensions paid in the year	(9)
At 31 March 2008	73

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

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

12: Other provisions

The Commission held the following other provisions at 31 March 2010.

	2010 £'000s
At 31 March 2009	12
Settled in the year	(8)
At 31 March 2010	4

The only provision that the Commission holds is 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.

The £12,000 provision as at 31 March 2009 in respect of seized funds was previously held within Trade Creditors. This balance has been reclassified as a provision during this financial year.

13: Reserves

	Revaluation reserve £'000s	Net expenditure reserve £'000s	Deferred government grant reserve £'000s	Total £'000s
At 1 April 2007	7	169	4,187	4,363
Deficit for the year	-	(4,193)	-	(4,193)
Grant-in-aid finance	-	3,110	-	3,110
Capital grant received	-	-	1,138	1,138
Release for depreciation	-	-	(688)	(688)
Transfer for disposal of fixed assets	-	-	-	-
Pension charge	-	234	-	234
Revaluation reserve	(66)	-	-	(66)
IFRS adjusts	59	(218)	-	(159)
At 31 March 2008	-	(898)	4,637	3,739

	Revaluation reserve £'000s	Net expenditure reserve £'000s	Deferred government grant reserve £'000s	Total £'000s
At 1 April 2008	-	(898)	4,637	3,739
Deficit for the year	-	(1,437)	-	(1,437)
Grant-in-aid finance	-	608	-	608
Capital grant received	-	-	-	-
Release for depreciation	-	-	(842)	(842)
Transfer for disposal of fixed assets	-	-	-	-
Pension charge	-	27	-	27
Revaluation reserve	-	(238)	-	(238)
At 31 March 2009	-	(1,938)	3,795	1,857

	Revaluation reserve £'000s	Net expenditure reserve £'000s	Deferred government grant reserve £'000s	Total £'000s
At 1 April 2009	-	(1,938)	3,795	1,857
Deficit for the year	-	(823)	-	(823)
Grant-in-aid finance	-	545	-	545
Capital grant received	-	-	-	-
Release for depreciation	-	-	(766)	(766)
Transfer for disposal of fixed assets	-	-	-	-
Pension charge	-	11	-	11
Revaluation reserve	-	49	-	49
At 31 March 2010	-	(2,156)	3,029	873

14: Financing

	2010 £'000s	2009 £'000s	2008 £'000s
Grant-in-aid and capital grant drawn from DCMS for operational purposes			
Resource	545	608	3,110
Capital	-	-	-
Less transfer to Deferred Government grant reserve re: non-current asset acquisitions	-	-	(1,138)
Plus capital grant drawn transferred from other creditors	-	-	1,138
Total grant-in-aid financing	545	608	3,110

15: Impact of pension liability on income and expenditure reserve

	Notes	2010 £'000s	2009 £'000s	2008 £'000s
Net expenditure reserve excluding pension liability		(2,124)	(1,895)	(825)
Pension liability	11	(32)	(43)	(73)
Income and expenditure reserve		(2,156)	(1,938)	(898)

16: Cash and cash equivalents

	2010 £'000s	2009 £'000s	2008 £'000s
Balance at 1 April	3,880	6,230	3,896
Net change in cash and cash equivalent balances	(184)	(2,350)	2,334
Balance at 31 March	3,696	3,880	6,230
The following balances at 31 March were held at:			
Commercial banks and cash in hand	3,696	3,880	6,230
Balance at 31 March	3,696	3,880	6,230

17: Capital commitments

	2010 £'000s	2009 £'000s	2008 £'000s
Contracted capital commitments at 31 March 2010 for which no provision has been made			
Property, plant and equipment	-	60	132
Intangible assets	-	-	-
	-	60	132

18: Commitments under operating leases

The total future values of minimum lease payments under non-cancellable operating leases in the year to 31 March 2011.

	2010/11		2009/10		2008/09	
	Land and buildings £'000s	Other £'000s	Land and buildings £'000s	Other £'000s	Land and buildings £'000s	Other £'000s
Operating leases which expire:						
Within one year	-	-	-	5	-	3
In the second year to fifth years inclusive	21	10	-	7	-	16
Over five years	791	-	800	-	841	-
	812	10	800	12	841	19

19: Related party transactions

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

DCMS is regarded as a related party. During the 12 months to 31 March 2010, the Commission has had a small number of material transactions with DCMS, comprising of:

- £545,000 revenue grant-in-aid received in relation to prevalence survey and whitelisting work undertaken (£0 as debtors at the 31 March 2010)
- £160,234 paid in relation to DCMS employees on secondment (£39,836 as creditors at the 31 March 2010)

These transactions are shown in the Net Expenditure Account and notes to the accounts.

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



20: Financial instruments

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

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

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

Currency risk

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

Market rate risk

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

Credit risk

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

Liquidity risk

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

(i) Financial assets and financial liabilities

Financial assets					Fixed rate		Non-interest bearing
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
Currency	£'000s	£'000s	£'000s	£'000s	%	Years	Years
At 31 March 2010							
Sterling	3,771	3,696	-	75	0.00	-	-
Gross financial assets	3,771	3,696	-	75		-	-
At 31 March 2009							
Sterling	3,976	3,880	-	96	0.00	-	-
Gross financial assets	3,976	3,880	-	96		-	-
At 31 March 2008							
Sterling	6,281	6,230	-	51	0.00	-	-
Gross financial assets	6,281	6,230	-	51		-	-

Financial liabilities					Fixed rate		Non-interest bearing
	Total	Floating rate	Fixed rate	Non-interest bearing	Weighted average interest rate	Weighted average period for which fixed	Weighted average term
Currency	£'000s	£'000s	£'000s	£'000s	%	Years	Years
At 31 March 2010							
Sterling	6,755	-	-	6,755	0.00	-	-
Gross financial liabilities	6,755	-	-	6,755		-	-
At 31 March 2009							
Sterling	6,323	-	-	6,323	0.00	-	-
Gross financial liabilities	6,323	-	-	6,323		-	-
At 31 March 2008							
Sterling	5,654	-	-	5,654	0.00	-	-
Gross financial liabilities	5,654	-	-	5,654		-	-

(ii) Financial assets and financial liabilities

Financial assets				
	At 'fair value' through profit and loss	Loans and receivables	Available for sale	Total
	£'000s	£'000s	£'000s	£'000s
Embedded derivatives	-	-	-	-
Debtors	-	75	-	75
Debtors over 1 year	-	-	-	-
Cash at bank and in hand	-	3,696	-	3,696
Other financial assets	-	-	-	-
Total at 31 March 2010		3,771		3,771
Embedded derivatives	-	-	-	-
Debtors	-	96	-	96
Debtors over 1 year	-	-	-	-
Cash at bank and in hand	-	3,880	-	3,880
Other financial assets	-	-	-	-
Total at 31 March 2009		3,976		3,976

Financial liabilities			
	At 'fair value' through profit and loss	Other	Total
	£'000s	£'000s	£'000s
Embedded derivatives	-	-	-
Creditors	6,183	-	6,183
Creditors over 1 year	572	-	572
Borrowings	-	-	-
Private finance initiative and financial lease obligations	-	-	-
Other financial assets	-	-	-
Total at 31 March 2010	6,755	-	6,755
Embedded derivatives	-	-	-
Creditors	5,854	-	5,854
Creditors over 1 year	469	-	469
Borrowings	-	-	-
Private finance initiative and financial lease obligations	-	-	-
Other financial assets	-	-	-
Total at 31 March 2009	6,323	-	6,323

21: Contingent liabilities

There are no contingent gains or losses to report in the 12 months to 31 March 2010 (£0 2008/09).

22: Post balance sheet events

These accounts were authorised for issue by the Accounting Officer on 15 July 2010.

There are no other post balance sheet events to report since 31 March 2010.

23: First time adoption of IFRS

	Revaluation reserve £'000s	Income and expenditure reserve £'000s	Deferred government grant reserve £'000s	Total reserves £'000s
Reserves at 31 March 2008 under UK GAAP	(59)	(680)	4,637	3,898
Adjustments for:				
IAS 16 - non-current assets	59	(59)	-	-
IAS 19 - employee benefits	-	(159)	-	(159)
Reserves at 1 April 2008 under IFRS	-	(898)	4,637	3,739
	£'000s			
Net operating cost for 2007-08 under UK GAAP	(4,193)			
Adjustments for:				
Net operating cost for 2007-08 under IFRS	(4,193)			

For all periods up to and including the year ended 31 March 2009, the Commission prepared its annual report and accounts in accordance with UK GAAP. For the year ended 31 March 2010, the Commission is required to prepare its annual report and accounts in accordance with IFRS, as per HM Treasury guidelines.

The effect of moving from UK GAAP to IFRS had the following impact on the Commission for the year ended 31 March 2009:

- deficit for the year has decreased by £18,000
- net assets reduced by £141,000 as at 31 March 2009 as a result of the recognition of accumulated employee annual leave under IAS19
- opening Revaluation Reserve was transferred to the income and expenditure reserve due to IFRS rules on negative reserve balances.

the Commissioners



Brian Pomeroy CBE (Chairman)

Brian Pomeroy CBE was the Senior Partner of Deloitte Consulting until 1999 when he took up a number of public, private and voluntary sector appointments. He is

currently Chairman of the Treasury's Financial Inclusion Taskforce and a non-executive director of the Financial Services Authority. He is a member of the Financial Reporting Review Panel and a director and Deputy Chairman of QBE Insurance Europe Ltd. He is a board member of the Social Market Foundation and Chairman of the Photographers' Gallery. He was formerly Chairman of the Payments Council, the National Lottery Commission, Centrepunt and Homeless Link, a board member of the Audit Commission, a member of the Disability Rights Task Force and a trustee of Money Advice Trust. He was awarded a CBE in 2006 for services to homeless people.

Ben Gunn CBE QPM

Ben Gunn was Chief Constable of Cambridgeshire from 1993 to 2002. On his retirement he was appointed Chairman of the Joint Jockey Club/British Horseracing Board Security Review which reported on the Integrity of Horseracing in Great Britain in 2003. In 2008 he jointly undertook a Review of the Integrity of Professional Tennis worldwide and was a member of the Parry Expert Panel which was set up by the DCMS in 2009 to examine integrity in sports betting. He is a non-executive Director of the British Horseracing Authority as well as being the Senior Partner in Campbell Gunn Associates, consultants in sports' integrity, he is also a trustee of the Child Victims of Crime Charity.

Bill Knight

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

Rachel Lampard

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



Andrew McIntosh

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

Gill Milburn

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



Roy Penrose OBE QPM (to 31 July 2009)

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

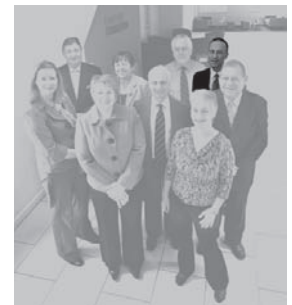


Eve Salomon

Eve Salomon is Chair of the Regulatory Board of RICS, Chair of the Internet Watch Foundation and a member of the Press Complaints Commission. She was a member of the Better Regulation Commission from 2004 to 2008. She also undertakes broadcasting related and regulatory consultancy in the UK and internationally.

Peter Teague

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



Jenny Williams (Chief Executive)

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



The Commission Board and associated committees - remit and structure

The Commission Board

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

Members of the Board also sit as the Commission's Regulatory Panel which normally comprises three Commissioners. The Regulatory Panel determines some licence applications and deals with serious regulatory decisions including the revocation of licences.

Audit Committee

The Audit Committee (the Committee) supports the Board and the Accounting Officer in their respective responsibilities for control and governance, risk management and associated assurance. Details of the committee members and their attendance are included at Table 10. In exercising its responsibilities the Committee advises the Board and Chief Executive on:

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

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

Table 10: Board and associated committees – membership and attendance

Commissioner	Board	Audit Committee	Remuneration Committee
Brian Pomeroy	10		
Ben Gunn	8		3
Bill Knight (Chair of Remuneration Committee)	9	3	3
Rachel Lampard*	10	2	3
Andrew McIntosh**	7	3	
Gill Milburn	9	2	
Roy Penrose (retired 31 July 2009)	3		
Eve Salomon*	10	2	3
Peter Teague (Chair of Audit Committee)	9	4	
Jenny Williams	10		
Number of meetings per year	10	4	3

*Eve Salomon and Rachel Lampard became members of the Audit Committee with effect from October 2009

** two Board meetings missed due to serious illness

Remuneration Committee

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

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

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

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

- an organisation-wide appraisal and remuneration policy, including the terms and conditions of employment, which both supports the Commission's corporate and business planning objectives and is aimed at achieving 'value for money'
- the setting of performance objectives, the appraisal of performance, and the determination of performance related remuneration, for the Chief Executive, in consultation with the Chair of the Board
- the setting of performance objectives, and the determination of performance related remuneration, for the senior management group of the Commission, 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 any of the Chief Executive and members of the senior management team, and the payments made, ensuring they are fair to the individual and to the Commission, that they comply with wider public sector practice and approval processes, and that any payments defined as 'novel or contentious' are referred to DCMS
- any matters concerning remuneration referred to in the Management Statement and Financial Memorandum agreed between the Commission and the sponsor department, DCMS
- any other matters at the request of the Board.

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

Regulatory Panel

The Regulatory Panel (the Panel) looks at licence applications* and conducts regulatory reviews 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.

* There are three reasons why a licence application may be referred to the Regulatory Panel:

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

Senior management team

The senior management team - the Management Board

Jenny Williams: Commissioner and Chief Executive

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

Role

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

Tom Kavanagh: Deputy Chief Executive

(from 1 March 2010 advising the Commission on statistical matters)

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

Role

Tom acted as the Commission's key adviser on gambling policy, technical matters and on international developments. He also deputised for the Chief Executive until his retirement. Tom will continue to support the Commission as an adviser on statistical matters.

Bill Butler: Director of Corporate Services (until 26 July 2009)

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

Role

Bill was responsible for oversight of the Commission's finance and resource governance, in particular he led the Commission's work on fees and funding.

Julie Grant: Director of Finance

Julie joined the Commission in January 2008. Prior to this, she served as the Ministry Controller for the Cabinet Secretary of Bermuda focusing on Tourism and Transport. Julie has worked in the private sector in a variety of senior financial roles at Claire's Accessories and Signet Group plc among others. She is a member of the Chartered Institute of Management Accountants.

Role

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


Matthew Hill: Director of Strategy, Research and Analysis

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

Role

Matthew chairs the Regulatory Policy Board and manages our policy and research, intelligence, information management, business strategy and ICT functions. He is responsible for 49 employees, co-ordinating our business planning, developing and maintaining statutory guidance (including the LCCP) and overseeing information and intelligence management (including the prevalence survey). He leads our working relationships with government departments and industry groups.

Justine Kenny: Director of People and Organisational Development

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

Role

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

Neil McArthur: Director of Legal

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

Role

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

Julia Mackisack: Director of Corporate Affairs

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

Role

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

Nick Tofiluk: Director of Regulation

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

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

Management boards - remit and membership

Management Board

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

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

Operations Board

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

Regulatory Policy Board

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

Risk Management Committee

The Risk Management Committee meets quarterly and risk is also managed at departmental, programme and corporate levels. Risks identified at a departmental level are monitored by the Risk Management Committee and co-ordinated with our key corporate risks.

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

Table 11: Duration of service

Name	Role	Duration of service
Jenny Williams	Chief Executive	October 2005 - to date
Tom Kavanagh (now Head of Profession (statistics))	Deputy Chief Executive	October 2005 - to date
Bill Butler	Director of Corporate Services	February 2006 - July 2009
Julie Grant	Director of Finance	January 2008 - to date
Matthew Hill (on secondment)	Director of Strategy, Research and Analysis	November 2008 - to date
Justine Kenny	Director of People and Organisational Development	February 2006 - to date
Neil McArthur	Director of Legal	October 2006 - to date
Julia Mackisack	Director of Corporate Affairs	April 2007 - to date
Nick Tofiluk	Director of Regulation	November 2007 - to date

Table 12: Management boards - membership

Name	Role	MB*	RPB*	OB*	RMC*
Jenny Williams	Chief Executive	Chair	✓	✓	Chair
Tom Kavanagh	Deputy Chief Executive	to 1 March 2010	to 1 March 2010	to 1 March 2010	to 1 March 2010
Bill Butler	Director of Corporate Services	to 26 July 2009	to 26 July 2009	to 26 July 2009	to 26 July 2009
Julie Grant	Director of Finance	✓	✓	✓	✓
Matthew Hill	Director of Strategy, Research and Analysis	✓	Chair	✓	
Justine Kenny	Director of People and Organisational Development	✓	✓	✓	✓
Neil McArthur	Director of Legal	✓	✓	✓	✓
Julia Mackisack	Director of Corporate Affairs	✓	✓	✓	✓
Nick Tofiluk	Director of Regulation	✓	✓	Chair	✓
Sharon McNair	Head of Licensing			✓	
Nomaan Nazem	Business Performance Manager				✓

* MB - Management Board
 RPB - Regulatory Policy Board
 OB - Operations Board
 RMC - Risk Management Committee



From left to right: Matthew Hill, Nick Tofiluk, Jenny Williams, Julia Mackisack, Justine Kenny, Julie Grant and Neil McArthur

Employment statistics for 2009/10 (as at 31 March 2010)

Total employees by contract type	
Secondees	1
Short term employees	6
Permanent employees	215
Total	222

Departmental split	
Corporate Affairs	6
Directors	7
Executive/Admin	7
Finance	8
Legal	4
People, Organisation and Development	5
Regulation including	137
Compliance	62
Enforcement	12
Licensing	52
Regulatory Co-ordination	9
Regulation	2
Strategy, Research and Analysis including	48
Facilities	2
ICT	11
Information	7
Intelligence	12
Policy and Research	16
Total	222

Diversity – gender	
Female	98
Male	124
Total	222

Diversity – disability	
Employees with a disability as defined under the Disability Discrimination Act 2005	2
Employees without a disability as defined under the Disability Discrimination Act 2005	220
Total	222

Diversity – age	
Under 20	0
21 to 30	44
31 to 40	74
41 to 50	50
51 to 60	40
60+	14
Total	222

Diversity – ethnic origin	
Asian or Asian British - Bangladeshi	1
Asian or Asian British - Indian	13
Asian or Asian British - Other	1
Asian or Asian British - Pakistani	1
Black or Black British - Caribbean	5
Chinese	1
Mixed race - Other	1
Mixed race - White / Asian	1
Mixed - White and Black Caribbean	1
White British	186
White Irish	4
White Other	5
Not disclosed	2
Total	222

Sickness absence rates	
1 April 2009 to 31 March 2010	% of working days lost
Quarter 1	2.4
Quarter 2	2.6
Quarter 3	2.6
Quarter 4	2.7

Licence application fees from 1 August 2009

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

Supplementary operating licences

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

Annual fees from 1 August 2009

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

Personal licence application and maintenance fees

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



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