Annual Report
& Financial Statements

2015/16

GAMBLING COMMISSION
Keeping **gambling** fair and safe for all

Gambling Commission
Annual Report and Financial Statements 2015/16

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

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Our statutory duties are to

- **Permit gambling subject to reasonable consistency with the licensing objectives which are to:**
  – keep crime out of gambling
  – ensure that gambling is conducted fairly and openly
  – to protect children and other vulnerable people from being harmed or exploited by gambling
- **Advise national and local government on the impact of gambling and its regulation**
- **Secure the maximum return to good causes from the National Lottery subject to probity and protection of player interests.**

We do this by

- **Empowering consumers by:**
  – promoting consumer education and public awareness of the risks of gambling-related harm
  – requiring operators to implement appropriate player protection and assistance tools to prevent gambling by children and enable consumers to identify and manage the risks of gambling
  – promoting mechanism for the identification of and help for those at risk of gambling-related harm.
- **Raising standards:**
  – promotion of best practice
  – rigorous licensing and then holding licensees to account
  – combating illegality primarily through deterrence and disruption.
- **Building partnership and understanding by:**
  – building and sharing the evidence base
  – advising and working with government, regulators and law enforcement here and overseas.
- **Monitoring and challenging the National Lottery licensee to drive increases in returns to good causes:**
  – through regular review of past performance and future strategy including development of the digital market
  – by encouraging proposals to refresh the game portfolio (subject to overriding public protection objectives).

2015/16

Annual Report & Financial Statements

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Performance report

Philip Graf Chairman

Overview

Chairman's statement

In the report that follows, we look back on the year 2015-2016 – a year of change and progress. The detail can be found in the operating statement.

Point of consumption legislation in Great Britain came into force in November 2014 for online gambling. This legislation significantly changed the gambling landscape – we went from regulating less than 15% of online activity by consumers in Great Britain, to regulating the whole market.

The impact of a global digital gambling and gaming industry on consumer behaviour and its impact on current as well as new business models bring significant new challenges to the regulation of gambling in Great Britain.

The indications from our 2015 industry statistics are that the online gambling market in Britain generates around £3.48bn (€4.57bn) of Gross Gambling Yield (GGY) per annum – accounting for 28% of the British gambling market, or 37.5% when the National Lottery is excluded. This makes it the biggest sector in the GB market – ahead of land-based betting – in terms of GGY for the first time. The online market appears to be continuing to grow rapidly and we expect that trend to continue, albeit not at current rates.

The growth of mobile and tablets usage and social media has also driven the take-up of gambling-styled games, with their appeal to younger audiences.

Our latest participation survey shows that nearly half the GB population had gambled in the past month, including a third of the population who had participated in National Lottery draws.

Acquisitions and mergers have been a feature of the market over the past year or so, notably Ladbrokes and Gala Coral, Betfair and Paddy Power, and GVC's acquisiion of Bwin Party – and there is every likelihood that we will see further market consolidation.

Over the last two years we have emphasised to boards and owners of betting and gaming businesses the importance of putting the risks of gambling-related harm and money laundering at the heart of their business strategy. There is no doubt a very welcome change in attitude in a number of major companies. However, whilst there has been a great deal of activity, it is also clear that much still needs to be done to deliver real impact in reducing the risk of harm and criminal activity.

Throughout the year we have continued to focus on these issues. We believe that consumers should be provided with information with which to make well-informed choices about their gambling. Our approach has been to create a regulatory framework, which puts responsibility with the operators, at board and owner level, to fulfil their obligations to minimise gambling-related harm. The new social responsibility code requirements and annual assurance statements will bring important insight into how industry leaders are stepping up to this challenge.

It is critical that boards and owners of businesses throughout the gambling sector engage fully with these issues. They need to accept the risks to consumers and the risk from criminal activity as just as fundamental a part of the culture of their business as commercial risk.

During the year we have agreed a number of regulatory settlements involving major operators across the sectors. These are intended to signal important messages for the industry on the need to meet standards governing social responsibility and crime prevention. The Commission is reviewing the lessons we have learnt from these cases and is intending to reflect them in future enforcement policy.

Fixed Odds Betting Terminals (FOBTs), concerns about the presence of betting shops on the British high street and the prevalence of advertising both on TV and online remain areas of significant concern for many. FOBTs are a hard form of gambling and as such require suitable regulation. Powers in relation to stakes and prizes are with Government. We look forward to the opportunity to examine the issues raised by FOBTS, drawing on the evidence and using a proper understanding of the nature and scale of the risks, as part of government plans for any forthcoming review.

However, the debate around these machines, important though it is, risks obscuring the wider issues in tackling gambling-related harm, for example in online gambling. The funding and implementation of the new Responsible Gambling Strategy Board (RGSB) strategy are one critical way in which to deal with the subject.

The prevention of crime in gambling is another core duty. Our review of our conditions and codes of practice have brought them up-to-date. We also continued to develop our approach to anti-money laundering activity in light of the forthcoming 4th Anti-Money Laundering Directive.

There has been considerable national and international focus on corruption in sport. We have used our considerable experience and strong reputation to continue to work with a range of stakeholders to combat illegal betting activity in sport.

The Commission's work over the year has also focused on a review of the Licence Conditions and Code of Practice (LCCP) on crime and both anti-money laundering activity and sports betting integrity issues will continue to be important areas of our work.

2015/16 saw major changes to the National Lottery, as well as Commission advice to the Secretary of State on aspects of the future framework for society and other lotteries. Following Commission approval, we saw lottery operator, Camelot, launch the first major change to the draw-based game since Lotto. Maintaining and improving the National Lottery's significant contribution to good causes mean product and sales innovations, particularly digital ones are set to continue.

The National Lottery also enjoyed a strong run of good fortune in the past year with a record Lotto run, which led to further excellent news for good causes overall. However, it is in the nature of such matters, that good fortune is not guaranteed.

The Lottery is ultimately a game of chance and it should be remembered when looking forward that luck is a factor in driving returns.

The Commission has also been fully engaged as Camelot transforms its business in response to changing consumer behaviours with increasing use of online and mobile access to their products.

Chairman's Statement continued

On 1 October 2015, the Gambling Commission marked its tenth anniversary. That date provided the opportunity to reflect upon how we have developed over the past decade, the progress we had made – and to look forward. The date was significant for another reason: Jenny Williams, who had been Chief Executive of the Commission since its inception officially handed over the reins to her successor, Sarah Harrison. Jenny left the organisation half-way through the year that this Annual Report covers and we would like through this medium, to thank her publicly for the major contribution that she made to the Gambling Commission.

There are also significant changes over the coming year on the Board with five new members taking up their posts in April 2016 and my successor being appointed in the coming months.

I have every confidence that the Commission is in excellent hands. However, it is a challenge for non-executives to get up to speed in a market which is so fast paced and complex and I trust the Commission will not have to deal with such wholesale changes at Board level again over a relatively short period of time.

In my time as Chair I have noticed a real and positive change in the way in which the Commission and operators interact and work together. Whilst we will not always agree, mutual respect is important, and I hope this trend can continue as we can achieve much by working together constructively.

In my last report, I want to pay tribute to all the Commissioners who have served with me over the past five years on the Board, and indeed all my colleagues throughout the Gambling Commission. Their commitment, quality and good humour have made my time at the Commission a very stimulating and enjoyable one. I wish my successor all the very best for the future.

Philip Graf
Chairman

Chief Executive's overview

I joined the Commission as CEO and Commissioner in October 2015. In my first months I have focused on building my understanding of the sectors, the market and the issues facing consumers.

"Wherever we direct our efforts in the future, we will be mindful of the need to put consumers at the heart of regulation"

Sarah Harrison Chief Executive

I am grateful to Gambling Commission colleagues, Commissioners, licensed operators and their representatives, and stakeholders who represent the interests of consumers and civic society, who have helped me so far in this.

Early in 2016 I agreed with the Board a number of changes. First, changes to the organisation of portfolios and responsibilities in the Commission, for example to give a sharper focus to consumer issues, the role of evidence and analysis and to partnership working. Second, the Board supported plans for an internal change programme to build on the expertise, ways of working and culture of the organisation for the future. This will also respond to the 2015 employee survey in which 92% of the organisation participated. Finally, following the appointment of a new Chairman over the summer, we will lead a process to set a new forward strategy for the Commission. This will take account of changes in the market, in technology and in consumer behaviour and will help shape our future approach as a consumer protection regulator. I look forward to working with partners and stakeholders to develop this in due course.

Wherever we direct our efforts in the future, we will be mindful of the need to put consumers at the heart of regulation. This will include building on vital work to protect the most vulnerable, and setting standards for responsible and safe gambling. In this context, delivery of the new National Responsible Gambling Strategy will be critical. We will also focus on ensuring markets are fair and open for consumers, tackling problems with online marketing and terms and conditions. Here we will work closely with our partners in advertising and fair markets regulation.

We will continue to focus on giving consumers confidence that markets are not rigged, or subject to fixing, and otherwise are kept free from crime. Our revisions this spring to the licences and codes governing crime set a clear outcome. They require operators to develop frameworks to minimise the risk of money laundering and crime. Operators must take an holistic view of the customer, irrespective of whether they are gambling over the counter or online and, as with any other form of social responsibility, the onus will be with the operator to use the very same approaches that are used to design products and understand customer 'profitability', to guard against crime and problem gambling. Keeping crime out of gambling, preventing unlicensed gambling, and maintaining integrity, for example in relation to sports and sports betting, are highly dependent on strong partnerships and effective powers. We will continue to use these to the full.

A further area for continuing future focus will be on emerging products and digital currencies. The growing market in esports and computer gaming has scope to present issues for regulation and player protection – issues which are being examined by gambling regulators in other international markets. These issues range from the emergence of real money esports betting markets, to trading in-game items which blur the lines between gambling and social gaming. Our focus will be to understand developments, including engaging with key stakeholders, and we will work wherever we can to ensure the risks associated with these, particularly to children and young people, are minimised.

We will also continue to assess, and where appropriate approve, changes and innovations to the National Lottery, as Camelot brings forward proposals over the next five years in an increasingly competitive and potentially volatile lottery market. Our approach will be to ensure fair play for consumers and, subject to this, to support changes which increase contributions to good causes.

Over the last 12 months we have increased our focus on how we plan, monitor and implement our work in order to improve operational delivery. In terms of our work plan for the 2015/16 year, while it is difficult to pick out particular highlights, some key achievements include:

- the introduction of Annual Assurance Statements, as part of our continued drive to ensure ownership at Board level of the licensing objectives and what needs to be done to meet these
- new obligations to develop local risk assessments so that operators will increasingly think and act locally to understand and mitigate risks in retail premises. These are tools also for local licensing authorities to make use of as they fulfil their duties to license and protect
- the implementation of new consumer protections covering marketing, warnings and time-limits on-line, requirements for multi-operator self-exclusion schemes, and the launch of consumer dispute and redress schemes, supervised by the Gambling Commission.

The out-turn for the year has seen the Commission deliver on many of its objectives and deliverables set for 2015/16. Not all deliverables were met due to a combination of external factors or reprioritisation. The business plan for 2016/17 sets out our strategic objectives, priorities and deliverables for the new year alongside ongoing work on licensing, compliance and enforcement. A new fees regime is planned which will see improvements in the allocation of costs across licensed operators. Implementation of any changes to the fees will be subject to the parliamentary process. We consider there is scope to deliver a ten percent reduction in fees following the first full annual cycle.

The year ahead will bring change, in particular at Board level. We will continue to build on the Commission's work to keep gambling safe, fair and free from crime, as effectively and efficiently as we can.

Sarah Harrison
Chief Executive

Performance analysis

Strategic objective 1: Building partnership and understanding

Advising and working with Government and other partners on gambling and its regulation.

Shared regulation

i develop our approach to shared regulation and continue to build effective regulatory relationships with local authorities, law enforcement bodies and others

Sports betting integrity

ii work with national and international stakeholders to identify threats and develop strategies to mitigate the risks of corruption to sports and sports betting

Advising and working with Government and other partners

> some of our research and statistics

We collaborate with researchers and organisations to inform the advice we provide to the Government about gambling behaviour in Great Britain. As an evidence-based organisation, we collect and analyse data and information needed to keep the Commission up-to-date on all areas of the prevalence of and participation in gambling and to monitor changes that may have an impact on the regulatory framework.

Our activity also supports the RGSB objectives to advise on strategic priorities for research, education and treatment into minimising gambling-related harm. The RGSB sets the strategy for research priorities, with a programme of research being delivered by the Responsible Gambling Trust (RGT).

We also utilise information provided by the industry to assess any changes in the gambling landscape about the various gambling sectors, what products are on offer and channels (remote or non-remote) through which they are offered. The data we collate includes: GGY, the number of licences, the number of gambling premises, and social responsibility measures. Our Industry Statistics are published twice a year.

Our latest Industry Statistics publication reported that the non-remote (not online) British commercial gambling industry (excluding the National Lottery and Society Lotteries sector) generated a GGY of £5.4bn over the period April 2014 to March 2015 (published in November 2015). This represents an increase of 2% or £112m when compared with the previous year. The report also included, for the first time, data on all operators offering online gambling facilities to customers in Great Britain.

We also publish Licensing Authority Statistics annually. This report provides the latest information on the number of gambling permits, temporary use notices, occasional use notices as well as the number of premises inspections conducted.

In addition, we report on participation in gambling and the prevalence of problem gambling in Great Britain (see Table 1). The last research (published in February 2016) included, again for the first time, information about how many people gamble online – the devices they used to gamble, where they gambled, and the number of accounts they used (see Table 2).

Table 1: Gambling participation and prevalence

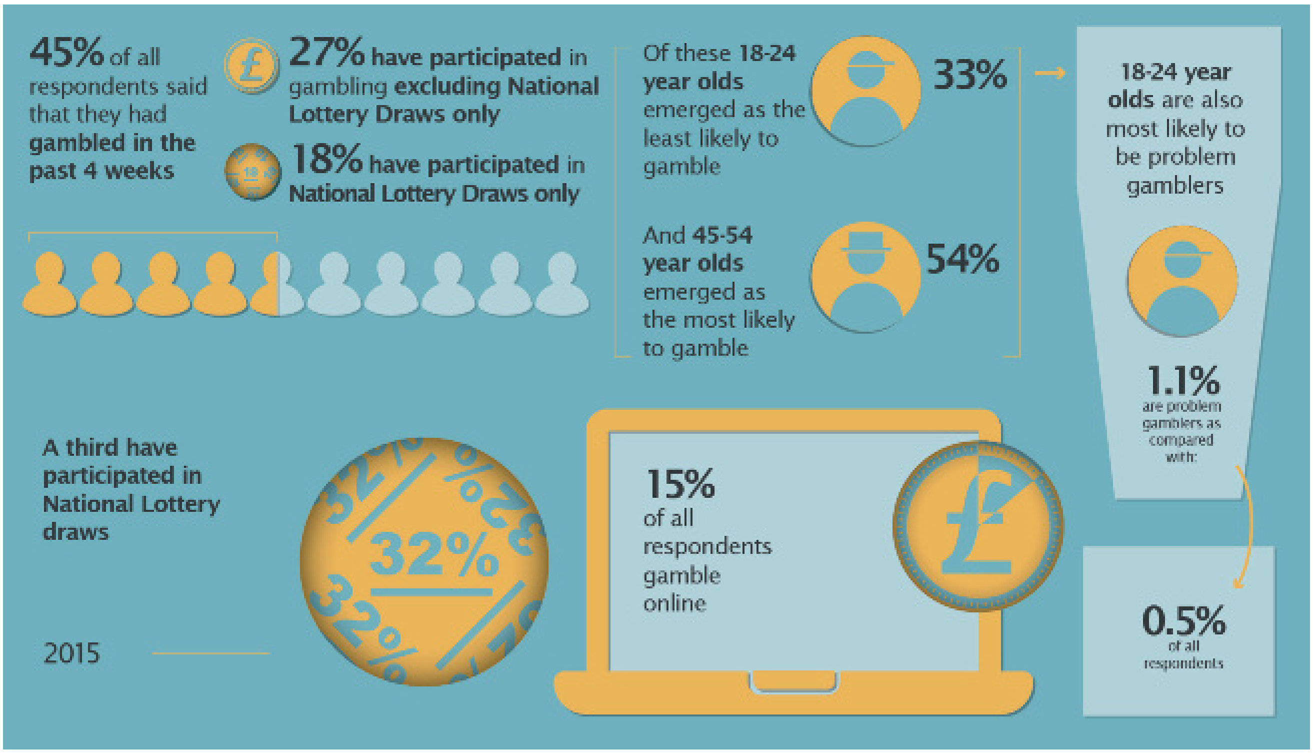
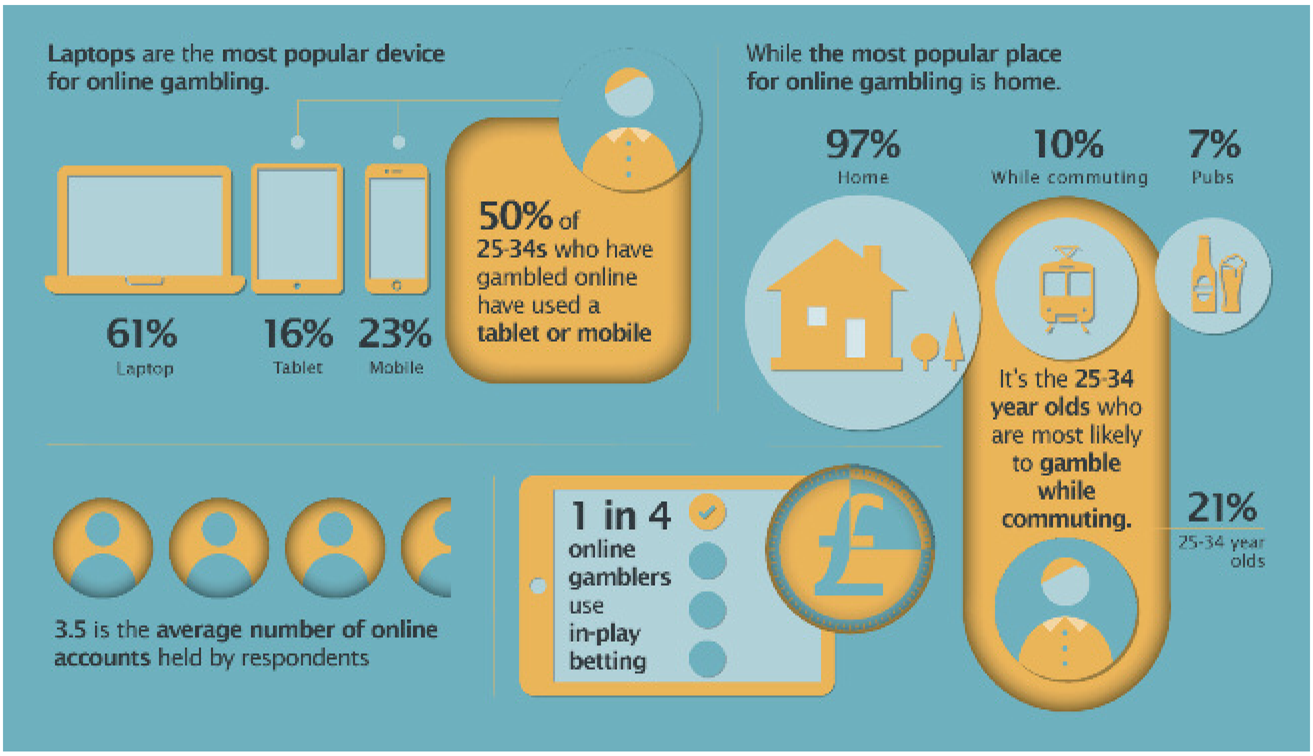


Table 2: How people gamble online



Strategic objective 1: Building partnership and understanding

continued

> *machines research*

In spring 2015 we provided advice to the Secretary of State for Culture, Media and Sport on recently published research into gaming machines conducted by the RGT.

The primary purpose of the research was to improve collective understanding of how to identify and address harm arising from gambling on gaming machines in licensed betting shops.

Our view was that the research supports the case for a regulatory approach that emphasises the way that players interact with gambling products and environments. But we noted that there is some way to go before we can rely on a strategy based on targeted intervention by operators. Our advice was for the RGT and the industry to build on this initial research to generate and test better models ('algorithms') for identifying players who may be at risk of harm.

The RGT has since commissioned further analysis, including work that aims to learn directly from problem gamblers' patterns of play to generate more reliable algorithms. This research will report later in 2016. At the same time, the industry has been developing its own algorithms. In December 2015 the Association of British Bookmakers (ABB) announced the launch of a Player Awareness System (PAS). ABB members have developed their own algorithms to support this system, which uses information from account-based play on gaming machines to identify players at risk, and then initiates a structured process of interacting with customers to address that risk. This work will be subject to an independent evaluation. We strongly welcome efforts to trial and evaluate harm reduction measures.

Efforts to identify the risk of harm must not be confined to gaming machines. For example, the RGT has also commissioned research into the potential to identify risk of harm in online gaming, and into the kinds of measures that are likely to be effective in mitigating that harm. This research is due to report by the end of 2016. We expect it to stimulate ongoing efforts to tackle gambling-related harm, both online and in land-based environments.

Mitigating the risks of corruption to sports and sports betting

> *Sports Betting Integrity Forum*

Sports betting integrity and corruption in sport continue to have a high profile in the media, parliamentary reports and society more generally.

We play a key role in the Sports Betting Integrity Forum (SBIF), which we helped to establish in 2014. In addition to the Commission, membership comprises sports representative bodies, operators, and law enforcement agencies whose aim is to fight corruption in sport. We contributed to the Home Office National Anti-corruption plan, published in October 2014. Along with the Department for Culture, Media and Sport (DCMS) we were given the task of implementing the Sports Betting Integrity Plan.

The Sports Betting Integrity Plan was published in September 2015. The plan outlines Britain's approach to addressing risks to the integrity of sport and sports betting, with SBIF members having responsibilities for the delivery of a set of specific actions. It sets out members' responsibilities in delivering timely and effective actions to identify and control risks associated with match-fixing and sports betting integrity.

In December 2015 we launched the SBIF website. This features a range of best practice products and resources – including examples of education programmes and prevention strategies, models of best practice and case studies and relevant research and reports. These are all aimed at addressing the risks associated with match fixing to help preserve and protect sports betting integrity in the UK.

The Plan received strong support from the Parliamentary Under-Secretary for Culture, Media and Sport, Tracy Crouch, who said: "The integrity of sport is absolutely paramount and we have to do all that we can to protect it. The Sports Betting Integrity Action Plan is about ensuring that Britain remains a safe place to bet on sport and to tackle any threat of corruption that emerges." She added: "We cannot be complacent. The Gambling Commission, sports bodies, law enforcement agencies and betting operators are all well aligned on this with effective collaboration vital in the fight against match fixing."

Other work that the SBIF has successfully implemented includes an information sharing framework with all its members which sets out how information will be shared in a safe and secure environment.

Our Sports Betting Intelligence Unit (SBIU) continues to receive a steady flow of reports about suspicious betting activity, all of which we handle in line with our decision-making protocols. The SBIU also provided bespoke support to the organisers of the 2015 Rugby World Cup. Lessons learned from this support will feed into the DCMS Gold Framework, the Government guidance on UK-level support available when bidding and staging major sporting events.

Our relationship with partners, such as sports and other governing bodies is important as it allows us to work with and through others, to exercise our regulatory powers. The importance of sports governing bodies sharing information and co-operating with us cannot be over-estimated. Two examples of good collaboration will make this point. Following a Commission prosecution Chris Mosdall was found guilty of cheating at gambling by drugging greyhounds and subsequently imprisoned for four-and-a-half months in December 2015. Mosdall's illegal tactics were captured in a BBC Panorama documentary and the case was prosecuted by the Gambling Commission. SBIU assisted the British Horseracing Authority (BHA) in a case involving jockey Darren Eagan. The jockey was banned from racing for 12 years in February 2016 for ensuring two horses did not run on their merits which enabled gambler Philip Langford to profit.

Following the success of the betting integrity joint assessment unit (comprising the Commission, the International Olympic Committee (IOC) and the Metropolitan police) set up for London 2012, we have been working in an advisory capacity for Rio 2016 and contributed to the IOC's 2020 Agenda and the development of their 'Protecting Clean Athletes' Strategy.

"The integrity of sport is absolutely paramount and we have to do all that we can to protect it. The Sports Betting Integrity Action Plan is about ensuring that Britain remains a safe place to bet on sport and to tackle any threat of corruption that emerges."

Tracey Crouch
Parliamentary Under-Secretary for Culture, Media and Sport

Building effective regulatory relationships

> overseas

Operating as we now do in a global environment with most high impact operators (HIOs) holding licences in multiple jurisdictions, it is important that we have effective arrangements for sharing information with partner agencies. In the past 12 months we have seen the outcome of several years' effort on our part and that of co-regulators.

There is continuing growth in co-operation between agencies involved in gambling regulation supporting our licensing and compliance work and in developing policies.

Strategic objective 1: Building partnership and understanding

continued

Associations such as GREF (Gaming Regulators European Forum) and IAGR (International Association of Gaming Regulators) are actively promoting international engagement and within Europe, Expert Groups focusing upon remote gambling and sports betting integrity are bringing together European regulators to extend communication. We are actively engaged in all these platforms recognising that the provision of gambling is an area where the technology and businesses are changing rapidly and with it, the way people spend their leisure time. By pooling our knowledge of regulatory practices, issues and of operators, we are better able to respond to this changing environment.

As members of GREF and IAGR we have been developing ways of sharing experience and information. We have joined the multi-jurisdictional testing framework (MJTF) scheme within IAGR with the aim of all participating jurisdictions agreeing on common standards. This would mean that where one product operates in multiple jurisdictions, operators can have the game tested to these standards and use the one test to satisfy the testing requirements of all participating jurisdictions.

The European Commission has two regulators' Expert Groups, which are responsible for gambling policy and match-fixing. These have been focused upon improving communications between national regulators. In November 2015, we were signatory to an agreement between member states to facilitate exchange of information and co-operation on licensing, compliance and case work. We expect this to make a significant difference to the extent and quality of collaboration and the effectiveness of our individual efforts. In addition it will reduce the cost of keeping ourselves informed and up-to-date and it should streamline working with other regulators on case-work.

> and closer to home

We have continued to develop effective partnerships with other agencies throughout Great Britain who hold information relating to gambling. The Commission is a member of the national steering group of the Government's agency intelligence network. Through this enabling network, we have developed our knowledge and understanding on topics close to the licensing objectives, notably anti-money laundering and betting integrity. A number of the complex regulatory and criminal cases we have dealt with were shared with us through these partnerships. Similarly we share information that may contribute to the work of other agencies. There has been a noticeable increase in the diversification of frauds into areas where the Commission and the Financial Conduct Authority have overlapping interests and sharing of information between these parties and Action Fraud is a daily feature of Commission life.

Our section on 'Raising Standards' describes the importance of our relationship with bodies such as the Advertising Standards Authority, the Information Commissioner's Office and the Competition and Marketing Authority. Such relationships allow us to ensure the protection of consumers.

> and working with payment providers

Work that began before the introduction of the Gambling (Licensing and Advertising) Act 2014 with significant payment providers has continued to be an effective means of stopping unlicensed gambling. Visa, MasterCard and PayPal have agreed arrangements in place for the termination of agreements with those operating illegally. We continue to encourage merchant acquirers – organisations that process electronic payments – to check licence status before accepting gambling merchants as their clients. We have added Pingit and Payfriendz to our list of agreed providers, and they are proving useful in combating illegal lotteries promoted through social media. Optimal Payments Group – an e-commerce business that allows payments and money transfers to be made through the Internet – is also playing a part in the battle against overseas remote illegal gambling. There is evidence that payment providers are now using our guidance to make decisions on when to terminate agreements where they believe activity is illegal. We remain confident that these robust arrangements provide proportionate coverage across the payment sphere to deal with illegal activity.

Better regulation

There are a number of better regulation initiatives being developed by central government that could have an impact on our regulatory approach and we have been planning accordingly.

> Enterprise Bill

The Enterprise Bill, which is likely to reach the statute book in mid-2016, is aimed at providing an environment in which new businesses can be launched and will have the opportunity to flourish. It contains a range of measures of interest to us if enacted:

- the extension of the business impact target (BIT) to regulators: this would require us to produce an assessment of regulatory impact for many new actions – such as advice notes and changes to licence conditions. The BIT will apply retrospectively
- a requirement for regulators to appoint a small business appeals champion. The aim of this requirement is to ensure that small businesses are treated fairly by regulators and that a regulator's processes are sufficiently tailored to their needs to ensure complaints are dealt with adequately
- a requirement for regulators to report annually on compliance with the regulator's code and the growth duty.

We will expand our thinking on these areas as detailed requirements become clearer and will continue to seek opportunities to cut down on bureaucracy.

> Shared regulation

Our relationship with licensing authorities and others is strong with a particular focus on updating them with changes in policy and developments to the LCCP such as those relating to social responsibility provisions that came into effect in May 2015.

In autumn 2015 we issued our revised 'Guidance to Licensing Authorities' (GLA), aimed in part at supporting licensing authority decision-making. It reflected recent changes to the LCCP relating to local risk assessments. We have encouraged licensing authorities to move away from a national template to one that genuinely reflects current issues, local data, local risk and expectations that a licensing authority has of operators.

Licensing authorities have been subject to local government cuts resulting in the loss of experienced staff. They continue to need to balance fees income with expenditure on the service that they provide. Mindful of the loss of 'corporate memory' through cutbacks, we have refreshed our growing file of case studies on our website that highlight the variety of ways in which licensing authorities have managed compliance and enforcement issues since the Act was introduced.

We collaborated closely with the Local Government Association (LGA) in the preparation of its 'Councillors' Handbook' to ensure it reflects the contents of the GLA. This represents a major step forward in terms of our partnership.

We continue to play an active and constructive role in the Better Regulation Delivery Office Primary Authority scheme.

Our partnership with the local authorities and operators involved was cited as a model of good practice in the last year.

> Engagement in Scotland and Wales

We also developed our activity and engagement with partners in Scotland and Wales during the past year.

Following discussions with licensing authority colleagues, we issued a new advice note in November 2015 giving further clarification on the role of authorised persons working in gambling compliance in Scotland.

The Commission made two submissions to the Scottish Parliament's inquiry into FOBTs, which published its report in December 2015. The report makes specific reference to the need for licensing authorities in Scotland to take on a greater role in monitoring licensed betting premises, working with the Commission.

Enhanced partnership working resulted in the Commission undertaking the first multi-agency operations in Scotland involving the police and individual licensing authorities since the creation of Police Scotland in April 2013.

We have undertaken regular constructive engagement with the Welsh Local Government Association and have worked positively with Welsh licensing authorities as they reviewed and developed their new Statements of Licensing Policy.

The Commission has continued to promote knowledge development in the form of training sessions for licensing officers in Wales and joint visits to gambling premises using the inspection assessment forms, which have been developed by the Leicester, Leicestershire and Rutland licensing forum and enterprise partnership (LLEP), with support from the Commission.

Strategic objective 2: Raising standards

Ensuring the gambling industry puts the licensing objectives at the heart of everything it does and helps raise industry standards

Compliance

i improve our approach to securing full compliance with legislation and the LCCP by developing our approach to case management

ii develop and embed our compliance model for High Impact Operators (HIOs)

iii implement Annual Assurance Statements

iv develop our capability to assess and mitigate the risk of money laundering, including criminal spend, in the gambling sector

v ensure that the regulatory framework which governs the environment in which gaming machines are available remains appropriate.

Raising Standards

> Marketing and advertising

We introduced a new Social Responsibility code provision within the LCCP which requires operators to ensure that their marketing communications, advertisements and invitations to purchase do not mislead. The provision, which came into effect in May 2015, reinforces the existing Committee of Advertising Practice (CAP) rules and guidance on misleading advertising but gives the Commission more leverage to take swift and direct regulatory action. We have worked closely with CAP and the ASA to raise the profile of this issue, and have written to all licensed remote operators making clear our expectations. We expect to see a rapid improvement in standards and we will take regulatory action as necessary in order to protect consumers.

We welcomed the publication of the Industry Group for Responsible Gambling's (IGRG) revised Industry Code for Socially Responsible Advertising, which came into effect in February 2016. This places a requirement on industry to stop the promotion of sign-up offers, targeted at new customers, on pre-watershed TV advertising.

We continue to work closely with DCMS, CAP, the ASA and industry to examine how social media is being used to market its products to ensure that young people are protected.

'Operation Creative' is a multi-agency initiative involving the City of London Police's Intellectual Property Crime Unit (PIPCU), the British Recorded Music Industry Ltd (BPI) and the Federation Against Copyright Theft (FACT) and the Gambling Commission. It seeks to reduce advertising on websites that criminally infringe the copyright of the UK's creative industries. Brands that advertise on these sites risk funding online criminals and providing seed money for other illegal activity. As a direct result of the Commission's involvement, PIPCU reported a 36% decrease in gambling advertisements appearing on copyright infringing websites.

We also collaborated in Operation Linden, a multi-agency forum whose purpose is to tackle spam marketing. The lead organisation in this exercise is the Information Commissioner's Office (ICO). This engagement led to further co-operation with the ICO on tackling spam marketing of gambling products. Working with the ICO, we have reminded industry of its obligations. Initial evidence suggests that the work is having a positive impact.

Related to our advertising and marketing work, we have also identified a number of practices, particularly in the remote and betting sectors, which may potentially breach the Consumer Rights Act 2015, other consumer rights legislation or parts of the LCCP. We will be working with the industry and our partners, including the CMA on improving standards. This may involve compliance action where appropriate.

This demonstrates the importance we attach – and will continue to attach – to giving consumers confidence that markets are fair and open by tackling problems with online marketing, terms and conditions, and unsolicited texts.

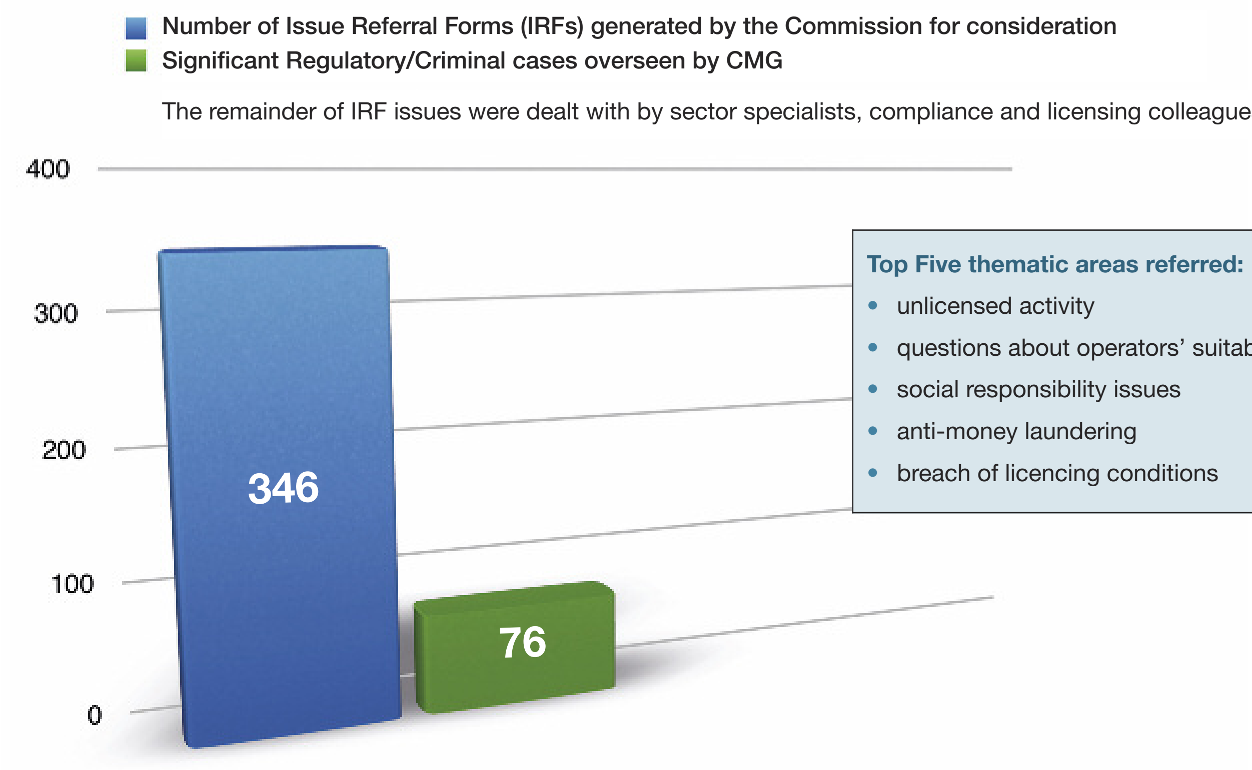
> *Securing full compliance*

Where appropriate we try to fulfil our statutory obligations and pursue our licensing objectives through an enhanced compliance approach that stops short of formal regulatory or criminal action. This may be appropriate when an operator is:

- open and transparent in its dealings with us and makes a full disclosure of all the relevant facts
- able to demonstrate that they are aware of their apparent failings
- able to suggest actions that would prevent the need for formal action by us
- prepared to publish, where appropriate, a statement that would acknowledge failings as well as deterring future non-compliance by others and/or share learning that may benefit the wider industry or other stakeholders
- prepared to give up any GGY which accrued as a result of its failings or savings in indirect costs through non-compliance
- prepared to contribute to our direct costs
- prepared to volunteer a payment in lieu of the financial penalty the Commission might otherwise impose.

Our message here is clear: if industry does not learn lessons and raise standards, then we will intervene further and this is likely to mean, as a minimum, taking much tougher enforcement action. A review of cases taken to date, the settlement process, and the need to pursue other powers where we see failings along recurring themes, are now, rightly, live issues for the Board of the Commission. Our objective is to achieve credible deterrence and we will seek to use our powers to the full, and build on current enforcement policy, to achieve this objective.

Table 3: Enforcement activity 1 April 2015 - 31 March 2016



Top Five thematic areas referred:

- unlicensed activity
- questions about operators' suitability
- social responsibility issues
- anti-money laundering
- breach of licencing conditions

Strategic objective 2: Raising standards continued

> the remote sector

The point of consumption legislation for online gambling in Great Britain came into force in November 2014 and had a significant impact on the gambling landscape. The Commission received 176 licence applications in total prior to 1 November 2014, as well as a further 152 applications for gambling software licences before 31 March 2015. From that date we required remote gambling operators to source their gambling software from Commission-licensed gambling software businesses. This means that gambling software must have been manufactured, supplied, installed and adapted by the holder of a gambling software licence.

In a period of 12 months, we moved from regulating less than 15% of online activity by consumers in Great Britain, to regulating the whole market.

All operators have been brought into the scope of the GB market, and all licensees must adhere to our LCCP for their activities. This allows us to apply our requirements consistently and ensure that gambling consumers have consistent rights and protections. There have been some operators who have flouted the arrangements but those have only been operating at a very small scale. We remain vigilant and will continue to disrupt and prevent unlicensed operators from accepting customers from GB.

Our industry statistics gave early indications of the size of the online gambling market. By taking these figures and annualising them, the indication is that the online gambling market in Britain will have generated £3.48bn (€4.57bn) of GGY during the first 12 months of the point of consumption regime. This accounts for 28% of the British gambling market, or 37.5% when the National Lottery is excluded. Online gambling now represents the biggest sector in the GB regulated market – ahead of land-based betting – in terms of GGY for the first time. We expect this growth in the online market to continue, although at a slower rate.

In July 2015, we updated our remote gambling and software technical standards to reflect the social responsibility changes made to the LCCP in June 2015. Recognising that a fuller review is required, we began engaging with our stakeholders in March this year. We intend to issue a full consultation in autumn 2016.

We sought early input from key stakeholders prior to issuing our consultation on the *testing strategy for compliance with remote gambling and software technical standards* in December 2015. The complexity of the online gambling market and growth in our regulatory sphere have reinforced the need to ensure that the standards set out within the testing strategy remain clear and transparent.

Against the backdrop of this changing landscape, the gambling industry has shown itself to be an adopter of emerging technology, and this is particularly true in the remote sector. We continue to monitor new innovations and developments carefully and encourage operators to involve us in discussions on new ideas at an early stage.

> High Impact Operators (HIOs)

• corporate evaluations

In line with our business plan, we completed the first tranche of High Impact Operators (HIO) corporate evaluations. These support our routine compliance work and enable us to obtain a more operational viewpoint on how operators manage risks to the licensing objectives on a day-to-day and strategic level. They focus specifically on governance structures, culture, policies and procedures, risk management and systems and controls. We prioritised the eight operators reviewed between September 2014 – August 2015 on the basis of size, assessed risk and previous compliance and casework history.

Through these evaluations we aim to establish how committed organisations are to putting licensing objectives at the heart of everything they do in the planning and management of their gambling businesses.

We obtain this assurance through conducting interviews at senior level and review evidence of proactive and reactive controls in places.

We are reviewing the lessons learned in conducting these evaluations and this work will impact on the next tranche, which will include remote operators and which will also be informed by the Annual Assurance Statements submitted in February 2016.

A longer-term goal is to highlight and share best practice.

• Annual Assurance Statements

Following our consultation last year, we introduced an Annual Assurance Statements (AAS) pilot programme for 44 of the largest operators. The AAS provides a vehicle for high impact operators, with a GGY of over £25m, to provide us with senior level assurance that compliance with the licensing objectives is at the crux of their business. It covers control systems, risk management and governance arrangements, including implemented or planned improvements to these systems and arrangements.

The deadline for submission of the AAS was February 2016 with all operators meeting this date. We assessed each AAS, making contact with those where further information and/or clarity were required. We will invite operators to a workshop to review the process and consider what lessons have been learned and what improvements can be implemented in the future.

> mitigate the risk of money laundering

As a whole, the gambling industry is considered low risk compared to some other industries. The gambling industry and the Commission as its regulator, face a number of challenges in the context of anti-money laundering (AML). These include the adoption of the EU Fourth AML Directive in June 2016. The Directive provides for individual member states to exempt, in full or in part, certain gambling services on the basis of proven low risk. We are providing advice to HM Treasury, who are leading for the UK, as part of our statutory duty to advise government.

Whilst casinos are subject to the Money Laundering Regulations, all operators have a responsibility to keep crime, including money-laundering, out of gambling. Our ongoing compliance work continues to identify weaknesses in the ability of operators to meet their responsibilities leading to the publication of three public statements during the last year. These set out details of AML failings together with the steps taken by the operators to address them.

We are encouraged that our work and that of operators were recognised within the National (AML) Risk Assessment published in October 2015. This assessed the level of ML risk within casinos and betting as ‘low’ (whilst noting that HM Treasury will separately consider the nature and extent of ML risk in the gambling industry in the context of its work to transpose the Fourth AML Directive). The assessment noted the work that we are doing to drive up standards within the gambling industry.

As well as the compliance activity already mentioned, this includes AML forums and workshops as well as other means to reach operators such as addressing trade events and close work with trade associations.

We developed, for the first time, an assessment that identifies money laundering vulnerabilities, controls and consequence within the industry. This risk assessment will ensure that our AML work is focused on the greatest threat. It will support us in meeting our statutory responsibilities in advising government on gambling issues, and will provide relevant and useful information to the industry, helping them to meet their own responsibilities to keep crime out of gambling.

As well as ensuring industry has the right understanding to meet AML challenges (by for instance preparing the ML risk assessment), we have also invested in building an AML awareness and capability across all parts of its business. All employees have received AML training; ‘champions’ have been appointed and trained to represent AML interests in all business areas.

Strategic objective 2: Raising standards continued

> *amending the LCCP in relation to the prevention of crime*

In September 2015 we launched a consultation on *Proposed amendments to the LCCP for all operators in relation to the prevention of crime associated with gambling.* The consultation closed at the end of December 2015 with a response publication date of April 2016.

The purpose of our review was to improve our regulatory tools and practices to help keep crime out of gambling and from being associated with gambling. We have made changes that will strengthen the LCCP and focus on the outcomes that gambling operators must achieve rather than the processes they take to achieve them.

The changes:

- are based on our casework and on our ten years of experience of how crime links to gambling in the UK
- take account of the views expressed in response to last year's consultation to ensure that they remain proportionate, and to distil the industry's collective knowledge as well as our own
- will improve our regulatory tools to support good practices by licensees and tackle poor practices more effectively
- encourage licensees to take a proactive and tailored approach to meeting their obligations to achieve meaningful outcomes.

We will be preparing advice on the new and amended licence conditions we have introduced, based on principles that operators should follow rather than on specific processes, where appropriate.

Later in 2016 we will publish a consolidated LCCP, which will come into effect in the autumn.

> *ensure the environment in which gaming machines are available remains appropriate*

In November, stakeholders and members of the public were invited to have their say in a new consultation about where gaming machines can be played. We considered that the current LCCP and the accompanying guidance to licensing authorities needed to be revised to ensure that the following underlying policy objectives which seek to minimise gambling related harm are achieved:

- with very few low-risk exceptions, gambling should be confined to dedicated gambling premises that is casino, betting or bingo premises
- distinctions between different types of licensed gambling premises are maintained
- gambling activities are supervised appropriately
- within bingo, betting and casino premises gaming machines must only be made available in combination with the non-remote gambling facilities named on the operating licence.

Strategic objective 3: Empowering and protecting consumers

Empowering and protecting consumers to manage the risks of gambling, recognising that gambling is a mainstream leisure activity, by:

i Developing our consumer communications strategy, fostering continuous improvement in the ways operators prevent underage gambling, developing plans for a multi-operator self-exclusion system and ensuring operators have in place appropriate arrangements for customers to have the option to refer unresolved disputes free of charge to an approved, independent Alternative Dispute Resolution (ADR) entity

ii Ensuring that licensed operators provide clear information (according to our rating system) about whether and how customer funds are protected, so that customers can make informed decisions about where to place their business

> managing the risks of gambling

Work began in the summer of 2015 to increase efforts to persuade industry to think more widely about what information to supply to players. The focus of this work is on product information such as how machines work, bespoke information about players' own play, and social responsibility messaging. This is aimed at encouraging players to think about the potential onsequences of their gambling.

The RGT has agreed to commission the work on product and play information and is working with both the Commission and the Industry Group for Responsible Gambling (IGRG) on these projects. The industry's involvement in this work is key to its success both to ensure ownership and from a practical perspective, to facilitate access to premises and players to allow testing of the ideas developed. Tenders for this work will be issued in April 2016 and work should begin in July.

The Senet Group is also working with the Commission, IGRG and RGT on developing social responsibility messaging. This work started in January 2016, and the initial output will be tested in summer 2016.

> Responsible Gambling Strategy Board

The RGSB, which is advisory to the Commission, focussed on three key priorities in 2014/15:

- to consult on and finalise its Strategy for the next three years
- to improve processes relating to evaluation and research governance
- to recruit four new Board members

Significant work went into producing a Strategy. For the first time there was a formal consultation on the draft, which involved focussed stakeholder engagement.

The consultation closed in mid-December. Each response was carefully considered and fed into the final version of the Strategy, launched in April 2016.

The forthcoming Strategy differs from previous ones in that it focuses on priorities for the next three years as well as ownership of delivery. It will be accompanied by a detailed assessment of the funding required to achieve its delivery plan, which will be drawn up in consultation with the RGT and the Commission.

RGSB has also been working on an evaluation protocol designed to encourage the industry to undertake testing and trialling of interventions to minimise gambling-related harm. This work is linked to the objectives set out in the Strategy and its development has involved working closely with RGT. RGSB has also worked with RGT to create a research protocol to guide the design and commissioning of research. The practices it recommends are currently being implemented and are intended to strengthen the governance of research on gambling-related harm.

In August 2015, RGSB announced the appointment of Professor David Forrest and Dr Heather Wardle as Board members, bringing with them extensive research expertise. Professor Sir Ian Gilmore, an expert in the fields of addiction was also appointed, as was Rachel Lampard, formerly a Gambling Commissioner, whose background is extremely useful in providing context to gambling regulation.

Strategic objective 3: Empowering and protecting consumers continued

> multi-operator self-exclusion

In February 2016, we announced that we would introduce a requirement for online operators to participate in a multi-operator self-exclusion scheme, once created.

In practice this means that an individual will, through a single request, be able to ask all relevant Commission-licensed operators to take all reasonable steps to prevent them from gambling.

When the scheme was first discussed, principally with the Remote Gambling Association (RGA) and some of its members, there was an open question over who would manage the scheme, although the expectation was that we would manage it. However, following careful consideration by the Commission, DCMS agreed with us that an industry-led solution would be more appropriate. As well as allowing the industry to demonstrate its commitment to improving player protection, the industry is already experienced in developing and overseeing large IT projects, as well as administering their own self-exclusion schemes.

We have a keen interest in ensuring that a successful scheme is developed and implemented for consumers. We are therefore very pleased that the RGA has now agreed to take this work forward on behalf of the online sector and we will continue to liaise closely with it throughout the process.

Whilst recognising that developing an online industry-managed scheme will present some challenges, we are confident they can be overcome with concerted effort and collaborative working. The most significant challenge now is to secure agreement on governance, management, and funding. We hope that the scheme will be up and running by the end of 2017.

In February 2015 we also announced that non-remote operators in the arcade, betting, bingo, and casino sectors would have to participate in multi-operator self-exclusion schemes by 6 April 2016. These schemes allow an individual to self-exclude by sector from multiple operators within their geographical area, or nationally where that is feasible, with a single request. Now established, the Commission will ensure that their impact is evaluated.

> independent body to resolve disputes

In 2015, we were designated the competent authority for Alternative Dispute Resolution (ADR) entities in the gambling sector. This means that any bodies wishing to offer dispute resolution services for gambling disputes must demonstrate to the Commission that they meet the requirements of the ADR Regulations.

All operators are now required to ensure that consumers can refer unresolved disputes to an ADR entity on the approved list, free-of-charge. The Commission issued its approved list of ADR entities in July 2015. A customer who has followed an operator's complaints procedure and remains dissatisfied with the outcome can now refer their dispute to an approved independent ADR entity. The Commission expects that operators will comply with the ADR's decision for disputes up to £10,000 in value. For disputes over £10,000, non-binding mediation or adjudication may be offered.

> providing protection for player funds

During this year, we consulted on and then developed our eServices system in order to prepare for customer funds reporting.

This development will enable the Commission to gather information about customer funds held by remote gambling operators online. Operators will submit information about customer funds assets and liabilities online every four weeks. The collated information will be assessed for compliance purposes.

Phase one of customer funds reporting will commence in May 2016 for a number of remote gambling operators who hold the most significant levels of customer funds.

> developing our consumer communications strategy

Our licensing objectives all relate directly to consumers, as well as other groups. There have been changes to the ways consumers are choosing product and services and, consequently, changing expectations on us.

To support our business plan aim to empower consumers we have been considering how we take account of the 'consumer voice' in our work.

There are already various measures in place that stipulate the information that operators should provide and the actions they should take regarding consumers. We have been looking in particular at the tools we can give consumers to help them control their gambling, and understand (and indeed drive) the market and products in it.

We are examining our consumer engagement policy in the context of the customer's journey through gambling and the interactions they would potentially have with operators and us along the way. Developing our policy does not mean a completely new approach, but instead is a case of building on what we do already. We want to be an authoritative information source for consumers and actively test their understanding.

We are doing this in a variety of ways. Our research programme will involve thinking about what we know about consumers and looking for new ways to understand how they behave. An example of this is the work with Ipsos MORI on the National Lottery information project.

We already have a range of valued partnerships with bodies such as licensing authorities. We are looking to broaden the number of partnerships we have so we can increase our reach and the impact of our work.

A key aspect is the direct contacts we have from consumers via our Contact Centre. We have developed, and are looking to improve the way we handle contacts. We are also looking at how those contacts are used as a source of intelligence on issues that are of key concern to consumers. This preparatory work will allow us to develop our consumer strategy in the next year, with a focus on encouraging the industry to put consumers at the heart of their activities.

It will also impact on our website review work, with a redesigned website due to launch in January 2017.

Strategic objective 4: Maximising returns to good causes from the National Lottery

Overseeing performance of national lottery licensee

Deliver the best possible outcome for the National Lottery by using our powers to secure the optimum performance from the licensee, while protecting the nation's interest in the benefits that the National Lottery provides.

National Lottery

> the year in view

The National Lottery delivered a very strong performance over the past year in terms of returns to good causes. The £1.93bn was a 6.8% increase on the previous year of £1.8bn and saw players benefitting to the tune of £4.2bn in prizes.

The increase in returns was due to a mix of factors, including a record week for returns which saw £69m raised following the record Lotto roll sequence. Consideration of the proposal for change to Lotto and associated implementation was a key activity for the Commission across the year. In line with our statutory duties, we carried out a rigorous assessment of Camelot's proposals which included additional prizes and increasing the number of balls from 49 to 59.

Having satisfied ourselves that the proposal posed no threat to the propriety of the National Lottery, that player protection would be maintained and the long-term health of good causes would benefit, we approved the changes for launch in October 2015.

> licensing

The NL Committee considered and approved eight licence proposals submitted by Camelot and monitored delivery where relevant. Three of the proposals considered by Committee were in relation to new National Lottery products and resulted in individual licences being issued, including a licence for the first ever second chance draw Monopoly Scratchcard game, a licence for the new type of £10 Scratchcard (£250m Cash Spectacular) and a licence for the first ever £10 Interactive Instant Win Game (IIWG) game. The Executive also granted ten licence variations and 34 waiver requests.

> longer-term outlook

Continuing to increase returns to good causes is a tough task. Whilst this year has been a good year for the National Lottery, quite properly, the operator Camelot cannot be complacent and has to look to the future and indeed we challenge it to do so.

We recognise that Camelot has to keep abreast of changing trends in play in order to remain attractive to players, and to maximise returns to good causes. Without reinventing itself, the National Lottery is unlikely to maintain such a high return to good causes. We have therefore monitored – and where appropriate – challenged, in particular, Camelot's digital strategy.

Despite its digital thrust, the strategy recognises that growth can only be achieved by a balanced channel offering. A further challenge is therefore for Camelot to ensure it balances its growth strategy appropriately between digital and retail.

We have provided advice to the DCMS on the state of the overall lottery market, as part of the debate on society lottery questions. The market is changing which presents challenges to the National Lottery. While risks identified are not likely to have much impact currently, this cannot be guaranteed to remain the case in the future. How the National Lottery might be organised in the future to meet these challenges and continue to return a high level of return to good causes is an important policy question to address.

The overall gambling market is one that is becoming more standardised in look and feel. The changing marketing and distribution channels, driven primarily by digital, may change consumer perceptions of previously distinct markets. There is a real danger that the blurring of market differentials will reduce the attractiveness of more traditional lottery products.

How consumers choose to spend their leisure time and engage with the gambling market is also a major factor.

> *Enhanced approach to social responsibility*

As Camelot transforms into a digital organisation and strengthens its online offering, we must challenge it to continue to tackle and evolve its approach to social responsibility, bearing in mind that a digital approach to gambling poses fresh risks, as well as opportunities in this area. Camelot will only be licensed to increase sales and returns from new proposals if its commitment to player protection is at an appropriate level.

Camelot has demonstrated an evolving more long-term approach to player protection, over the past 18 months. This has featured some innovative work in terms of behavioural analytics and product testing. Like other companies we will be looking to Camelot to demonstrate how protecting the interests of players is at the heart of the company – whether ensuring appropriate protection controls are available or communicating changes or issues arising in an open and transparent way, taking action if we feel this is not the case.

A further reality of modern life is the increasing likelihood of cyber attacks. So hand-in-hand with its digital push is the need for Camelot to invest against online attack to protect the integrity of the National Lottery. Again we will be monitoring how this is maintained in the light of ongoing change.

Corporate enablers

Supporting delivery of the Commission's objectives

Information management

i. develop and implement our knowledge management strategy

Knowledge Management Strategy

We have recognised a need to improve how we capture knowledge and experience, optimise their usefulness, and make them available to inform decision-making. This will allow us to be more responsive to industry changes and to protect consumers more effectively. Knowledge management underpins our approach as an evidence-led, risk-based regulator.

The Commission employs a range of highly knowledgeable industry specialists and has some well-established processes for managing data and information, supported by various ICT tools and systems. But, we need to develop further how we create, store and share knowledge.

During the past year, we initiated work to develop a Knowledge Management Strategy for the organisation that integrates people, processes and technology, and aligns our knowledge requirements to our strategic framework.

Initial work has focused on conducting a diagnostic assessment of our current knowledge management capability and putting in place the appropriate resources to deliver this project going forward.

Human resources

ii. Develop a three-year People Strategy to ensure the Commission is able to deliver the agreed business plan in the short and medium term

> People Strategy

Significant work took place throughout 2015/16 to develop an ambitious People Strategy, which we launched in spring 2016. Its overarching purpose is to help us deliver our corporate strategy and business plan over the next three years, and to help shape the sort of organisation we wish to be. It brings together a number of strands of work relating to good employment practice, and provides an over-arching approach to the management and engagement of our employees that is widely understood throughout the organisation.

The results of our employee survey, undertaken in October 2015, have been a key reference document for ensuring our approach is the right one for our organisation.

Looking forward to 2016/17, the priorities include:

- developing our learning and development offering and highlighting opportunities for career progression and career paths
- leadership and management development: we will be developing embedded programmes from first line to Executive Director to ensure our leaders and managers are provided with the skills and capability to undertake their roles at all levels including day-to-day people management
- reviewing our approach to performance management and coaching
- developing a new reward and recognition framework that is fit for purpose and optimises the current benefits package.

Finance

iii. Undertake a comprehensive review of fees charged to the gambling industry in consultation with stakeholders

> *Comprehensive review of fees*

The previous Government indicated that it would consider a review of the Commission's fees and costs once the changes to the regulation of remote gambling had taken place. A year on from those changes and the introduction of the point of consumption regime, the impact on our costs and income from the changes in the population of licensed operators has now become much clearer.

To assist with our advice to DCMS, we published a discussion paper in September 2015 to explain our approach to recovering costs through licence fees, inviting comments on our proposed methodology and approach. We received a range of responses from operators of different sizes and profiles, and held a workshop with a representative group of attendees.

We had also identified that there were problems in the current fees structure that should be addressed to ensure a fairer approach, and we have therefore begun planning our advice to Government on the need to amend fees regulations.

We finalised our advice to DCMS on recommendations for changes to the fees structure towards the end of this financial year. A public consultation will take place ahead of any changes to fees.

Our people

Our new Chief Executive Sarah Harrison joined us in September 2015, taking over full CEO responsibilities on 1 October 2015, with the outgoing Chief Executive Jenny Williams remaining until 30 November to provide a handover.

In the first quarter of 2016, following a review of the leadership team accountabilities, a new Programme Director was recruited with responsibility for evidence and analysis and recruitment commenced for two new Programme Directors for Licensing and Regulatory Strategy, as well as an Executive Director with particular focus on strategic development of corporate affairs, stakeholder engagement and our approach to research, given our position as an evidence-based regulator. We have also introduced Resource Managers as part of an ongoing focus on ensuring performance and personal development are managed on a day-to-day basis. Further training and development will take place on leadership and management to embed these and other changes.

Our employee survey, undertaken in October 2015, resulted in a 92% response rate. This was the first time we have taken part in the civil service survey. We have been working hard with colleagues on employee engagement activity, developing actions at both local and organisation level to respond to feedback.

We also launched an exciting two-year change programme towards the end of the financial year. Many aspects of the change programme are underpinned by our three-year People Strategy agreed by our Board in February 2016.

We remain constrained by Treasury guidelines with pay awards remaining at an average of 1%. We are reviewing our current benefits package overall and benchmarking against the market place. We are developing creative approaches to recognise our excellent people and celebrate their successes. This review will continue during 2016. The equal pay audit has been updated for 2016, which identified no significant issues and a minimal pay gap between male and female of less than 6%, well below the national average.

Sickness rates

During the year, the average level of sickness absence was 3.8% (3.7% 2014/15). This figure includes long-term sickness issues related to disability/underlying health conditions which we closely manage via our retained occupational health adviser. Our sickness/absence figures remain in line with the public sector average of 3.6%, as reported in the CIPD annual survey Absence Management Report 2015.

Corporate enablers continued

Equality and diversity in the workplace

We have encouraged a diverse range of people to apply to and work for the Commission as we recognise the benefits such diversity brings to the quality of our work and the nature of our organisation.

We continue to offer guaranteed interviews to applicants with a disability who are identified as meeting the essential criteria for any advertised roles; and reasonable adjustments under the Equality Act 2010 are considered and implemented during the recruitment process and during employment as part of our commitment to equality and diversity.

We have a clear statement of values and behaviours setting out our expectations. This year we updated policies on and implemented a dignity at work programme across the Commission, reflecting developing best practice, with further training and briefings to be undertaken in the new financial year.

Performance analysis

Commission funding

The Commission is an independent public body funded:

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

Income

Our total income from fees and other sources was £19.21m for the year (2014/15: £17.07m). This does not include the grant-in-aid funding in respect of National Lottery functions which is transferred directly to reserves.

Operator application fee income for the year amounted to £0.83m (2014/15: £2.78m). The increase in licence application levels in 2014/15 was driven by overseas operators and software suppliers following implementation of the Gambling (Licensing and Advertising) Act 2014. In accordance with our accounting policies, fees for the current year have been recognised amounting to £0.72m (2014/15: £0.92m) for personal licences and £17.54m (2014/15: £13.19m) for operator annual licence fees (see page 79). Licence fees and other charges can be found on our website at www.gamblingcommission.gov.uk.

The Commission also received £0.12m in miscellaneous income (2014/15: £0.18m). This was mainly attributable to contributions to compliance and enforcement costs received from a number of operators.

Annual fee income has been analysed by industry sector in the chart opposite.

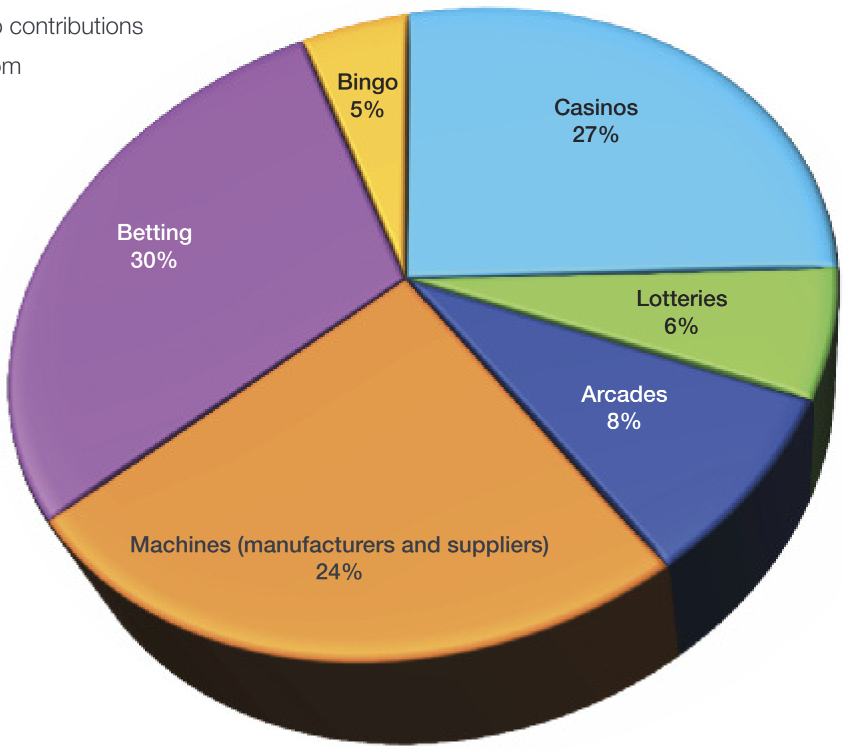
Expenditure

During the year, total expenditure on operational costs including depreciation was £19.59m (2014/15: £18.3m), an increase of £1.29m on the prior financial year (7%). This was due to the considerable increase in regulatory work under our expanded remit following the introduction of the Gambling (Licensing and Advertising) Act 2014. This increase was partially offset by a reduction in the annual depreciation charge. National Lottery functions accounted for £2.65m (2014/15: £2.49 million).

Employee costs for the year were £12.83m (2014/15 £12.28 million), an increase of £0.55m. This increase is mainly due to additional staff needed following the introduction of the Gambling (Licensing and Advertising) Act 2014.

For comparative purposes, Table 4 overleaf shows year on year operational expenditure comparison for gambling and National Lottery regulation.

Chart 1: Total annual fee income by sector



Performance analysis continued

Table 4: Year on year comparison for gambling and National Lottery regulation expenditure

	2011-12	2012-13	2013-14	2014-15	**2015-16**
National Lottery regulation	5.0**	2.8**	2.2*	2.5***	**2.7**
Gambling regulation	13.3	13.8	14.4	15.8	**16.9**
Total costs of operations	**18.3**	**16.6**	**16.6**	**18.3**	**19.6**

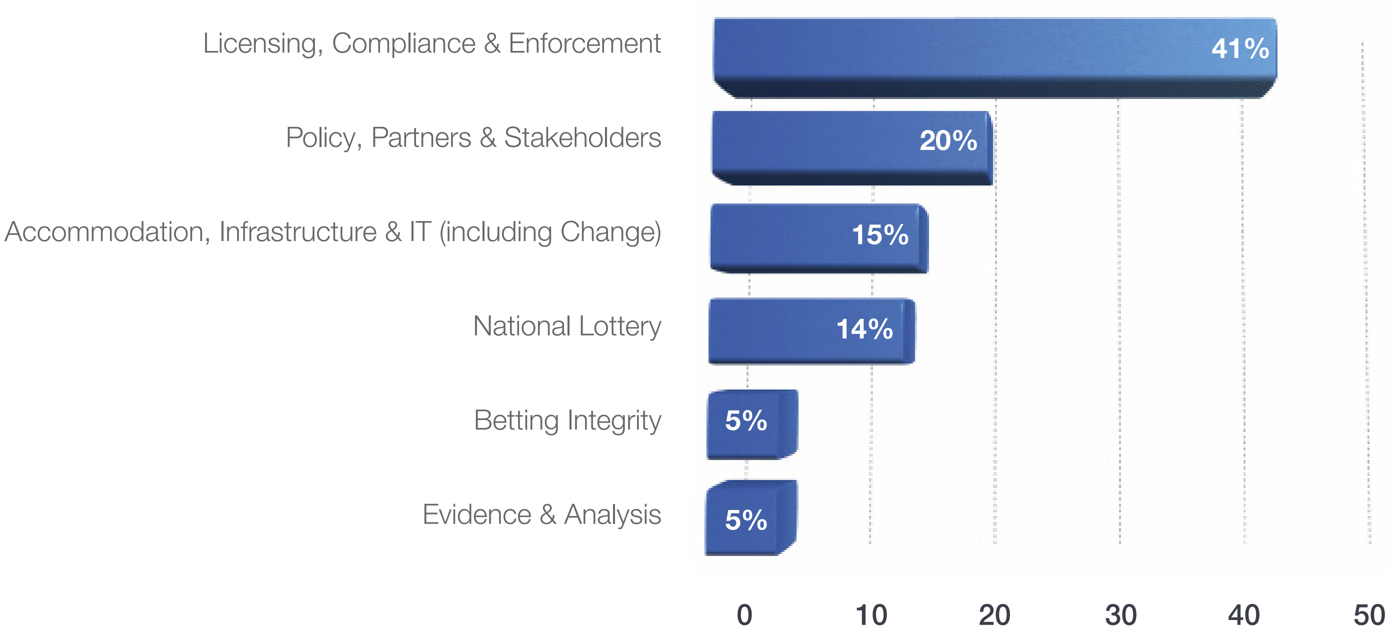
* of which £0.55m was incurred by the National Lottery Commission (NLC) prior to the merger

** expenditure incurred by the NLC prior to the merger

*** includes one-off redundancy costs of £0.2m following the merger.

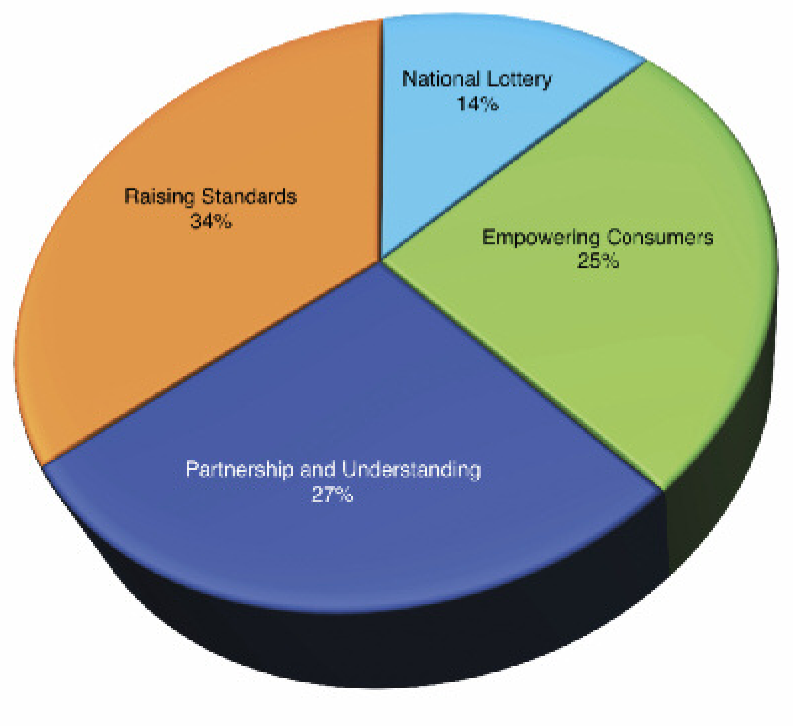
To deliver our business plan, the Commission works in cross-functional workstreams grouped thematically. Workstream costs are summarised below.

Chart 2: 2015/16 Workstream costs by theme



Our business plan is split into four broad strategic objectives. Costs for 2015/16 are summarised below by strategic objective.

Chart 3: 2015/16 costs by strategic objective



Net expenditure for the year

During the year, the regulation of gambling under the 2005 Gambling Act, as amended and updated by the Gambling (Licensing and Advertising) Act 2014 produced an income and expenditure surplus of £2.28m. This surplus, as was the case last year, largely arose from an excess of fee income collectable following the extension in remit over the cost of regulation.

The Commission has not been able to address this imbalance during 2015/16 as fees are fixed on a periodic basis and cannot be amended by the Commission in year. The Commission has made recommendations to DCMS and a consultation on fee changes is expected in due course. The total income and expenditure deficit arising for the year is £0.36m, including regulating the National Lottery. This deficit is due to the requirement to transfer grant-in-aid funding in respect of National Lottery regulation direct to reserves and not being included as income.

Statement of financial position

At 31 March 2016 the book value of non-current assets was £1.3m (2014/15: £1.34 million). Assets less liabilities at 31 March 2016 amounted to £4.55m (2014/15: £2.06 million).

The year-end closing cash balance at 31 March 2016 was £15.82m (2014/15: £11.72m). The cash balance reaches its peak between August and October each year, after the largest tranche of annual fees falls due, which are paid in advance by operators. Grant-in-aid to fund National Lottery regulation is drawn down on a monthly basis as required, satisfying the normal conventions applying to Parliamentary control over income and expenditure.

Payment performance

The Commission's policy is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the year to 31 March 2016, 96% (target 95%) of invoices totalling £3.17m were paid within 30 days of receipt.

Performance analysis continued

Sustainability

Introduction

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

Greenhouse gas (GHG) emissions

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

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

Non-financial indicators	2015/16 tonnes CO_2e	2014/15 tonnes CO_2e
Total Gross Emissions for Scopes 1 & 2 (procured electricity, gas and fleet vehicles including pool cars)	**152.8**	120.12
Gross emissions attributable to Scope 3 (indirect emissions and official business travel)	**117.9**	182.14
Related energy consumption	**thousand kWh**	thousand kWh
Electricity	**307.89**	240.8
Gas	**34.60**	33.49
Financial indicators	**£'000**	£'000
Expenditure on energy	**38.63**	40.03
Expenditure on accredited offsets		
Expenditure on official business travel	**318.06**	354.25

Waste minimisation and management

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

- Waste to landfill (residual office waste)
- Waste reused/recycled (paper, aluminium cans & glass)
- Waste incinerated
- Hazardous waste

Non-financial indicators		2015/16 tonnes	2014/15 tonnes
Total waste arising		**18.13**	15.96
– Hazardous waste		**–**	–
– Non-hazardous waste	Landfill	**2.40**	1.89
	Reused/recycled	**15.73**	14.07
	Waste composted	**–**	–
	Incinerated with energy recovery	**–**	–
	Incinerated without energy recovery	**–**	–

Use of finite resources

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

Water sources are classified by:

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

Non-financial indicators	2015/16 m^3	2014/15 m^3
Water consumption (office estate), Scope 2		
– Supplied	**1,949.00**	2,149.74
– Per FTE	**6.73**	8.01
Financial indicators	**£'000**	**£'000**
Water supply costs (office estate)	**–**	–
Water supply costs (non-office estate)	**–**	0.08

Sustainable procurement

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

CCS has also implemented the DEFRA[1] sustainable procurement prioritisation tool to support decision-making and, where appropriate, sustainability obligations are included within contracts let by CCS to ensure that:

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

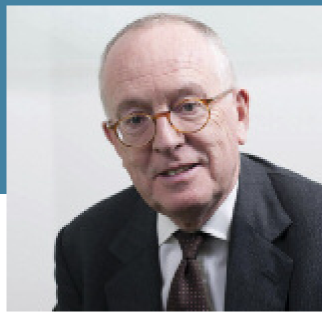
The use of small and medium sized enterprises (SMEs) for the supply of goods and services across the Commission exceeds the Government's 25% target. During 2015-16, 56% of our procurement expenditure was sourced from SMEs (56% 2014-15).

Sarah Harrison
Chief Executive and Accounting Officer
Gambling Commission

7 July 2016

[1] Department for Environment, Food and Rural Affairs

Accountability report



Philip Graf CBE (Chairman)

Corporate Governance report

Directors' report, Board of Commissioners

Robin Dahlberg

Alison Hastings

Anthony Lilley OBE

Walter Merricks CBE

Trevor Pearce CBE QPM

Jonathan Scott

Dr Graham Sharp

Peter Teague

Philip Graf CBE (Chairman) is Chairman of CfBT Education Trust, a leading education consultancy and service organisation, and an associate of Praesta Partners LLP.

A Cambridge law graduate, Philip joined the Liverpool Daily Post and Echo in 1983, which became Trinity International Holdings in 1985. He subsequently became Chief Executive in 1993. He became Chief Executive of Trinity Mirror Group when the company merged with the Mirror Group in 1999 – a position he held until February 2003.

In 2003 he was asked by the Secretary of State for Culture, Media and Sport to carry out a review of the BBC's online activities.

He is a former Chairman of the Press Standards Board of Finance – the body which funds the Press Complaints Commission – and of the Broadband Stakeholder Group – the advisory group to the Government on the promotion of broadband services. He was trustee and then Vice Chair of Crisis from 2004-2012.

Sarah Harrison – Chief Executive from 1 October 2015 see Appendix 1

Robin Dahlberg is the Treasurer of the Jubilee Gardens Trust and the Chair of the Customer Scrutiny Group at Affinity Water. He has worked extensively with Citizens Advice since 2003, in both paid and volunteer roles. He was formerly Vice Chair of the Security Industry Authority and on the Boards of the Health and Safety Executive and the Local Better Regulation Office.

He was also a Lay Member of the Advisory Panel on Standards for the Planning Inspectorate, Vice Chair of the Waterloo Community Development Group, Chair of the Orbit Heart of England Housing Association, a Non-executive Board member of Orbit Group Ltd and a Trustee of the Florence Nightingale Museum Trust. His earlier professional experience involved IT management systems and internet security.

Alison Hastings is a non-executive Director and Vice President of the British Board of Film Classification, a non-executive Director of Clatterbridge Cancer Centre, and a Board Member of Durham University. Until recently she was the BBC Trustee for England and was formerly a Press Complaints Commissioner.

Anthony Lilley OBE (until 31 December 2015) is the CEO of Magic Lantern Productions Ltd and Executive Chairman of Myra Media Ltd, a media innovation and investment company. He is Professor of Creative Industries at the University of Ulster and a visiting professor in the Centre for Excellence in Media Practice at Bournemouth University.

As well as advising a wide range of public sector organisations including NESTA and Arts Council England concerning the use of technology in the arts and media, he is Council Member of the Arts and Humanities Research Council, a former member of the OFCOM Content Board and of the British Screen Advisory Council, and was until recently a trustee of English National Opera and Chairman of Lighthouse, the digital culture agency.

He is a fellow of the Royal Society of the Arts and former visiting professor at the University of Oxford. He was awarded the OBE in 2008 for services to media and creative industries. He retired from the Board of Commissioners on 31 December 2015.

Walter Merricks CBE is a qualified solicitor. He chairs the board of IMPRESS, the independent monitor for the press.

He was formerly chair of the Office of the Health Professions Adjudicator, and the Trustee Board of the Academy of Medical Royal Colleges. He was the founding Chief Ombudsman of the Financial Ombudsman Service. He served as Assistant Secretary-General at the Law Society following an earlier career as a lecturer in law and in legal journalism.

He was a board member of the Human Fertilisation and Embryology Authority, including periods as its Deputy Chairman and interim Chairman. He chairs a charity supporting families with children conceived by donor conception. He was awarded a CBE in 2007 for his contribution to financial services.

Trevor Pearce CBE QPM spent 40 years in law enforcement during which time he was Director General of both the National Crime Squad and the Serious Organised Crime Agency. He has experience in senior public sector management, and leadership in dealing with serious crime having particular knowledge around intelligence processes and investigative procedures.

Jonathan Scott retired as Senior Partner and Chair of Herbert Smith Freehills, a leading global law firm, in 2015 and continues to be a consultant to the firm. He has extensive high level experience of competition law including in the gambling sector, having advised on mergers within the industry, and on governance and regulation.

He is a member of the audit committee of Cambridge University Press and a trustee of two charities.

Dr Graham Sharp (until 31 December 2015) is a member of the Accounts Commission for Scotland and a member of the Competition and Markets Authority. He originally trained as a chartered accountant with Thomson Mclintock (now KPMG) in Glasgow.

He possesses a wealth of private sector experience drawn from senior positions in the financial field and worked in the city of London for many years. He has held a number of roles at board level which has included being on the board of the leading merchant bank Samuel Montagu and being a founding director of the commercial property investment company Minerva. He was a trustee of Victoria Convalescent Trust. He retired from the Board of Commissioners on 31 December 2015.

continued over

Directors' report, Board of Commissioners continued

Peter Teague is Chairman of the Audit Committee. He trained as a chartered accountant with KPMG and after time in the venture capital and investment banking industries he has held senior finance and operating directorships in IT and media companies including AT&T and the BBC. Peter has chaired audit and risk committees at a number of organisations including Ofcom. He is Chief Executive of New Technology CADCAM Limited and a member of the Council of Brunel University London and the 700MHz Oversight Group of Ofcom. Peter's role as a Commissioner comes to an end in June 2016.

Jenny Williams (Chief Executive) until her appointment as Commissioner ended on 30 November 2015.
See Appendix 1

Register of disclosable interests

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

Directors' disclosure

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

Fees and charges

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

Current application and licence fees range from £200 to £443,526 dependant on operator size and licence type. The Commission's total income from fees and other sources was £19.21 million for the year (2014/15: £17.07m). Further analysis of fees and charges is provided in the Performance Analysis section above (page 31).

Sarah Harrison
Chief Executive and Accounting Officer
Gambling Commission

7 July 2016

Statement of the Accounting Officer's responsibilities

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

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

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

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

Sarah Harrison
Chief Executive and Accounting Officer
Gambling Commission

7 July 2016

Governance statement for the year ended 31 March 2016

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

I became Accounting Officer on 1 October 2015, having joined the Commission on 7 September 2015. This Governance statement describes how I and my predecessor have carried out these duties and the structure that supported us in the financial year 2015/16.

The Gambling Commission Board

The Board has complied with the *Code of Good Practice for Corporate Governance in Central Government*.

In 2014/15 the Board conducted an effectiveness review with the assistance of Mazars who, in addition to conducting detailed discussions with each Board member, observed a Board meeting and assessed relevant Board papers and governance arrangements.

The Board considered Mazars' recommendations and decided it would need to focus particularly on maintaining its cohesiveness and effectiveness. This approach continued in 2015/16 including ensuring a proper induction process for new Commissioners and CEO, maintaining and developing relations with the Exectutive with a view to continued improvement in the material coming to Board, and making best use of the extensive knowledge and expertise of the Board.

Governance framework

The Board of Commissioners, led by the Chairman, Philip Graf, oversees the business of the Commission. The day-to-day activity of the Commission is managed by the Leadership Team, led by me as Chief Executive since 1 October 2015. Jenny Williams, my predecessor, was Chief Executive for the period 1 April to 30 September 2015.

Commissioners are responsible for the strategic direction of the Commission and for the performance of the Leadership Team. They also determine some more complex licence applications and retain responsibility for the more serious regulatory decisions in, for example, some cases of licence revocations.

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives.

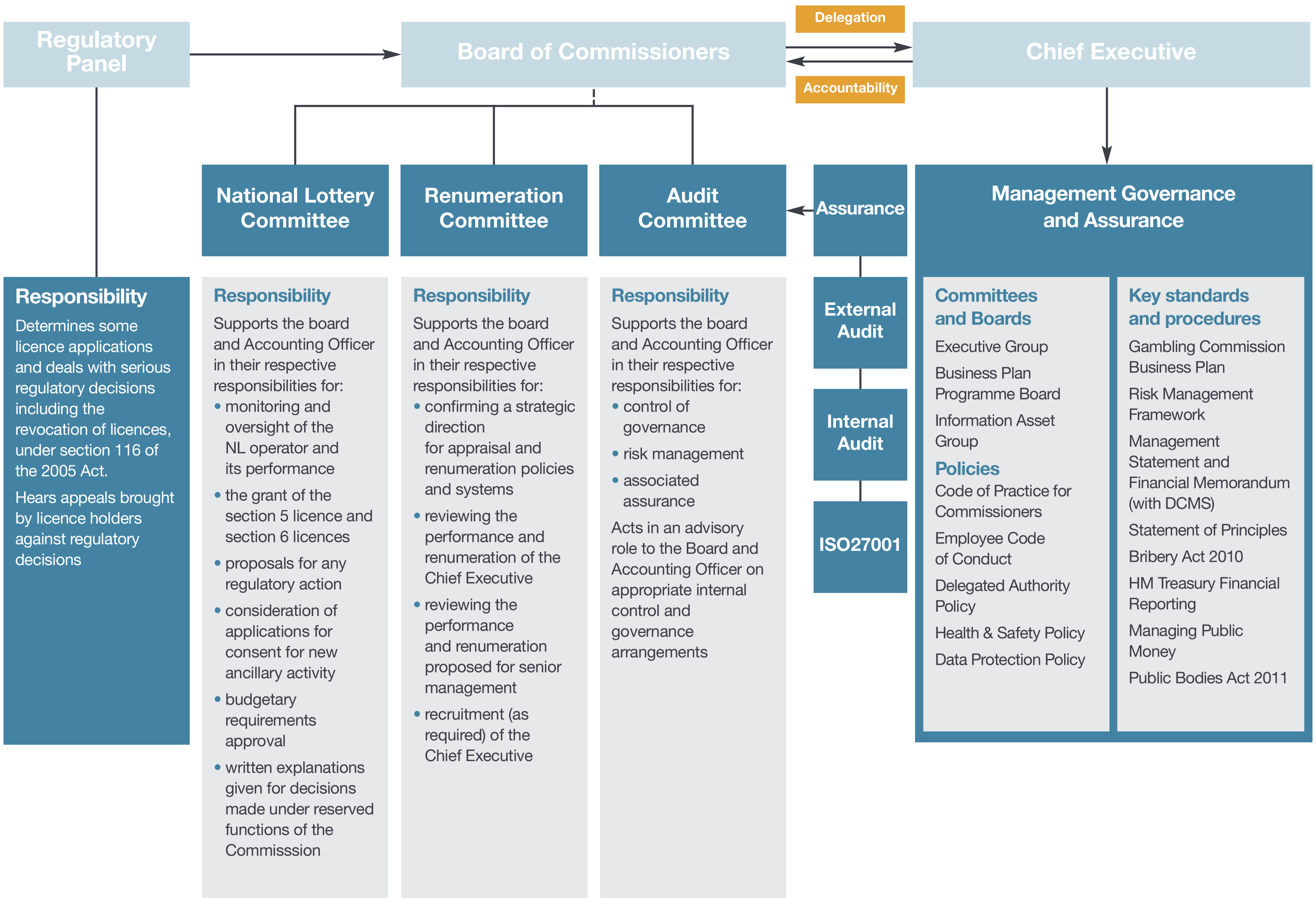
The Accounting Officer also ensures that the Commission complies with the principles of the *UK Corporate Governance Code* (where they are relevant to the Commission), and that it operates within the terms of the *Management Statement and Financial Memorandum* agreed with DCMS. We finalised a revised *Management Agreement* with DCMS in 2014/15, to reflect the organisation post-merger (with the National Lottery Commission). A revised version is currently being discussed with DCMS, to be signed off during 2016/17.

The Commission provides assurance on its performance by sharing its quarterly report on outcomes within priority workstreams, set by the Board for the next three to five years. Once the development work on an improved outcome performance measurement framework to facilitate the monitoring and evaluation of our workstream activity has been completed, the suite of Key Performance Indicators (KPIs) will be agreed with DCMS, as required under the *Management Agreement*.

Delivery of the Commission's strategic objectives is supported by the Leadership Team and the Business Plan Programme Board (BPPB).

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

The Commission's governance structure



Board performance

The Board

The Board met eight times during the year, and its terms of reference, minutes and attendance details are published on the Commission's website. Board meeting attendance records can be found on page 45. Senior managers also attend Board meetings regularly. In addition the Board monitors and receives regular reports from its Audit, Remuneration and National Lottery Committees.

The Board sets the strategic objectives of the Commission and is responsible for performance of the senior management team. Board meetings provide the opportunity for robust and constructive challenge and debate amongst Board members and senior management. As part of this process, Commissioners are required to disclose any potential conflicts of interest, as set out within the Code of Practice for Commissioners.

During 2015/16, the Board allocated its time at scheduled Board meetings as follows:

- Financial and strategic planning – 18%
- Corporate governance arrangements – 11%
- Monitoring of business performance – 33%
- Compliance and enforcement – 6%
- Policy, prevalence and research – 11%
- External stakeholder engagement – 7%
- National Lottery Committee updates – 14%

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

Audit Committee

The Audit Committee supports the Board and the Accounting Officer in their respective responsibilities for control and governance, risk management and associated assurance. Details of the committee members and their attendance can be found on page 45. In addition to Commissioners, the Audit Committee also has an Independent Member, Ann Harris, who was appointed on 1 October 2015.

In exercising its responsibilities the Committee advises the Board and Accounting Officer on:

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

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

During 2015/16, the Audit Committee allocated its time at scheduled meetings as follows:

- Internal audit programme – 33%
- External audit – 10%
- Risk management review – 17%
- Review and approval of the annual report – 13%
- Review of governance arrangements – 17%
- Consideration of Committee activities – 10%

Remuneration Committee

The Remuneration Committee supports the Board in its responsibilities for:

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

Details of the Committee members and their attendance can be found on page 45.

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

- an organisation-wide appraisal and remuneration policy, including the terms and conditions of employment, which both supports the Commission's corporate and business planning objectives and is aimed at achieving value for money
- the setting of performance objectives, the appraisal of performance and the determination of performance-related remuneration for the Chief Executive, in consultation with the Chair of the Board
- the setting of performance objectives and the determination of performance-related remuneration for the senior management team, in consultation with the Chief Executive
- the recruitment of a Chief Executive when a vacancy arises, in accordance with guidance provided by DCMS at the time
- the acquisition of independent professional advice to assist with the recruitment of a Chief Executive, the consideration of remuneration strategies and policies or other employment-related incentives, and the related trends in strategies and policies in comparable sectors, as required
- the contractual terms agreed upon termination of the contract of 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 Agreement agreed between the Commission and the sponsor department, DCMS
- any other matters at the request of the Board.

During the year, the Committee:

- considered HR policy updates
- reviewed the Commission's pay and performance system, and employee pay awards
- reviewed and agreed the pay proposals for senior employees and
- supported the recruitment of a new Chief Executive.

During 2015/16, the Remuneration Committee allocated its time at scheduled meetings as follows:

- approval of performance management arrangements – 9%
- agreement of staff pay arrangements – 41%
- agreement of senior staff pay arrangements – 32%
- HR policy reviews – 18%

Board performance continued

The National Lottery Committee

The National Lottery Committee was established in August 2013 to provide advice to the Board and the Chief Executive in relation to the exercise of the Commission's functions under the National Lottery etc. Act 1993. In September 2014 the Board agreed to change the Committee's terms of reference whereby a number of the matters specifically reserved to the Board were delegated to the National Lottery Committee which now has decision-making powers on these.

The Committee's role includes:

- monitoring and oversight of the National Lottery operator (currently Camelot) and its performance
- the grant of the section 5 licence (a review of the governance arrangements for consideration of this will be necessary before the next licence competition begins)
- the grant of section 6 licences that raises new issues of principle or contentious issues
- variations to the section 5 and 6 licences that raise new issues of principle or contentious issues
- proposals to impose a financial penalty and the level of a proposed penalty
- seeking a High Court Order in respect of a licence breach, or otherwise commence litigation
- proposals regarding the possible revocation of a licence and the decision to revoke a licence
- consideration of applications for consent for any ancillary activity which raises new issues of principle or contentious issues, determine any conditions attached to such ancillary activity and the amount of any payment to the good causes, under Condition 6
- to make recommendations about the annual budget for National Lottery regulation
- to make recommendations about expenditure in excess of budget and/or any increase in the overall budget for the year
- to approve written explanations given to those affected for decisions made under reserved functions of the Commission.

Details of the Committee members and their attendance can be found on page 45.

Since April 2015, the Committee has received a range of proposals from Camelot and approved, or recommended to the Board as appropriate, a number of these for recommendation to the Board, including:

- trials for product improvements
- to embed the £10 Scratchcard game into the Class Licence
- a trial for a second £10 Scratchcard game – £250m Cash Spectacular
- a two-year trial for a £10 Instant Win Game (IWG)
- to embed additional £3 and £5 IWGs into the IWG Class Licence
- increase the percentage of Scratchcards permitted on sale to be priced over £1 from 70% to 80%
- Annual Plan presentation from Camelot – April 2015
- Camelot five-year strategy – October 2015

During 2015/16, the Committee allocated its time at scheduled meetings as follows:

- induction programme to widen knowledge of National Lottery matters – 5%
- review of Camelot's performance and matters arising – 42%
- review of Camelot strategy – 18%
- review of proposals from Camelot – 35%

Regulatory Panel

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

The Panel normally comprises three Commissioners. In exceptional circumstances the Panel may comprise two Commissioners, provided that the applicant or licensee 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 Panel Chair has a casting vote.

The Chairman of the Commission, if present, presides at all meetings of the Panel.

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

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

The Regulatory Panel sat on seven occasions during 2015/16.

Principal activities undertaken by the Board and Board Committees

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

Regular financial and risk updates are provided along with details on key topics such as the prevention of crime associated with gambling, emerging products and the forthcoming fees review and consultation.

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

Meeting attendance by Commissioners is given below:

Commissioner	Board meeting	Audit Committee	Remuneration Committee	National Lottery Committee
Mary Chapman *(until December 15)*	5		2 Chair	
Robin Dahlberg	7	3		6
Philip Graf	8 Chair		2	2 Chair *from January 16*
Sarah Harrison *(from October 15)*	3			
Alison Hastings	6		1	6 *From May 15*
Rachel Lampard *(until June 15)*	5	2		
Anthony Lilley *(until December 15)*	7			6
Walter Merricks	8		2	
Trevor Pearce *(from June 15)*	7	2		
Jonathan Scott	8	2		6
Graham Sharp *(until December 15)*	7	2		6 Chair *Until December 15*
Peter Teague	8	4 Chair		
Jenny Williams *(until September 15)*	4			
Ann Harris *(from October 15)* Independent Member of Audit Committee		2		
Number of meetings	**8**	**4**	**2**	**6**

Board performance continued

Risk and internal control framework

The Commission's risk and internal control framework is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The risk and internal control framework is based on a process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage those risks efficiently, effectively and economically.

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

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

The risk and internal control framework accords with Treasury guidance.

Risk management architecture

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

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

The Commission's Audit Committee 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 Commission regulates an industry that poses inherent risk to the public. It is not risk averse, but seeks actively to manage material risk to the business. This involves putting in place controls and actions to keep the level of residual risk within an acceptable level. The key risks and the framework are reviewed regularly by the Business Plan Programme Board.

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

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

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

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

Directors, Programme Directors and Functional leads – own and manage risk. The Leadership Team reviews corporate risks on a quarterly basis to ensure context, actions, risk ownership and processes are co-ordinated and fit for purpose.

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

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

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

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

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

The Commission's governance framework – This sets out how the Board manages its affairs and which matters are delegated to the Chief Executive. This is reviewed at least annually, and the most recent changes were made by the Board in December 2015.

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

In their annual report, the Commission's internal auditors (Mazars) provide an independent opinion on the adequacy and effectiveness of the Commission's system of internal control, together with recommendations for improvement.

During the year, Mazars carried out specific reviews on the following subjects (the level of assurance is also shown):

- Corporate governance and risk management (Substantial)
- Programme Office (Adequate)
- Fees Review (Substantial)
- Income Model (Adequate)
- Stakeholder engagement (Substantial)
- Core financial controls (Substantial)
- Performance Management (Adequate)

No issues were identified that could result in the subsequent qualification of our accounts and no fundamental weaknesses were identified in the Commission's control and assurance processes.

Board performance continued

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

The Commission's fee income continues to be subject to uncertainty (for example, due to consolidations and closures) that we attempt to mitigate through regular review and re-forecast of income. Whilst we forecast prudently, in the event of losing a further significant proportion of our income, there remains a risk that we may not be able to reduce our expenditure (which is largely employee-based) as swiftly as needed to avoid an in-year deficit resulting from redundancy costs. These risks are addressed as part of the budgeting process, through prudent planning and long-term management of reserves. Throughout the year, the risk to the Commission's income and expenditure profile is continually reviewed through close monitoring of actual income and expenditure, and forecasts.

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

In order to deliver our strategic objectives our business plan comprises programmes made up of cross-functional workstreams.

There have been no reported actual or attempted frauds at the Commission during 2015/16. However given the high profile of the gambling industry and the Commission within the public domain, it is important that the Commission remains proactive in identifying instances where there is potential for fraud and corruption. The quality assurance mechanisms which have been developed for the compliance and enforcement processes depend in their turn on accurate, timely and complete information, to help safeguard the Commission's professional integrity and improve operational efficiency.

Internal control framework

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

Organisational structure and delegation of authority

The Commission is currently organised into cross-functional workstreams grouped into programmes that bring together related programmatic (every day activity), project and thematic (for example, under-age gambling) workstreams. Authority to make decisions and authorise expenditure is delegated to the appropriate level of responsibility within each programme. The delegation of authority in the corporate governance framework is noted by Audit Committee on an annual basis, and reviewed and approved by Board.

Policies and procedures

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

Operational and financial reporting

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

Review and sign-off of actions

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

Whistle-blowing policy

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

Effectiveness of internal controls

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

- overall, in the areas examined during the year, the Gambling Commission's governance, risk management and internal control arrangements were generally adequate and effective. Certain weaknesses and exceptions was highlighted, none of which was fundamental in nature. These matters have been discussed with management and all of these have been, or are in the process of being addressed.
- As part of our compliance within the Regulation of Investigatory Powers Act 2000 (RIPA) and our work with communications data, the Commission has recently completed the latest biannual inspection by the Intercepetion of Communications Commissioner's Office (IOCCO) where our use of the current legislation was assessed. The findings were positive, with no major recommendations being made.

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

Board performance continued

Principal risks and uncertainties facing the Commission

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

Risk	Mitigation
Raising standards	
Supporting delivery of the Commission's goals Whilst a number of very experienced individuals have recently been appointed to the Board, it is a significant challenge for non-executives to get up to speed in a market that is complex and fast moving. By the end of 2016 there will be only one member of the 11-person Commission who has been on the Board for more than 21 months. Given the risks to regulatory stability and continuity which this raises, the Commission has, itself, taken steps to mitigate those risks.	Close liaison with DCMS to support the process as necessary, monitoring of any significant risk exposure, and training and induction of new Commissioners. Consistent with our governance arrangements and public expenditure rules, mitigation also includes the short-term appointment of two former Commissioners on a consultancy basis in order to ensure continuity of expertise to support quality decision-making.
Regulatory framework Misalignment between legislation and the changing operating structure of the industry reduces our ability to regulate in accordance with the law and licensing objectives. This is compounded by technological change, resulting in complex product offerings and innovative delivery routes.	We work closely with Government, with fellow regulators, overseas and at home, and seek views from the gambling industry to ensure that our management plan is on track and transparent and proportionate. We draw upon, and utilise, internal knowledge and lessons learned to inform the management plan.
Industry growth and innovation We fail to identify and manage trends, innovation, cross-industry issues and emergent international policy early and effectively, so losing the opportunity to promote best practice and secure early compliance with the licensing objectives.	We maintain a close watching brief and engagement with the industry and other stakeholders and commentators in Britain and overseas to ensure the Commission's knowledge and ability matches the growth and innovation witnessed in the industry. We assess potential impacts on compliance with the licensing objectives and we actively encourage the industry to use innovation to promote player protection.
Commission approach The Commission's risk-based regulatory approach does not effectively protect the licensing objectives and fails to uncover a significant breach to the regulatory framework.	• We have enhanced: – our approach and supervision of high impact operators and have further developed our procedures to ensure early identification of issues – our issue capture and case management arrangements to ensure concerns are addressed more quickly and longer-term risk management activity are considered • We continually review our skills capabilities and procedures gaps within and between licensing, compliance and case management • We ensure that lessons learned are fed back in to our risk assessment and case management arrangements.

Risk	Mitigation
Supporting delivery of the Commission's goals	
Resource allocation Allocation of resources is not aligned to business plan priorities reducing effectiveness of regulatory activities and value for money.	The Business Plan Programme Board is closely involved in programme planning and management, continuously monitoring and redeploying resources within known constraints as and when needed.
Income The Commission becomes unable to deliver its business plan, with consequent impacts on delivery of the licensing objectives, due to a financial deficit and/or insufficient cash reserves caused by, for example, industry consolidation or unforeseen demands by current/future Government requiring significant additional resource to deliver. The risk potentially arises from the significant changes in the population of operators that we regulate and also addresses problems previously identified in the current fees structure.	Regular review of income and expenditure profiles, coupled with medium-term financial (to 2017-18) position planning and risk appraisal. Preparation of quarterly sector summaries to identify underlying industry trend, innovation, cross-industry issues and emergent international policy. The Gambling Act 2005 provides for the Commission's fees to be determined by the Secretary of State for Culture, Media and Sport, through secondary legislation. The previous Government indicated that it would consider reviewing the Commission's fees and costs once the changes to the regulation of remote gambling have been fully implemented. The Commission has therefore been developing its advice to DCMS, based in part on a discussion document that was published in September 2015. We understand that Government is due to consult on a revised fees structure in due course.
National Lottery good causes	
National Lottery returns to good causes are adversely affected by a significant decline in sales resulting from a significant change in the lottery market (including changes to the policy or legal framework in the UK or across the EU).	Strong monitoring controls are in place including: • bi-annual performance assessment report • monthly returns performance update • risk assessment tool We also liaise closely with DCMS on policy and legal matters and their implications for maximisation of returns for good causes (a duty shared with the Secretary of State).

Board performance continued

Information assurance

The Commission was re-accredited against the ISO27001 (Information security management systems) standard by the British Standards Institute this year and continued to be compliant with Cabinet Office and other relevant guidelines and statutory requirements.

We continued to strengthen our approach to information security and, through the Information Asset Group, seek to embed robust information security principles across the Commission. This group monitors information risk and ensures adequate controls are put in place.

Eleven breaches of the Commission's Information Security Management System (ISMS) were reported to senior management during the year (12 in 2014/15).

No personal data has been lost during the year.

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.

Quality of data received by the Board

The Board received regular updates on Commission performance, sourced from BPPB's monthly reports. We have and are investing heavily in the development and quality control of our information asset base and material going to the Board is reviewed by BPPB and/or Executive Group.

Access to information

We received 114 requests for information under the Freedom of Information Act during the year. In three cases we were asked to conduct an internal appeal and this was led by someone other than the original decision maker. One of these cases went to the ICO for the decision to be reviewed, which resulted in the ICO upholding the Commission's applied exemption. We also received three subject access requests under the Data Protection Act.

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.

As part of our commitment to the Government's transparency agenda, we have identified the key datasets we hold where there is a public interest. These have been made available in an open, re-usable format through the Commission's website so that they can be downloaded by interested parties or individuals. We also 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.

The Accounting Officer's Review of Effectiveness

As the Accounting Officer, I am responsible for reviewing the effectiveness of the Commission's governance system. I base my review on the work of the internal auditors and the Commission's senior managers who are responsible for developing and maintaining the governance system. I also take into account the comments made by the external auditors in their management letter and other reports.

Plans exist to address the weaknesses we find and make sure we continuously improve the system.

Internal audit made 22 recommendations, of which we have fully implemented 14, substantially completed four and a further four are in progress.

There were no significant problems with our governance system during the financial year.

The key supporting evidence in 2015/16 for this Governance statement is:

- BPPB met monthly to review resources and progress in achieving the objectives set out in the Commission's Business Plan
- the Board agreed a detailed and integrated Medium-Term Financial Plan and Business Plan
- the Audit Committee reviewed and agreed the Commission's core Financial Policies, covering:
  - Fee Collection and Credit Control
  - Treasury Management
  - Financial Accounting
  - Procurement
  - Delegated Authorities
- there were seven internal audit reports considered by Audit Committee in 2015/16, with three adequate and four substantial audit opinions
- Audit Committee regularly reviews progress made on internal audit recommendations
- Audit Committee has reviewed Information management and security
- BPPB and the Leadership Team regularly review the Commission's risk registers
- the Commission's risk management framework and strategic risk register were reported to and discussed at every meeting of Audit Committee in 2015/16
- the Board carried out its annual Omand review in October 2015
- the Board approved revisions to its Corporate Governance Framework during 2015/16
- the NAO has issued a favourable management letter for 2015/16.
- Internal Audit have produced a favourable Annual Opinion.

I was Accounting Officer for the period 1 October 2015 to 31 March 2016, and my predecessor Jenny Williams was Accounting Officer for the period 1 April 2015 to 30 September 2015. I commenced employment with the Gambling Commission on 7 September, and so had a substantial handover period which allowed me to discuss governance issues before Jenny Williams's departure. Although I was Accounting Officer for only half of the financial year, all of the items listed above cover the whole of the financial year.

In conclusion, therefore, I have considered all the evidence underlying this Governance statement and I am assured as Accounting Officer that the Gambling Commission has strong governance, risk and internal control arrangements supporting the delivery of its aims and objectives.

Sarah Harrison
Chief Executive and Accounting Officer
Gambling Commission

7 July 2016

Remuneration and staff report

Remuneration report

This report covers the 12 months ending 31 March 2016 and sets out the policy and disclosures in relation to the remuneration of the Commissioners and senior managers of the Commission.

Commissioners

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

Philip Graf was appointed as Chairman for a five-year term commencing 1 April 2011. His post was extended until 31 July to allow for the smooth integration of a new Chief Executive and Commissioners. His contract provides for the Chairman to work between two to three days per week on average.

Commissioners work on average one day per week. Commissioners' contracts may be terminated by written notice where the Secretary of State has reason to believe that the Commissioner has been absent from Commission meetings, without explanation, for a period of longer than three months; has become bankrupt or made an arrangement with a creditor; has been convicted of a criminal offence; has breached the Code of Conduct for Board members; or has become incapacitated by physical or mental illness.

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

Full details of our Commissioners can be found on page 36.

Independent member of Audit Committee

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

Senior managers

Senior managers are normally employed directly by the Commission. Increases in pay are performance based and are broadly in line with senior civil service pay bands. Performance targets are set and measured in accordance with the Commission's policy on pay and reward.

The process for the agreement of senior managers' performance targets, achievements against targets, and recommendations on changes in remuneration, is reviewed by the Remuneration Committee. Except during probation or where guilty of gross misconduct, senior managers' contracts may be terminated by either party giving 12 weeks' written notice, apart from the Chief Executive and one other executive director whose contract may be terminated by either party giving six months' written notice.

Details of all executive directors serving during the year are provided at Appendix 1 on page 88, including the duration of their service.

Remuneration (including salary) and pension entitlements

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

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

	2015-16					2014-15				
	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Benefits in kind (to nearest £100)	Pension Benefits (in bands of £5k)	Total (in bands of £5k)	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Benefits in kind (to nearest £100)	Pension Benefits (in bands of £5k)	Total (in bands of £5k)
Sarah Gardner Executive Director – Planning and performance	95-100	0-5	–	80-85	185-190	85-90	0-5	–	15-20	110-115
Sue Harley Chief Operating Officer *(from 7 April 2014)*	100-105	–	26,900	40-45	165-170	95-100	–	30,500	35-40	160-165
Mark Harris* Director	10-15	–	2,600	0-5	15-20	115-120	15-20	29,400	20-25	190-195
Sarah Harrison Chief Executive (*from 1 October 2015*)	75-80	–	–	20-25	100-105	–	–	–	–	–
Matthew Hill Executive Director – Regulatory risk and analysis *(to 30 October 2015)*	55-60	0-5	–	30-35	90-95	95-100	0-5	–	25-30	130-135
Julia Mackisack Board Adviser (*to 31 August 2015*)	25-30	–	–	45-50	75-80	65-70	0-5	–	20-25	85-90
Neil McArthur General Counsel	105-110	0-5	–	45-50	160-165	105-110	0-5	–	20-25	130-135
Jeanette Pugh Executive Director** (*to 30 October 2014*)	–	–	–	–	–	75-80	–	–	30-35	110-115
Nick Tofiluk Executive Director – Regulatory operations	105-110	0-5	–	40-45	150-155	100-105	0-5	–	40-45	145-150
Jenny Williams Chief Executive (*to 30 September 2015*)***	95-100	20-25	8,000	–	125-130	145-150	20-25	14,100	–	180-185
Band of highest paid directors total remuneration (£'000)***	170-175					180-185				
Median total remuneration (£s)	30,921					30,543				
Ratio	5.58:1					5.98:1				
Range of staff remuneration (£'000)	15 to 135-140					15 to 145-150				

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

** Jeanette Pugh joined the Commission on secondment from the Department for Education on a part-time basis on 18 September 2013. She assumed full-time duties for the Commission with effect from 1 January 2014 until the end of October 2014.

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

Remuneration report continued

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

	2015-16				2014-15			
	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Benefits in kind (to nearest £100)	Total (in bands of £5k)	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Benefits in kind (to nearest £100)	Total (in bands of £5k)
Mary Chapman *(to 31 December 2015)*	10-15	–	1,600	10-15	10-15	–	700	10-15
Robin Dahlberg	10-15	–	1,600	15-20	10-15	–	1,300	15-20
Robert Foster *(to 31 March 2015)*	–	–	–	–	10-15	–	1,100	15-20
Philip Graf Chairman	65-70	–	5,100	70-75	65-70	–	2,900	65-70
Alison Hastings *(from 1 May 2015)*	10-15	–	2,100	15-20	–	–	–	–
Rachel Lampard *(to 1 July 2015)*	5-10	–	900	5-10	10-15	–	2,900	15-20
Anthony Lilley *(to 31 December 2015)*	10-15	–	4,000	10-15	10-15	–	3,400	15-20
Walter Merricks	10-15	–	1,900	15-20	10-15	–	1,100	15-20
Trevor Pearce *(from 1 July 2015)*	10-15	–	3,100	15-20	–	–	–	–
Jonathan Scott *(from 1 May 2015)*	10-15	–	3,900	15-20	–	–	–	–
Graham Sharp *(to 31 December 2015)*	10-15	–	6,800	15-20	10-15	–	4,900	15-20
Peter Teague	10-15	–	1,600	15-20	10-15	–	1,000	15-20
Ann Harris Independent Audit Committee Member *(from 1 October 2015)*	0-5	–	600	0-5	–	–	–	–

Salary

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

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Commission and treated by HM Revenue & Customs as a taxable emolument.

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

Bonuses

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

Pension benefits 2015/16 – audited information

	Accrued pension at age 60 as at 31/03/16 (in bands of £5,000)	Accrued Lump Sum pension at pension age as at 31/03/16 (in bands of £5,000)	Real increase in pension at pension age (in bands of £2,500)	Real increase in pension lump sum at pension age (in bands of £2,500)	* CETV at 31/03/16 £'000s	* CETV at 31/03/15 £'000s	Real increase in CETV £'000s	Employer contribution to partnership pension account (nearest £100)
Sarah Gardner Executive Director	20-25	60-65	2.5-5	5-7.5	299	228	39	–
Sue Harley Chief Operating Officer *(from 7 April 2014)*	0-5	n/a	0-2.5	n/a	68	30	27	–
Mark Harris Executive Director *(to 1 May 2015)*	45-50	35-40	0-2.5	0-2.5	891	873	2	–
Sarah Harrison Chief Executive *(from 1 October 2015)*	35-40	n/a	0-2.5	n/a	633	–	17	–
Matthew Hill Executive Director *(to 30 October 2015)*	30-35	35-40	0-2.5	0-2.5	489	449	14	–
Neil McArthur General Counsel	25-30	85-90	0-2.5	0-2.5	542	**468	23	–
Julia Mackisack Board Adviser *(to 31 August 2015)*	10-15	n/a	0-2.5	n/a	254	209	45	–
Nick Tofiluk Executive Director	20-25	n/a	0-2.5	n/a	361	296	26	–

* Cash Equivalent Transfer Value

** Restated

Remuneration report continued

Cash Equivalent Transfer Values (CETV)

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

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

Remuneration Committee

The members of the Remuneration Committee are Mary Chapman (Chair), Alison Hastings (from May 2015) Rachel Lampard (to July 2015), Philip Graf and Walter Merricks (see Appendix 2 for details).

Civil Service pensions

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

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

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

Staff report

a) Analysis of Commissioners' and employee costs

	2016 Permanent £'000s	2016 Short term £'000s	2016 Total £'000s	2015 Total £'000s
Wages and salaries	**9,190**	**865**	**10,055**	9,786
Social security costs	**755**	**75**	**830**	801
Other pension costs	**1,774**	**171**	**1,947**	1,697
Total Commissioner and staff costs	**11,719**	**1,111**	**12,832**	12,284

b) Retirement benefits

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

i Employees

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

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

For 2015-16, employers' contributions of £1,849,991 were payable to the PCSPS (2014-15 £1,606,444) at one of four rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands.

In addition to this an amount of £71,531, (2014-15 £51,065) was invoiced directly from other Government departments for employees on secondment at the Commission.

The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2016-17, the rates will be in the range 20.0% to 24.5%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £43,170 were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from 8% to 14.75% of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £60 (0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £214,852. No contributions were prepaid.

ii Past chairmen – Gaming Board for Great Britain

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

iii Former Director General – OFLOT

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

A full actuarial valuation of both scheme was carried out by the Government Actuary at 31 March 2016 and the present value of the liability at 31 March 2016 is £247,000.

Sensitivity analysis

1. Increasing the discount rate by 0.5% would result in a corresponding decrease in liabilities of approximately £12,000 or 5%.
2. Increasing the CPI inflation assumption by 0.5% would result in a corresponding increase in liabilities of approximately £12,000 or 5%.
3. Increasing assumed life expectancies in retirement by around one year would result in a corresponding increase in liabilities of approximately £11,000 or 4.5%.

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

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

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

Financial assumptions

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

	31-Mar 2016	31-Mar 2015
Inflation assumption	**2.20%**	2.20%
Rate on increase in salaries	**4.20%**	4.20%
Rate of increase for pensions in payment, in line with inflation	**2.20%**	2.20%
Discount rate for scheme liabilities	**3.60%**	3.55%

Life expectancy at retirement

Current Pensioners	**As at 31 March 2016**		As at 31 March 2015	
Exact Age	**men (years)**	**women (years)**	men (years)	women (years)
60	**28.9**	**30.7**	29.1	31.3
65	**23.9**	**25.7**	24.2	26.4

Staff report continued

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

	2016	2015
Permanent staff	**264**	264
Other staff	**26**	22
	290	286

d) Off-payroll appointments

i For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months	
No. of existing engagements as of 31 March 2016	nil
of which...	
No. that have existed for less than one year at time of reporting	nil
No. that have existed for between one and two years at time of reporting	nil
No. that have existed for between two and three years at time of reporting	nil
No. that have existed for four or more years at time of reporting	nil
Confirmation that all existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought	**n/a**

ii For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months	
No. of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	3
No. of the above which include contractual clauses giving the Commission the right to request assurance in relation to income tax and National Insurance obligations	3
No. for whom assurance has been requested	3
of which...	
No. for whom assurance has not been received	3
No. for whom assurance has not been received	nil
No. that have been terminated as a result of assurance not being received	nil
In any cases where, exceptionally, the Commission has engaged without including contractual clauses allowing the department to seek assurance as to their tax obligations – or where assurance has been requested and not received, without a contract termination – the Commission should set out the reasons for this	n/a

iii For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016	
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	nil
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on payroll arrangements	8
In any cases where individuals are included within the first row of this table the department should set out: • Details of the exceptional circumstances that led to each of these engagements • Details of the length of time each of these exceptional engagements lasted	

Exit packages agreed in 2015/16

	2015-16			2014-15 (Re-stated)		
Exit package cost band (including any special payment element)	Compulsory redundancies Number	Other departures agreed Number	Total exit packages by cost band Number	Compulsory redundancies Number	Other departures agreed Number	Total exit packages by cost band Number
Less than £10,000	–	–	–	–	–	–
£10,001 – £25,000	–	–	–	–	–	–
£25,001 – £50,000	–	1	1	–	–	–
£50,001 – £100,00	–	–	–	–	–	–
£100,001 – £150,000	–	–	–	–	–	–
£150,001 – £200,000	–	–	–	–	2	2
>£200,000	–	–	–	–	–	–
Total number of exit packages	–	1	1	–	2	2
Total cost (£)	–	36,266	36,266	–	348,372	348,372

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

The departures in 2014/15 have been restated. The total costs of departures in 2014/15 was £348,372 of which £266,493 was provided for in 2014/15.

Consultancy costs

As per Note 3(b) of the Annual Accounts, the Commission spent £119,786 on consultancy assignments during 2015/16 (£98,000 in 2014/15). This related to three main areas of professional advice, as detailed below:

- £73,992 – strategic professional advice on land-based and remote gambling activity, and overseas betting markets
- £26,998 – professional advice on the Commission's Anti-Money Laundering policies and processes
- £18,796 – media advice in respect of regulatory enforcement activity.

Staff report continued

Employment Statistics for 2015/16 (as at 31 March 2016)

Total Employment by contract type	
Secondees	1
Fixed Term Employees	24
Permanent Employees	280
Total	**305**

Department Split	
Corporate Affairs	6
Directors	5
Programme Directors	6
Executive Support	6
Finance	11
Legal	6
Compliance	50
Enforcement	18
Licensing	54
Evidence, analysis business planning	25
Intelligence	17
Research education and treatment	6
Sector and Thematic	39
National Lottery	20
Support Services including	
Human Resources	10
Facilities	2
ICT	24
Total	**305**

Sickness absence rates	
1 April 2015 to 31 March 2015	% of working days lost
Quarter 1	3%
Quarter 2	3%
Quarter 3	3%
Quarter 4	4%

Our sickness/absence figures remain in line with the public sector average of 3.6%, as reported in the CIPD annual survey Absence Management Report 2015.

Diversity – gender	
Female	136
Male	169
Total	**305**

Diversity– disability	
Employees with a disability as defined under the Equality Act 2010	8
Employees without a disability as defined under the Equality Act 2010	297
Total	**305**

Diversity – ethnic origin	
Asian or Asian British – Bangladeshi	1
Asian or Asian British – Indian	20
Asian or Asian British – Other	1
Asian or Asian British or Pakistani	5
Black or Black British – Caribbean	6
Black or Black British – African	2
Chinese	0
Mixed race – Other	0
Mixed race – White Asian	2
Mixed race – White and Black Caribbean	5
White British	249
White Irish	5
White Other	3
Not disclosed	6
Total	**305**

Diversity – age	
Under 20	0
21 - 30	56
31 - 40	93
41 - 50	82
51 - 60	60
60+	14
Total	**305**

Sarah Harrison
Chief Executive and Accounting Officer
Gambling Commission

7 July 2016

Parliamentary accountability and audit report

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

I certify that I have audited the financial statements of the Gambling Commission for the year ended 31 March 2016 under the Gambling Act 2005. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

Respective responsibilities of the Commission, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Gambling Commission's affairs as at 31 March 2016 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Gambling Act 2005 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
8 July 2016
Comptroller and Auditor General

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

Financial statements

Statement of comprehensive net expenditure

for the year ended 31 March 2016

	Notes	31 March 2016 £'000s	31 March 2015 £'000s
Expenditure			
Employee costs	3a	**(12,832)**	(12,284)
Depreciation and amortisation	6 & 7	**(673)**	(803)
Other expenditure	3	**(6,088)**	(5,217)
Total Operating Expenditure		**(19,593)**	(18,304)
Income			
Licence fee income	4b	**19,093**	16,883
Other income	5	**120**	183
Total Operating Income		**19,213**	17,066
Net expenditure		**(380)**	(1,238)
Finance income	4b	**18**	14
Finance expense		**(3)**	(3)
Interest cost on pensions liability	3a	**(9)**	(15)
Net expenditure for the year		**(374)**	(1,242)

Other comprehensive expenditure	Notes	31 March 2016 £'000	31 March 2015 £'000
Net gain/(loss) on pension liability	3a	**11**	(33)
Total comprehensive expenditure for the year ended 31 March 2016		**(363)**	(1,275)

The notes on pages 72 to 87 form part of these accounts

Statement of financial position

as at 31 March 2016

	Notes	31 March 2016 £'000s	31 March 2015 £'000s
Non current assets			
Property, plant and equipment	6	**584**	501
Intangible assets	7	**719**	842
Total non-current assets		**1,303**	1,343
Current assets			
Trade and other receivables	8	**852**	1,073
Cash and cash equivalents	18	**15,816**	11,718
Total current assets		**16,668**	12,791
Total assets		**17,971**	14,134
Current liabilities			
Trade and other payables	10	**(12,631)**	(10,926)
Total current liabilities		**(12,631)**	(10,926)
Total assets less current liabilities		**5,340**	3,208
Non-current liabilities			
Other payables	11	**(546)**	(891)
Pension liability	12	**(247)**	(265)
Total non-current liabilities		**(793)**	(1,156)
Total assets less total liabilities		**4,547**	2,052
Taxpayers' equity			
General Fund		**4,547**	2,052
Total equity		**4,547**	2,052

The notes on pages 72 to 87 form part of these accounts

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

Sarah Harrison
Chief Executive and Accounting Officer
Gambling Commission

7 July 2016

Statement of cash flows

for the year ended 31 March 2016

	Notes	31 March 2016 £'000s	31 March 2015 £'000s
Cash flows from operating activities			
Net expenditure for the year		**(383)**	(1,238)
Adjustments for non-cash transactions			
Depreciation and amortisation charge	6 & 7	**673**	803
(Increase)/Decrease in trade and other receivables	8	**221**	(223)
Increase in trade and other payables	10 & 11	**1,361**	3,072
Use of provisions	12	**(19)**	32
Net cash inflow from operating activities		**1,853**	2,446
Cash flows from investing activities			
Interest received		**18**	14
Interest costs arising from pension liability	12	**(9)**	(15)
Purchase of property, plant and equipment	6	**(361)**	(185)
Purchase of intangible assets	7	**(272)**	(151)
Net cash outflow from investing activities		**(624)**	(337)
Cash flows from financing activities			
Grant-in-aid for revenue expenditure		**2,858**	2,638
Actuarial loss arising from pension liability	12	**11**	(33)
Net cash inflow from financing activities		**2,869**	2,605
Net increase in cash and cash equivalents in the period	14	**4,098**	4,714

Cash and cash equivalents at 1 April 2015	**11,718**
Cash and cash equivalents at 31 March 2016	**15,816**

The notes on pages 72 to 87 form part of these accounts

Statement of changes in taxpayers equity

for the year ended 31 March 2016

	Income & Expenditure Reserve £'000s
Balance at 1 April 2014	**689**
Changes in reserves	
Comprehensive net expenditure for the year	(1,242)
Grant-in-aid for revenue expenditure	2,638
Actuarial loss arising on pension scheme	(33)
Total recognised comprehensive net expenditure for 2014-15	**1,363**
Balance at 31 March 2015	**2,052**
Balance at 1 April 2015	**2,052**
Changes in reserves	
Comprehensive net expenditure for the year	(374)
Actuarial gain arising on pension scheme	11
Grant-in-aid for capital and revenue expenditure	2,858
Total recognised comprehensive net income for 2015-16	**2,495**
Balance at 31 March 2016	**4,547**

Notes to accounts for the 12 months ended 31st March 2016

1: Accounting policies

The policies adopted are in accordance with IFRS, to the extent it is meaningful and appropriate in the public sector context, as adopted and interpreted by the 2015/16 Financial Reporting Manual (FReM) issued by HM Treasury.

a) Accounting conventions

These are the accounts for the Commission covering the twelve months from 1 April 2015 to 31 March 2016. They have been prepared in a form directed by the Secretary of State for Culture, Media, and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Gambling Act 2005 (the 2005 Act). A copy of the accounts direction can be obtained from the Commission.

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

b) Non current assets

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

Depreciation/amortisation

Depreciation/amortisation is provided on all non-current assets on a straight line basis to write off the cost or valuation evenly over the asset's currently anticipated life as in Table 5 (opposite)

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

Property, plant & equipment

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

Table 5: Anticipated life of assets

Asset	Anticipated life
IT Hardware	4 years
IT Software Licences	Over the life of the licence
IT Developed Software	7 years
Fixtures & Fittings	10 years
Furniture	10 years
Equipment	7 years
Telecoms	7 years
Motor Vehicles	4 years

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

Intangible assets

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

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

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

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

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

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

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

Revaluation

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

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

c) Pension costs

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

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

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

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

A former Chairman of the Gaming Board is covered by a pension scheme which is analogous with the PCSPS. The Commission makes payments to the former Chairman as they are due. The expected cost of providing the pension was recognised over the period which the Commission benefited from the Chairman's services, through the building up of a fund for the future scheme liability. This was calculated using actuarially assessed assumptions at 31 March 2016.

Upon the merger between the Gambling Commission and the National Lottery Commission the Commission inherited a pension liability for the former Director General of OFLOT from 1993 to 1998. This pension is an unfunded defined benefit scheme which has benefits by analogy to the PCSPS and is paid directly from the Commission's own funds. In 2001, upon the recipient reaching retirement age, pension payments commenced. This was calculated using actuarially assessed assumptions at 31 March 2016.

d) Operating leases

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

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

Notes to the Accounts continued

e) Employee costs

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

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

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

f) Value added tax

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

g) Licence fee receipts & fee income recognition

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

Operator licence application fees

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

Operator licence annual fees

Income is recognised equally over the duration of the licence.

Personal licence fees

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

The remaining 40% is recognised equally over the duration of the licence (i.e. 5 years).

h) Financing grant-in-aid

The Commission receives grant-in-aid funding for National Lottery operations. Grant-in-aid is treated as financing rather than revenue in line with the FReM.

i) Financial instruments

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

j) Presentational/functional currency

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

k) Corporation tax

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

l) Segmental reporting

Following the merger of the Gambling Commission and the National Lottery Commission, the Commission's Board as 'Chief Operating Decision Maker' has determined that the Commission now operates in two distinct material segments; to regulate commercial gambling and to regulate the National Lottery. Both segments fall within one main geographical segment, Great Britain. The Commission has distinct sources of income for the two segments; licence fees for gambling regulation and grant-in-aid for National Lottery regulation. The segmental reporting format in note 2 reflects the Commission's management and internal reporting structure.

m) Cash and cash equivalents

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

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

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

n) Going concern

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

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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2016 and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may be adopted in subsequent periods:

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

Notes to the Accounts continued

2: Statement of Operating Costs by Operating Segment

a) Statement of Comprehensive Net Expenditure by operating segment

	31 March 2016			31 March 2015		
	Gambling operations £'000s	National Lottery operations £'000s	Total as per SOCNE £'000s	Gambling operations £'000s	National Lottery operations £'000s	Total as per SOCNE £'000s
Expenditure	(16,946)	(2,647)	(19,593)	(15,189)	(2,485)	(18,304)
Income*	19,213	–	19,213	17,066	–	17,066
Net income/(expenditure)	2,267	(2,647)	(380)	1,247	(2,485)	(1,238)
Net income/(expenditure) after interest and finance costs	2,282	(2,656)	(374)	1,258	(2,500)	(1,242)
Other comprehensive expenditure						
Net gain/(loss) on pension liability	–	11	11	(3)	(30)	(33)
Total Comprehensive Expenditure	2,282	(2,645)	(363)	1,255	(2,530)	(1,275)

* National Lottery Operations are funded by grant-in-aid from The National Lottery Distribution Fund. In line with the FReM, this is not treated as income within the statements above, but is transferred directly to reserves as financing

b) Statement of Financial Position by operating segment

	31 March 2016			31 March 2015		
	Gambling operations £'000s	National Lottery operations £'000s	Total as per SoFP £'000s	Gambling operations £'000s	National Lottery operations £'000s	Total as per SoFP £'000s
Non-current assets	1,282	21	1,303	1,313	30	1,343
Current assets	15,990	678	16,668	12,352	439	12,791
Total assets	17,272	699	17,971	13,665	469	14,134
Current liabilities	(12,369)	(262)	(12,631)	(10,704)	(222)	(10,926)
Non Current Assets less Net Current Liabilities	4,903	437	5,340	2,961	247	3,208
Non-current liabilities	(562)	(231)	(793)	(900)	(256)	(1,156)
Total liabilities	(12,931)	(493)	(13,424)	(11,604)	(478)	(12,082)
Assets less liabilities	4,341	206	4,547	2,061	(9)	2,052

3: Staff costs

3(a): Staff costs

	2016 £'000s	2015 £'000s
Employee costs	**12,832**	12,284
Interest costs on pension scheme liability	**9**	15
Actuarial adjustments to pension scheme liability	**(11)**	33
Total	**12,830**	12,332

3(b): Other operating costs

	2016 £'000s	2015 £'000s
Accommodation	**1,389**	1,259
Professional and accountancy fees*	**769**	977
Travelling and subsistence	**496**	544
Contingent labour costs	**410**	203
Other staff costs	**174**	137
Recruitment, training and development	**724**	369
Hospitality	**12**	19
Office services	**1,187**	959
External audit fee**	**50**	50
Internal audit costs	**20**	30
Amounts payable to Criminal Records Bureau	**68**	135
Research costs***	**652**	411
Other	**137**	124
Total Operating Costs	**6,088**	5,217

* Professional and accountancy fees include consultancy costs totalling £119,876 (2014/15 £98,000).

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

*** Other costs includes costs associated with prevalence studies into gambling. This totalled £331,000 in 2015/16 (2014/15 £275,000). This also includes National Lottery research costs totalling £321,000 in 2015/16 (2014/15 £136,000).

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

	2016 £'000s	2015 £'000s
Land and buildings	**864**	865
Other	**9**	8
Total	**873**	873

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

Notes to the Accounts continued

3(c): Non-cash items

	2016 £'000s	2015 £'000s
Depreciation	**278**	304
Amortisation	**395**	499
Total	**673**	803

4: Fee receipts

4(a): Gambling Act 2005 fee receipts

The Act came fully into force on 1 September 2007, upon which the gambling industry was required to apply for operator and personal licences under the jurisdiction of the Act. Fees payable under the Act are received in respect of application fees, annual fees and changes and variations to licences. These monies are retained by the Commission to fund operational activities under the Act.

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

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

	2016 £'000s	2015 £'000s
Operator licence applications		
Application fees	**827**	2,934
Annual fees	**16,647**	16,142
Personal licence applications	**1,515**	1,107
Total fee income received	**18,989**	20,183
Interest on fee income	**18**	13
Total	**19,007**	20,196

4(b): Gambling Act 2005 income recognised

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

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

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

	2016 £'000s	2015 £'000s
Operator licence applications		
Application fees	**827**	2,776
Annual fees	**17,543**	13,185
Personal licence applications	**723**	922
Total fee income received	**19,093**	16,883
Interest on fee income	**18**	14
Total	**19,111**	16,897

5: Other income

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

	2016 £'000s	2015 £'000s
Miscellaneous income	**120**	183
Total other income	**120**	183

Notes to the Accounts continued

6: Property, plant & equipment

	IT hardware £'000s	Furniture & fittings £'000s	Plant & machinery £'000s	Transport equipment £'000s	Total £'000s
Cost/valuation					
At 1 April 2014	1,300	1,966	179	10	3,455
Additions	175	7	3	–	185
At 31 March 2015	1,475	1,973	182	10	3,640
Accumulated depreciation					
At 1 April 2015	1,119	1,533	173	10	2,835
Provided in year	102	197	5	–	304
At 31 March 2015	1,221	1,730	178	10	3,139
Net book value at 31 March 2015	254	243	4	–	501
Net book value at 31 March 2014	181	433	6	–	620

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

7: Intangible assets

	Software £'000s	Software licences £'000s	Websites delivering services £'000s	Total £'000s
Cost/valuation				
At 1 April 2014	4,851	318	235	5,404
Additions	151	–	–	151
At 31 March 2015	5,002	318	235	5,555
Accumulated amortisation				
At 1 April 2014	3,794	257	163	4,214
Provided in year	453	12	34	499
At 31 March 2015	4,247	269	197	4,713
Net book value at 31 March 2015	755	49	38	842
Net book value at 31 March 2014	1,057	61	72	1,190

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

Notes to the Accounts continued

8: Trade receivables and other current assets

	2016 £'000s	2015 £'000s
Trade receivables	**317**	219
Deposits and advances	**104**	67
Prepayments & accrued income	**431**	787
Total	**852**	1,073

9: Cash and cash equivalents

	2016 £'000s	2015 £'000s
Balance at 1 April	**11,718**	7,004
Net change in cash and cash equivalent balances	**4,098**	4,714
Balance at 31 March	**15,816**	11,718
The following balances at 31 March were held at:		
Government Banking Service	**554**	3
Commercial banks and cash in hand	**15,262**	11,715
Short term investments	**–**	–
Balance at 31 March	**15,816**	11,718

The majority of the Commission's cash and cash equivalent balances are held at commercial banks or as cash in hand apart from £554,340 (£3,285 in 2014/15) which is held with Government Banking Services.

10: Trade payables and other current liabilities

	2016 £'000s	2015 £'000s
Trade payables	**570**	157
Staff cost payables	**764**	866
Other payables	**–**	3
Accruals and deferred income	**11,297**	9,900
	12,631	10,926

The Commission holds total deferred income balances of £10,280,009 (£9,543,490 in 2014/15) included in notes 9 and 10.

This relates to:

Licence fees paid that are due to be released to income within one year of £9,378,287 (£8,652,906 in 2014/15)

Licence fees paid that are due to be released to income after one year – £687,826 (£890,584 in 2014/15)

11: Amounts falling due after more than one year

	2016 £'000s	2015 £'000s
Deferred income	**546**	891
	546	891

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 2016/17 onwards.

12: Pension liability provision

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

	2015 £'000s
At 1 April 2014	233
Interest cost	15
Actuarial loss/(gain) in the period	33
Pensions paid in the year	(16)
At 31 March 2015	265

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

13: Third party assets

The Commission held the following assets on behalf of 3rd parties at 31 March 2015

	2016 £'000s	2015 £'000s
At 1 April	**15**	15
Arising in the year	**1**	–
Settled in the year	**–**	–
At 31 March	**16**	15

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

Notes to the Accounts continued

14: Impact of pension liability on income and expenditure reserve

	Notes	2016 £'000s	2015 £'000s
Income and expenditure reserve excluding pension liability		**4,794**	2,317
Pension liability	11	**(247)**	(265)
Income and expenditure reserve		**4,547**	2,052

15: Capital commitments

At 31 March 2016 there were three capital creditors totalling £48,533 for the supply of IT hardware & software and fixtures, which has been capitalised (£33,067 in 2015).

16: Commitments under operating leases

At 31 March 2016 the Commission was committed to making the following payments in respect of operating leases.

	at 31 March 2016		at 31 March 2015	
	Land and buildings £'000s	**Other £'000s**	Land and buildings £'000s	Other £'000s
Obligations under operating leases following periods comprise:				
Not later than one year	**896**	**9**	737	9
Later than one year and not later than 5 years	**3,586**	**14**	–	23
Later than five years			–	–
	4,482	**23**	737	32

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

17: Related party transactions

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

DCMS is regarded as a related party. During the 12 months to 31 March 2016, the Commission has had a small number of material transactions with DCMS, comprising of:

Salary costs: in relation to DCMS staff on secondment	£50,784
Accruals: in relation to DCMS staff on secondment	£50,784
Grant-in-aid for capital expenditure	£139,900
Grant-in-aid for revenue expenditure	£2,718,565

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

18: Financial instrument

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

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

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

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

Currency risk

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

Market rate risk

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

Credit risk

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

Liquidity risk

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

(i) Financial assets & financial liabilities

Financial assets

					Fixed rate		Non-interest bearing
Currency	Total £'000s	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
At 31 March 2016							
Sterling	**16,237**	**15,816**	**–**	**421**	**0.00**	**–**	**–**
Gross financial assets	**16,237**	**15,816**	**–**	**421**	**–**	**–**	**–**
At 31 March 2015							
Sterling	12,004	11,718	–	286	0.00	–	–
Gross financial assets	12,004	11,718	–	286	–	–	–

Notes to the Accounts continued

Financial liabilities

					Fixed rate		Non-interest bearing
Currency	Total £'000s	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
At 31 March 2016							
Sterling	**12,866**	**–**	**–**	**12,866**	**0.00**	**–**	**–**
Gross financial assets	**12,866**	**–**	**–**	**12,866**	**–**	**–**	**–**
At 31 March 2015							
Sterling	11,626	–	–	11,626	0.00	–	–
Gross financial assets	11,626	–	–	11,626	–	–	–

(ii) Financial assets & financial liabilities

Financial assets

	At fair value through profit and loss £'000s	Loans and receivables £'000s	Available for sale £'000s	Total £'000s
Embedded derivatives	**–**	**–**	**–**	**–**
Debtors	**–**	**421**	**–**	**421**
Debtors over 1 year	**–**	**–**	**–**	**–**
Cash at bank and in hand	**–**	**15,816**	**–**	**15,816**
Other financial assets	**–**	**–**	**–**	**–**
Total at 31 March 2016	**–**	**16,237**		**16,237**
Embedded derivatives	–	–	–	–
Debtors	–	286	–	286
Debtors over 1 year	–	–	–	–
Cash at bank and in hand	–	11,718	–	11,718
Other financial assets	–	–	–	–
Total at 31 March 2015	–	12,004	–	12,004

Financial liabilities

	At fair value through profit and loss £'000s	Other £'000s	Total £'000
Embedded derivatives	**–**	**–**	**–**
Creditors	**12,320**	**–**	**12,320**
Creditors over 1 year	**546**	**–**	**546**
Borrowings	**–**	**–**	**–**
Private finance initiative and finance lease obligations	**–**	**–**	**–**
Other financial liabilities	**–**	**–**	**–**
Total at 31 March 2016	**12,866**	**–**	**12,866**
Embedded derivatives	–	–	–
Creditors	10,735	–	10,735
Creditors over 1 year	891	–	891
Borrowings	–	–	–
Private finance initiative and finance lease obligations	–	–	–
Other financial liabilities	–	–	–
Total at 31 March 2015	11,626	–	11,626

19: Contingent liabilities disclosed under IAS 37

There are no contingent liabilities to report as at 31 March 2016 (£0, 2014/15).

20: Post balance sheet events

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

Events after the reporting period date

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

There are no further post balance sheet events to report since 31 March 2016.

Appendices

Appendix 1

The Executive Group

Jenny Williams
Commissioner
(until 30 November 2015)
and Chief Executive
(until 30 September 2015)

Sarah Harrison
Chief Executive
(from 1 October 2015)

Sarah Gardner
Executive Director
– Planning and Performance

Sue Harley
Chief Operating Officer

Matthew Hill
Executive Director
– Regulatory Risk & Analysis
(until 30 October 2015)

Neil McArthur
General Counsel

Nick Tofiluk
Executive Director
– Regulatory Operations

Jenny Williams (until her appointment as Commissioner ended on 30 November)

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 Ministry of Justice). Before that she held a variety of policy and project management posts in the Inland Revenue, the Departments of Environment and Transport and the Home office.

She is the vice chair of the homelessness charity, The Connection at St Martin's, and previously a trustee of the International Association of Gaming Regulators; a non-executive Director of Northumbrian Water Group plc; of the National Campaign for Arts; and of Morley College, an adult education college.

Sarah Harrison – Chief Executive – from 1 October 2015

Sarah became Chief Executive on 1 October 2015. She was a Senior Partner at Ofgem where she led the Sustainable Development Division. Previously she was Managing Director of Corporate Affairs at Ofgem and before that, Communications Director. Before joining Ofgem in 2000 Sarah was the first Chief Executive of ICSTIS, the UK industry regulator for premium rate telephone services. Her earlier career was in government and public relations consultancy.

Role

Sarah is Chief Accounting Officer and a Commissioner and has overall responsibility for leadership of the organisation.

Sarah Gardner – Executive Director

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

Role

Sarah's main focus has been on the corporate leadership of the Commission, particularly supporting the Board's financial planning and strategy development, establishing the Commission's approach to the next strategic review of fees and being the Senior Information Risk Owner (SIRO).

Sue Harley – Chief Operating Officer

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

Role

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

Matthew Hill – Executive Director (until 10 October 2015)

Matthew joined us in November 2008. His civil service career covered a wide range of topics such as gambling, broadcasting, alcohol reform, animal health, e-government and civil contingencies, and a period working for the Leader of the House of Commons.

Role

Matthew's main focus was on corporate leadership of the Commission and delivery of the business plan, particularly in relation to understanding the gambling landscape and applying that understanding to identify and address key issues. Matthew plays a particularly prominent role in the Commission's relationship with external stakeholders. He also leads a portfolio of major compliance cases.

Neil McArthur – General Counsel

Neil joined us in 2006. Neil is a qualified solicitor and holds a degree in Law and Accounting, a Master's degree in Criminology and a post-graduate diploma in Local Government Law. His legal career began in local government. He then moved to the Learning and Skills Council and prior to joining the Commission he was the Head of Legal at the General Teaching Council for England.

Role

Neil is our principal legal adviser with overall responsibility for the Commission's legal work. He also leads at an executive level on corporate governance and our enforcement work, as well as sharing responsibility for the leadership of the Commission and delivery of the business plan.

Nick Tofiluk – Executive Director

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

Role

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

Appendix 2

Management boards – remit and membership

Executive Group

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

- monitors progress of key workstreams (either directly or through Business Plan Programme Board (BPPB)
- decides on any matters escalated by BPPB
- make recommendations to Board of Business Plan priorities
- approves the setup of significant new workstreams or other activities that impact on the resources of the Commission
- oversees the Commission's use of financial and human resources, ensuring that all resources are used efficiently and effectively
- maintains the Corporate Risk Register
- clears papers for the Board of Commissioners and agree the agenda for Board meetings.

Business Plan Programme Board (BPPB)

The role of the BPPB is to:

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

Table 6: Management boards – membership

Name	Role	Executive Group	Business Plan Programme Board
Sarah Harrison	Chief executive	Chair	
Sarah Gardner	Executive director	√	
James Green *(wef from 22 February 2016)*	Programme director		√
Ben Haden	Programme director		√
Sue Harley	Executive director	√	Chair
Paul Hope	Programme director		√
Simon Knee	Functional head		√
Cyrrhian Macrae	Functional head		√
Sharon McNair	Programme director		√
Neil McArthur	General Counsel	√	
Alistair Quigley	Programme director		√
Nick Tofiluk	Executive director	√	
Helen Venn	Programme director		√
Richard Watson	Programme director		√
Michelle Wenham	Functional head		√

GAMBLING
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