GAMBLING COMMISSION

Keeping gambling fair and safe for all

Annual Report & Accounts

2014/15

Gambling Commission Annual Report and Accounts 2014/15

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)

Ordered by the House of Commons to be printed on 13 July 2015

Laid before the Scottish Parliament by the Scottish Ministers on 13 July 2015

HC202
SG/2015/84

Any enquiries related to this publication should be sent to us at Gambling Commission, Victoria Square House, Victoria Square, Birmingham B2 4BP.

This publication is available at https://www.gov.uk/government/publications

Print ISBN 9781474118491
Web ISBN 9781474118507

ID 06051501 07/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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
  - 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 and protecting consumers by requiring improved
  - consumer education and public awareness
  - player protection and assistance tools to manage the risks of gambling
  - identification of and help for those at risk of gambling related harm
- Raising standards through
  - 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 licence holder 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)

* Find out more about our role on the corporate governance page on our website

Contents

Chairman's and Chief Executive's statement

Introduction

Over the past 12 months the Gambling Commission has made some significant progress in furthering our four key strategic aims of empowering and protecting consumers, raising standards, building partnership and understanding, and ensuring National Lottery good causes are maximised. We have continued to enhance our capability by investment in our skills and evidence base while driving greater efficiency, for example by the introduction of e-services and from synergy from the merger with the National Lottery Commission. Although some planned developments had to be deferred and some key challenges remain, much has been achieved during a busy and testing time for the Commission.

Significant progress

Empowerment and protection

Our major review of the social responsibility provisions in our Licence Conditions and Codes of Practice (LCCP), led by Rachel Lampard, one of our Commissioners, resulted in significant strengthening of player protection, both in terms of empowering players to manage their gambling better but also in ensuring operators try harder to identify and help those at risk of gambling related harm. The advances included mandatory requirements on operators for improved player information, adequate clear information on offers such as free bets, enhanced time and money control options for players, participation in the development of improved self-exclusion schemes for both remote and non-remote sectors, and improved and more transparent protection of player funds.

Further strengthening depends critically on the evaluation of the measures now in place, a better understanding about what works, and whether the continuation of anonymous cash based harder gambling (such as on category B machines) is compatible with what society wants in terms of player protection on the one hand and privacy and personal freedom on the other. We will continue to play our part in the debate around player protection and advise the government on the related risks and issues.

We want to strike the right balance between consumer protection and allowing players to benefit from innovation in terms of improved or more competitive products. That means that players must be in a position to make informed decisions about what risks to take when gambling and that is why we require operators to provide good information to consumers about their products and the possible risks. Striking such a balance can present significant challenges and a good example which we have faced this year relates to the licensing and regulation of remote sports books, where mandatory requirements for trust funds or insurance to guarantee payment of winnings would add to players' costs and increase the relative attractiveness of unlicensed operators. To avoid this, we continue to focus on deterring default by licensees, improving the early identification of problems and promoting consumer awareness of the risks they are running in their choice of operator or product.

Raising standards

The Gambling (Licensing and Advertising) Act 2014, by extending the Gambling Commission's regulatory regime to the over 85% of the domestic market supplied by overseas operators[1], significantly increased our capacity to raise standards, both in terms of the nature and reach of our regulatory powers and in terms of the data and specialist resources now available to us. We have used this powerful regulatory framework and extended remit – one which can no longer be avoided by location overseas – to reach agreement with the main payment and platform providers to act against illegal operators, introduce the requirement for licensees to use only Commission licensed software suppliers, to justify activities in grey markets, and to make sure that third party contractors do not flout British regulatory requirements.[2]

The government's move to point of consumption regulation supports the responsible provision of gambling facilities while deterring the illegal and irresponsible from trying to compete unfairly. One leading commentator

1 Estimated at about £2.5billion in 2013

2 LCCP conditions 2.2 (page 8) and 1.1.2 (page 29)

called this 'viral regulation' because we act both directly and indirectly, expecting licensees and other key suppliers or contractors, such as payment providers and advertisers, to deal only with businesses that themselves support the licensing objectives and do not flout regulatory requirements.

As our revised statement of principles for licensing and regulation, and our licensing, compliance and enforcement policy statement[3] indicate, we raise standards by looking to operators to provide us with assurance that they are pursuing the licensing objectives and complying with statutory requirements and LCCP and we confine prescription, as far as possible, to matters where this helps ensure the necessary focus or where experience suggests underpinning good practice with mandatory requirements reduces the risk of unfair competition from the less responsible.

To reinforce this we are requiring the largest operators to provide annual assurance statements which will enable them to explain how they are ensuring that their policies and procedures are effective in keeping gambling fair and safe for all, and how they are minimising the extent to which their revenue derives from those customers gambling more than they should. We have made it clear that we will hold the licensees to account against those statements as well as using the material to distil and spread good practice.

We continued to work with the boards of major operators to encourage them to embed the licensing objectives firmly within their corporate culture, for example by linking executive pay to progress with social responsibility. There are encouraging signs of change in this area. For example, major operators are beginning to include social responsibility updates within their results presentations, and they have been increasing resources to minimise risk to the licensing objectives.

The licensing of an additional 176 overseas-based remote operators and their associated personal management licensees and some 152 software suppliers was a major achievement in itself and one which revealed a considerable variation in regulatory standards and compliance in those operators new to the Commission which needed addressing.

We have made significant advances with our 'enhanced compliance' approach when we have concerns, working with operators to establish whether there were shortcomings, whether these could have been and should have been avoided by a well-run responsible operator or whether on the other hand some unforeseen risk had emerged or prevention would have required disproportionate controls. Public statements explaining what went wrong and the lessons to be learnt are a way to help others in the industry understand what they need to do and to remove any excuse of ignorance.

Where the shortcomings were serious – and we have continued to find vulnerabilities on both the anti-money laundering (AML) and player protection fronts with some of our high impact operators – voluntary settlement removing any financial benefit from the shortcomings and additional payments to the Commission to cover investigation and enforcement costs have been necessary. This avoids those costs falling on the more compliant and helps deter licensees generally from allowing such shortcomings to persist in their own businesses. Should operators ignore such 'lessons' the Commission will be forced to act more punitively.

3 Statement of principles for licensing and regulation & Licensing compliance and enforcement policy statement

Significant progress continued

It is clear that our enhanced compliance casework has led to some significant improvement in the focus on the licensing objectives. And for the most part we have been able to avoid formal, time-consuming adversarial licence reviews. But as we have also demonstrated in a handful of cases, we do not hesitate to exercise our formal suspension and licence review powers where necessary to protect the public.

One key feature of the Commission's approach is that we hold the key individuals in a business to account through their personal licences, as well as the business as a whole through the business' operating licence. As it is the people in critical positions that make, or fail to make, the provision of gambling facilities socially responsible, we consider it critical in terms of raising standards that key individuals' licences and reputations, as well as that of the entity, should be at risk. Our experience is that this has helped focus boards' and key executives' minds on the licensing objectives rather than just treating compliance as an add on.

Building partnership...

Our experience of working with licensing authorities (LAs) in implementing the 2005 Gambling Act and the changes to LCCP have been incorporated into our review of our Guidance to Local Licensing Authorities (GLA) and reflect the improved understanding of our respective roles and capabilities and the synergy between them. Our compliance and enforcement work in conjunction with regulatory and law enforcement partners here and overseas continues to bear fruit with the lessons learnt shared both internally and externally.

We contributed to the Government's review of gambling advertising and we have worked closely with fellow regulators including Ofcom, the Advertising Standards Authority and the Committees of Advertising Practice on a range of issues but with a particular focus on ensuring that free bet and bonus offers are marketed in a fair and open way, and do not mislead.

The recommendations stemming from the four strands of the gambling advertising review will drive our joint activity during 2015/16, including a renewed focus on targeted marketing via social media platforms and the risk to those who are underage.

Our approach in achieving relatively low problem gambling rates, low incidence of match-fixing and minimal illegal supply market in Great Britain has attracted considerable interest. Internationally we have been influential both in Europe and more widely promoting collaboration on combating illegal and irresponsible gambling provision and sports betting corruption, and in demonstrating how well-regulated markets can be established and maintained with minimum duplication and bureaucracy.

We supported DCMS in negotiating the Council of Europe Convention[4] on match fixing and are helping to shape the future role of the Convention. Following the success of the betting integrity joint assessment unit at the London Games, we are working with the International Olympic Committee to support their preparations for the 2016 Games in Rio. In Britain we have taken a lead role in launching the Sports Betting Integrity Forum last November as part of Britain's action plan to address the risks of match-fixing and the threats to sports betting integrity.[5]

...and understanding

We have grown significantly the evidence base on which we and our advisory body the Responsible Gambling Strategy Board (RGSB) draw with the addition of the problem gambling components of the health surveys[6], the Responsible Gambling Trust (RGT) machine-focused research programme, and improved data from the industry, eg on third party test purchasing. We have strengthened our internal analytical and research capability, increasing our ability to support and work with RGSB and RGT. We and RGSB have been pushing

4 The Council of Europe Convention on the Manipulation of sports Competitions. Adopted by the Committee of Ministers at the 1205th meeting of Ministers' Deputies on 9 July 2014. The Convention was opened for signature on 18 September 2014.

5 The Forum has responsibility for delivery of the national sports betting integrity action plan, a collaborative approach focused on activity being taken by agencies, sports (including players' representatives) and sports betting operators to prevent, deter and detect corrupt sports and sports betting.

6 The Health Survey for England and Scottish Health Surveys provide national data on all aspects of physical and mental health. In 2012 and again in 2015 the Commission has secured space in both these surveys to capture data on rates of problem gambling through two problem gambling screens; PGSI and DSM-IV. Results for the 2012 surveys are published on the Commission's website.

the industry to make better use of data analytics especially remote operators who hold copious data on players as well as games or betting. Now that we have comprehensive coverage of the remote as well as non-remote gambling market we have improved the regulatory returns data requirements to give us better socio demographic data on players and the market and have been working on ways to share it with stakeholders in suitably annonymised form.

We have been international pioneers in relation to social-gaming where we have been able to obtain and analyse detailed player data from social gambling operators. This confirmed that there was no case at present to extend gambling regulation to that sector[7], though we retain an interest in seeing what impact social gambling and use of social media might have particularly on young people's risk of harm from gambling.

The National Lottery and return to good causes

The merged Commission has established a constructive but rigorous working relationship with the new leadership team at Camelot. The integration of the regulation of the National Lottery (NL) with the Gambling Commission's wider regulatory role, has coincided with Camelot's digital transformation programme, including an increasingly complex and constantly refreshed game portfolio and leadership/senior management changes. This has required a more engaged and commercially informed approach, benefiting from the wider Commission resource and skills, to ensuring the operator secures the maximum return to good causes, subject to player protection. The £1.8 billion raised for good causes in 2014/2015 was an increase of 6.6% on the previous year, driven in part by a statistically 'lucky' series of Lotto rollover events but also the critical delivery of portfolio changes mentioned above.

We have also been heavily involved in supporting DCMS in a fundamental look at the gambling market and whether the 'clear blue water' principles underlying the segmentation of the market in spheres for the NL, for society lotteries, and for commercial gambling remain valid and effective given the actual and prospective technological and societal changes in the way people spend their leisure time and money.

A decade later

Almost ten years ago the Gambling Commission started life as one of the first regulatory bodies to be founded on Hampton principles.[8] The Commission and its fellow regulators and law enforcers in local government and other regulatory bodies such as Ofcom and the ASA faced a steep learning curve with a major new Gambling Act, surprisingly little hard evidence on which to develop policy or implement the Act, and a highly disparate industry subject to considerable technological change.

Parts of the industry, notably the casino and bingo sectors, were used to a highly intrusive inspection-based regime, others such as betting and the arcade sectors were used to very little regulation so were highly dismissive of the case for more regulation despite growing public concern about the potential risks from machine and remote gambling. None in the industry had any statutory accountability for mitigating the risk of gambling related harm. At that stage neither the National Lottery nor those legally trading from the EEA and whitelisted jurisdictions were subject to Commission regulation or oversight.

Nearly a decade later with the further legislative changes bringing the NL and those overseas operators providing facilities for gambling to those in Britain under Commission regulation, our approach, understanding and capability have developed significantly and our relations with stakeholders have matured.

The Commission's longstanding focus on looking to the industry to take responsibility for keeping gambling fair and safe for all is starting to be matched by moves within different parts of the industry to drive the responsible gambling agenda, not just react to demands for compliance. Operators are starting to invest in improved data analytics and player protection projects, while RGT's progress on research, education and treatment and industry initiatives such as Playsafe and the setting up of IGRG (Industry Group for Responsible Gambling) and

7 Explaining our approach to social gaming

8 *Reducing Administrative Burdens: Effective Inspection and Enforcement*, Philip Hampton, March 2005.

A decade later continued

Senet[9], are all welcome indicators of the industry thinking about how to improve standards of self-regulation, sharing good practice and using peer pressure to promote responsible gambling.

The Commission's own capacity, and its ability to anticipate and respond to technological and societal developments and the associated risks and opportunities, has been substantially reinforced by recruiting people with industry, commercial and wider regulatory expertise. And with our current fee levels reflecting a 16% real cut over the period 2009 to 2015, we have continued to improve our own cost effectiveness and minimised the burden on licensees with improved e-services.

We had originally planned on the basis of remote legislation enactment and implementation before the summer recess. In the event with the legislation running into early summer and the judicial review challenge delaying implementation until November, some of the developments and improvements originally planned for 2014/15 had to be rescheduled; for example the first phase of consultation on the fundamental fees review[10] and improvements to the way aggregate industry data is made available. In addition the recruitment programme that began last year to fill gaps in specialist knowledge, particularly around remote regulation, imposed its own pressures.

Nevertheless working with the industry and others, we have made significant progress in building up the evidence base for policy-making in relation to keeping crime out of gambling and protecting consumers. There is a better understanding that growth and innovation need not be inconsistent with high standards of probity and player protection and that the latter can be achieved and maintained through a comprehensive regulatory framework supported by constructive open dialogue between regulator and licensee. This keeps formal enforcement and prescription to the minimum necessary to promote collaboration and deter the corrupt, uncooperative or irresponsible.

Looking forward

We welcomed three new Commissioners this year – Alison Hastings and Jonathan Scott joined the Board on 1 May and Trevor Pearce joins on 1 July. They succeed Robert Foster who left in March and Rachel Lampard whose term of office ends on 30 June. We will miss their wealth of knowledge and experience on the Commission Board, however we are retaining Rachel's expertise as she joins the Responsible Gambling Strategy Board from 1 July.

While we are losing Commissioners with considerable experience, and indeed have also lost some highly experienced colleagues, their contributions are embedded in our policies and approach. And our new Commissioners including our prospective new CEO[11] bring a wealth and diversity of highly relevant commercial, social and regulatory expertise.

The year ahead looks demanding with a number of challenges ahead. We will be working with the new government, the devolved governments and local authorities to help them to develop and implement gambling regulation in the context of the wider devolution and localism agendas with a revised edition of our GLA due later in the year. We will be supporting the Department in its review of the current framework governing the lottery market. Ensuring increasing returns to good causes from the National Lottery will continue to be challenging in an increasingly complex and convergent gambling market place.

Notwithstanding the substantial influx of operators new to our regime, three new commissioners and a change of CEO mid-year, we remain determined to keep up the pressure on the industry to maintain the developing momentum in socially responsible gambling provision. We will continue to insist on better data collection and analytics, and better research and evaluation of what

9 Senet Group

10 The first phase of our consultation is due to be published later in 2015

11 See press notice dated 11 June 2015 on the appointment of next CEO

works in pursuit of the licensing objectives and we will be considering to what extent anonymous cash-based play should continue to be accepted for higher stake gambling.[12]

Alongside this we will need to respond to technological and societal change, ensuring lessons continue to be learnt and shared from our compliance and enforcement programme and that our efforts remain effective to keep illegal supply of gambling at a minimum, with a particular focus this year on reviewing the 'crime' provisions[13] in LCCP and working with government on implementing the Fourth Anti-Money Laundering Directive.

And we need to continue to invest in our staff and their development as without their commitment and expertise we can do nothing. Indeed we would like to thank all our colleagues for their hard work and achievements this year, particularly on the implementation of the Gambling (Licensing and Advertising) Act, the review of LCCP and the GLA and for their continuing drive to improve the Commission's performance.

With the progress made over the past year and the evident determination of all our colleagues to keep gambling fair and safe for all, the Commission is well placed to move into its second decade and the next phase in its evolution with even greater pace, determination and effectiveness.

Philip Graf
Chairman

Jenny Williams
Chief Executive

12 See Philip Graf's foreword in Strengthening Social Responsibility

13 Gambling Act 2005 – (a) preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime.

Strategic report

Operating review

The Gambling Commission regulates both the bulk of the commercial gambling market and the lottery sector in Great Britain including the National Lottery where our remit extends to Northern Ireland. In doing so, we work closely with our partners, local licensing authorities (LAs) and other organisations such as the police and HMRC.

The organisations regulated by the Commission generated £6.8 billion in gross gambling yield (GGY)[14] in 2013/14. In 2014/15 the biggest change is expected to be in the remote sector following the introduction of the Gambling (Licensing and Advertising) Act 2014[15], with GGY in that sector expected to rise to around £2.8 billion[16] compared to £1.1billion in 2013/14. The National Lottery generated almost £3.1 billion in gross gambling yield in 2014/15, of which over £1.8 billion went to National Lottery good causes.[17]

The Commission is a non-departmental public body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS).

Statutory framework

Gambling Act 2005

Under the Gambling Act 2005 (the Act) the Commission is required to permit gambling in so far as reasonably consistent with the following licensing objectives:

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

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

Under the Act:

- the Commission licenses individuals and operators offering gambling in Great Britain while licensing authorities (LAs) license premises and issue permits.[18]

  Gambling operators must comply with the conditions of their licences and codes of practice issued by the Commission which are designed to further the three licensing objectives
- the Commission has:
  - discretion to apply licence conditions to holders of operating and personal licences
  - wide-ranging regulatory powers including the imposition of unlimited fines and the revocation of licences
  - the power to prosecute offences.

National Lottery etc, Act 1993 (NL Act)

Under the NL Act:

- our overriding statutory duties are to operate in the manner we consider most likely to secure:
  - that the National Lottery is run, and every lottery that forms a part of it is promoted, with all due propriety
  - that the interests of every participant in a lottery that forms part of the National Lottery are protected
  - and, subject to those two duties, to ensure that net proceeds to National Lottery good causes are maximised.
- the Commission has:
  - discretion to impose new or amended licence conditions on the operator
  - powers to instigate an independent review where it is dissatisfied with the Licensee's performance of any area of its operations under the Licence to operate the NL

14 The amount retained by operators after the payment of winnings but before the deduction of the costs of the operation

15 With the influx of overseas-based operators and software suppliers following the Act

16 UK Online Gambling: Data Forecasting & Market Shares September 2014 published by Gambling Compliance

17 In 2014/15, the National Lottery generated around £3.1 billion in gross gaming yield, almost £1.7 billion of which went to National Lottery good causes. Additionally, a further £127.9m went to good causes from unclaimed prizes, bringing the total that went to good causes in 2014/15 to over £1.8 billion

18 Gaming machine permits to alcohol-licensed premises and unlicensed family entertainment centres; club gaming permits and club machine permits to clubs and permits for prize gaming

– wide-ranging regulatory powers including the imposition of unlimited fines and the power to revoke the licence.

Our business objectives and approach

Our business plan[19] sets out the Commission's aims for the financial year 2015/16 and beyond to ensure that we keep gambling fair and safe for all and subject to our primary duties with respect to the National Lottery to see that returns to good causes are maximised. We do this by:

- raising standards and ensuring the gambling industry puts the licensing objectives at the heart of everything it does
- empowering and protecting consumers to manage the risks of gambling
- building partnership and understanding
- monitoring and challenging the National Lottery licence holder to drive increases in returns to good causes.

The business plan details our activity, the resources we will use to fulfil our aims and the milestones by which we will measure progress.

The Commission's regulatory approach is based on the principle that gambling operators should put responsibility for the licensing objectives at the core of what they do. Provided there is a genuine commitment to adhere to the licensing objectives, operators are best placed to understand the practical trade-offs between cost-effective harm minimisation, innovation and customer experience.

The Commission works to ensure that such a commitment lies at the heart of every gambling business. Beyond that we try to minimise prescription by stating clearly what outcome is expected and leaving it to the operator to decide how best to achieve that outcome. This approach is supported by compliance interventions focused on the effectiveness of an operator's internal controls, and targeted enforcement activity where needed.

As part of our continual review process and following consultation, we updated our statement of principles for licensing and regulation, and our licensing, compliance and enforcement policy statement to reflect experience gained over recent years, changes in other relevant legislation and to clarify our position on issues such as publicising decisions and voluntary settlements. We share responsibility for gambling regulation under the Act with LAs – the Commission concentrating on matters of regional and national significance and LAs focusing on those of local significance – along with local police and other agencies such as HMRC. Our Local Authority Liaison Unit provides technical support and expertise to LAs, the police and other bodies locally.

This year we also revised our Corporate Governance Framework to simplify the process for decision making in relation to National Lottery matters.

19 Gambling Commission business plan 2015-2016

Operating review continued

Raising standards

The onus is on licensed operators to satisfy themselves and the Commission that pursuit of the licensing objectives is at the heart of their business. In doing so operators must be able to demonstrate their compliance, for example by sharing with us the results of any independent third party test purchasing to check their ability to restrict under-age access.

We assess the likely impact of the risks to the licensing objectives, based primarily on the size and market scope of an operator (or several operators that form a group) in order to focus resources on higher priorities. We monitor and ensure compliance of our licensees through compliance visits, use of third party assessments such as security audits and test purchase results, regulatory returns, intelligence reports and complaints investigations and we work with other regulators to avoid duplication where possible We have further developed our approach to those 'higher impact operators' (HIOs) which account for over 85% of GGY from our licensees.

High Impact Operators (HIOs)

We distinguish HIOs by factors such as customer base, number of premises, turnover or gross gaming yield (GGY) and the extent of licensed activity (including overseas activity) plus the organisation's own risk management approach. We look at an operator's provision of gambling facilities across channels, ie remote and non-remote, and across different categories of gambling such as betting and bingo.

Our routine compliance activity with these significant organisations includes, in addition to regular monitoring and thematic investigations, planned assessments of the operator's systems, procedures, controls and governance arrangements (known as corporate evaluations) – the actual timing and frequency of these planned assessments depends on what other investigations or indicators suggest is needed. In 2014/15, we conducted three full-scale corporate evaluations and commenced a further five. In addition we completed 43 major investigations involving 20 HIOs where we had concerns about operators' ability to comply with LCCP.

We also consulted on the principle of introducing an annual assurance statement for the largest operators from 2015. The pilot assurance statements, which will be required during the next financial year, will provide a set of succinct statements, endorsed at the most senior levels, on how effectively businesses pursue the licensing objectives in their provision of gambling services, how they are minimising revenue from problem gamblers, together with any plans to improve their performance or address weaknesses.

In conducting corporate evaluations (and major investigations) we worked closely with the operator's senior management teams, to review, for example:

- governance structures
- risk management controls and culture (eg those that ensure consumer protection)
- information dissemination (including reporting of suspicious betting activity, key events and the submission of regulatory returns)
- compliance with the Act and the LCCP
- remedial activity undertaken following case work or a previous corporate evaluation.

We shared the outcome of each evaluation with the organisation to:

- ensure they can use the information to inform their risk controls
- agree a programme of improvement where necessary
- identify the lessons to be learnt and disseminated.

We then used the evaluation (or major investigation) to:

- re-assess the risk to the licensing objectives of the particular organisation
- and the need for any follow-up action
- contribute to the development of best practice and deter backsliding, publishing lessons learnt where appropriate.

Reactive licensing and compliance

Last year the workload was particularly heavy with the additional applications from overseas operators and software suppliers. We handled:

- over 51,500 calls and emails to our contact centre and over 900 enquiries to our National Lottery consumer protection team on a range of topics, such as:
  - the new licensing requirements for remote operators
  - our improved e-services for licensed operators
  - lottery scams, scratchcard printing errors
  - Lotto rollover jackpots and the value of smaller Lotto prizes
- over 2,250 new intelligence reports were created based on information shared from the public, other government agencies, regulators and the industry
- 595 requests for information to and from other UK government agencies as part of our commitment to the Government's serious and organised crime strategy
- 330 calls to the Commission's confidential help line[20]
- over 300 operator licence applications and over 2,200 personal licence applications, in addition to over 700 variations to licences
- nearly 170 referrals to and from specialist financial intelligence units concerning money laundering and organised crime
- 148 intelligence reports which we passed to LAs relating to regulatory breaches and suspected illegal gambling activity
- and nearly 250 compliance investigations.

The vast majority of investigations resulted in operators cooperating to make improvements, sometimes accompanied with contributions to the Commission's costs, payments to divest unwarranted revenue and published lessons learnt, but there were:

- two formal licence reviews which led to individual licence conditions being imposed
- three operating licences and nine personal licences revoked where we had serious concerns about the licensee's suitability to carry out the licensed activities. A further two operating licences would have been revoked had the licensed operators not surrendered their licence but findings of the facts were publicised for future reference.

Table A: Sanctions issued against licensees 1 April 2014 – 31 March 2015:

Sanction	Personal Licence	Operating Licence	**Total**
Warning	0	5	**5**
Warning & attached condition	1	1	**2**
Warning/attached condition & financial penalty	0	1	**1**
Revoked	9	3	**12**

20 The confidential phone line is 0121 230 6655. In addition calls are referred from Crimestoppers

Operating review continued

Our demand-led reactive compliance work was spread across a number of gambling sectors and a range of issues and included:

- multiple investigations into weaknesses in anti-money laundering (AML) and social responsibility controls by major gambling operators. For example:
  - one online gambling operator is making a significant contribution to gambling research after revising its policies and procedures following the conviction of an individual for serious theft and money laundering offences
  - a licensee reviewing and implementing strategic change following an investigation which established that a customer, later convicted of money laundering offences, had spent hundreds of thousands of pounds in a casino without challenge
  - some major non-remote betting licensees significantly improving their approach to preventing problem gambling and money laundering following the conviction of an individual for drug supply and money laundering
- working with a number of high-end casinos to improve their handling of regulatory risk relating to ultra high net worth customers
- improvements in preventing children and young people from gambling with one major gambling operator after significant additional investment in its capacity to oversee its regulatory performance
- significantly improved results for prevention of underage gambling with licensees operating adult gaming centres in motorway service areas
- supporting the National Crime Agency (NCA) and the FA in a match fixing investigation which resulted in three men given prison sentences after being found guilty of conspiracy to commit bribery
- fines and warnings being issued and a licence surrendered after working with the Greyhound Board for Great Britain (GBGB) on compliance failures by a number of operators at a greyhound track
- revoking an operator's licence after working with the British Horseracing Authority (BHA) on betting integrity issues involving a jockey for conspiring with others to corrupt a horse race.

We also worked with:

- HMRC, the police and LAs to prevent betting in unlicensed premises, including public houses
- DCMS in relation to maintaining the integrity of the regulatory framework governing gaming machines; specifically by ensuring category B gaming machines are only made available in appropriate licensed premises
- betting operators to develop their controls and ensure that their obligations to report irregular/suspicious betting activity is understood and acted upon.

And we supported operators with advice and guidance and quick guides, regularly updated on our website, following consultation and discussion. For example this year we provided advice on non-casino operators' duties and responsibilities under the Proceeds of Crime Act; on suspicious activity reporting requirements for remote operators; on the promotion of society and local authority lotteries for external lottery managers (ELMs); and updated our advice note on our approach to test purchasing.

Underage test purchasing

In partnership with a number of local authorities, we delivered a rolling programme of underage test purchasing for a second year. The focus of these tests was on operators that have not provided the Commission with evidence of the effectiveness of their own control measures, in the form of independent, third party test purchase results. We

- conducted over 70 test purchase exercises jointly with local authorities spread out over the year
- supported local authorities to review operators' premises licences following repeated test purchase failures. In 2014 three LAs conducted premises licence reviews where operators had failed to improve their

controls, culminating in the imposition of tougher licence conditions to reduce underage gambling risks

- issued a series of press notices to raise the profile of the testing programme and challenge the industry to raise its standards following each round of testing

We also supported two local authorities in conducting test purchasing of racecourse bookmakers at Ascot and Cheltenham. These tests revealed poor standards, prompting us to issue a warning to on-course bookmakers. Their trade association subsequently introduced a programme of independent test purchasing with considerable improvements in the results between the first and second test.

Improvements in game testing

In the wake of several incidents where poor game testing has had an impact on consumers or incurred significant costs to business, the Commission has been working with the industry to help identify and guard against potential weaknesses in testing methodologies. Where unforeseen problems arose and were not detected by pre-release testing, we helped this to lead to improvements by sharing information between operators.

As a result of this work the industry has been developing better testing techniques which are more able to replicate the player's natural behaviour and thus produce results which will be more likely to occur after the games release. Early indications would suggest that although this type of testing is relatively time consuming it can improve the detection of problems that can potentially give rise to significant costs to business if not detected early, for example in recompensing players or taking games out of service. We will continue to focus on improvements in this area.

Changes to remote (online) gambling regulation

The government announced changes to the basis of remote gambling regulation as long ago as July 2011. This was to ensure that, in future, all overseas gambling operators offering gambling to players in Britain would be subject to the same standards and requirements as those based in Britain. We had given evidence to the Culture, Media and Sport Select Committee supporting the Government's plans and supported DCMS throughout the legislative process. At the same time we prepared for the changes on the basis of enactment by end March, working with overseas regulators to make sure that we minimised any additional regulatory burden for those operators that could demonstrate they met British standards. In the event enactment was in May with implementation delayed until November by a high court challenge by the Gibraltar Betting and Gaming Association in September 2014. The challenge was rejected and our legal costs reimbursed but the extended run-up to implementation necessarily diverted resources from other developments.

The judgment noted that there was no reason to doubt that the legislation would achieve a reasonable degree of effectiveness and that there was no basis for concluding that it would be discriminatory in its effects. Two of the key submissions rejected were that:

- the new regime would create perverse incentives and lead to the creation of an illicit market of unscrupulous service providers
- passporting would meet the legitimate objectives of Parliament or prove effective or achievable without significant bureaucracy and extra cost.

The changes came into force on 1 November 2014 under the Gambling (Licensing and Advertising) Act 2014.

By that date we had received and granted 176 applications for continuation licences, 166 from operators new to the Commission and ten from existing licensed operators adding overseas activities to their licences. We also received nearly 450 related applications for personal management licences (PML) or equivalent and over 150 applications for software licences. Of these, 300 PMLs and 125 software licences were processed by 31 March 2015. Of the remaining software licence applications, nine applicants withdrew, and 18 were still being considered – six due to late application and 12 which required further investigation.

Operating review continued

This left us with around 370 Commission licensed operators offering nearly 600 online gambling activities (eg betting, bingo, casino games, etc). We had previously identified about 150 operators trading into Great Britain on whitelist or EU licences and, almost without exception, they are now trading on Commission licences. The limited exceptions, all with small UK operations, have withdrawn from the British market and, where necessary, are blocking British players.

Importantly, this means that we now regulate nearly 100% of the domestic remote market instead of less than 15% before the new legislation came into force. And unlike the offshore jurisdictions, we are now able to use our information and understanding of non-remote gambling activities, provided (in volume terms) to a very great extent by the same licensees, to regulate more effectively in a world of cross-selling, common wallets and complex supply and marketing arrangements.

As far as unlicensed activity is concerned, we have found no evidence of the threatened move underground or emergence on any scale of illegal websites targeting Britain. Of the small number of illegal operators identified, some responded immediately to our request to stop operating, while others have been cut off from accessing the British market by the main payment providers and advertising platforms.

Arrangements with payment service providers, platforms such as Google and Facebook and with advertisers are working well and we have received a great deal of support in disrupting the activities of the unlicensed operators. We have used these arrangements successfully, specifically with payment providers, on five occasions between 1 November 2014 and 1 April 2015 to prevent unregulated access to the British market. What is also encouraging is that we are now seeing payment providers approaching the Commission in advance for guidance, when they perform due diligence on prospective merchants.

Anti-money laundering

The Commission's focus on potential money laundering within the gambling industry is consistent with the licensing objective of keeping crime out of gambling. This applies to all licensed operators, and we have further responsibility as the anti-money laundering (AML) supervisor of casinos – defined by the Money Laundering Regulations 2007.[21]

The EU Fourth Anti-Money Laundering Directive was expected to be adopted in June 2015 including provisions to extend the regulated sector to include all gambling, rather than just casinos. Implementation of the new Directive by member states, including the UK, is expected to take place over the next two years. Gambling operators will then be subject to the money laundering regulations and with this the requirement to, for instance, develop an AML risk assessment, policies, processes, training, customer due diligence and ongoing monitoring. However, the Directive provides an exemption for those gambling operators where the risk of money laundering is proven to be low and the Commission continues to work with HM Treasury to provide advice in this area. At the same time we are working with the industry to drive up AML standards recognising the continued incidence of laundering (both washing 'dirty' money and the spending of proceeds of crime) in the betting and casino sectors in particular.

As well as investigating cases that disclose weakness in AML controls we have supported industry workshops and wider initiatives to share best practice. There is evidence that this has led to a raising of AML standards, particularly within the betting and casino sectors including the development for the first time of a standard approach when operators challenge customers as part of their know your customer (KYC) arrangements. An increase in the number of suspicious activity reports submitted to the National Crime Agency (NCA) has been attributed to the work of the Commission and NCA in raising awareness and improving standards.

21 Money Laundering Regulations 2007

Operators are now discontinuing relationships with a growing number of customers when they have concerns about possible money laundering, and developing formal and informal arrangements to share information with their competitors when they do this. Casinos have been improving their money laundering risk assessment processes, whilst using these to directly inform their AML approach. The Commission has worked with remote operators addressing misunderstandings about the requirement for enhanced due diligence within the sector leading directly to significant improvements in this function by the operators concerned.

Empowering and protecting consumers to manage the risks of gambling

Social responsibility

In April 2014 the Government announced a review of gambling protections and controls and, in this context, we brought forward our review of LCCP social responsibility requirements, originally planned for early 2015. The review was led by one of our Commissioners, Rachel Lampard, and covered a wide remit including empowering consumers and minimising harm.

Following extensive consultation, a series of additions and revisions to LCCP were published in February 2015 aimed at ensuring that social responsibility is at the heart of operators' decision-making. For example:

- operators' employees must be able to supervise customers effectively on gambling premises and arrangements must be in place for identifying customers who are at risk of gambling related-harm even if they may not be displaying obvious signs
- larger operators and casinos must conduct test purchasing as a means of monitoring the effectiveness of their policies and procedures for preventing underage gambling
- a range of measures to ensure that marketing and advertising is socially responsible
- the introduction of an annual assurance statement for larger gambling operators (see page 7).

In addition:

- our remote technical standards will be amended as a result of the review. These changes come into force on 31 October 2015 and include, for online gamblers:
  - new controls to limit the use of auto-play
  - the option to set 'cooling off' or 'time out' periods so that they can remove themselves from gambling on a website for periods of one day, seven days or a month.
- customers playing B2 gaming machines (sometimes referred to as FOBTs) are now required to make an active choice whether to set time and monetary thresholds when playing on these machines, with alerts being triggered for the customer and the employees of the gambling operator when such thresholds are reached
- there is a new requirement for sector specific multi-operator self-exclusion arrangements to be in place by April 2016. This means that an individual will be able to request self-exclusion with one operator who will then facilitate exclusion from other similar operators within their local area (typically where they live and work) or nationally for those sectors where this is operationally effective (eg casinos)
- and a new requirement for those offering online gambling (with some exemptions such as society lotteries that only offer traditional draw based games) to participate in a multi-operator self-exclusion scheme once it is established. We continued to work closely with the Remote Gambling Association through the working group we established to develop an operationally workable online self-exclusion system. We published a briefing note on 8 May 2015 *(Briefing note on the national online self-exclusion scheme)* to provide details of the draft architecture developed, and the estimated costs, at that point. Later this year we will seek views on an outline of a system, its estimated implementation and running costs and how the scheme would be managed and funded on the assumption that a fully live system would be available during 2017.

Operating review continued

One of the key issues we continue to face is that the anonymity currently inherent in cash-based gambling presents difficulties in identifying and reducing harm; it hampers research into the causes of harm, and makes more advanced player protection measures virtually impossible to introduce effectively. For some customers engaged in the disposal of criminal assets, anonymity is highly attractive and even for the regular recreational gambler the erosion of anonymity raises questions about privacy and personal freedom. Such questions are for society and government, not the regulator, to determine. However this issue is central to the ongoing debate on player protection, social responsibility and keeping gambling free from crime and we are considering what our advice should be.

Protection of customer funds

We introduced new requirements on operators this year regarding:

- the protection of customer funds
- disclosure to customers on the level of protection their funds receive.

A ratings system is now in place which sets out three categories of protection – basic, medium and high. Operators must assess their customer funds arrangements against those categories and provide customers with that information and other highlighted key facts before they can begin gambling. Operators must also include the ratings level in their terms and conditions.

We have made available information for consumers on this topic in a series of online guides which cover what to look out for before gambling, gambling safely and what is the Gambling Commission's role in protecting player funds and have been considering what more we need to do to improve players understanding of the risks they may be running when choosing an operator or gambling product.

Advertising and marketing

We led one strand of the Government's advertising review, in conjunction with our social responsibility review. As a result we have amended LCCP to give greater prominence and focus to the advertising rules and associated legislation. We also introduced a new social responsibility code provision to ensure that free bets and bonus offers are marketed in a fair and open way, do not mislead, and are consistent with the licensing objectives. We are now working with the advertising regulators (Ofcom, the Committees of Advertising Practice, the Advertising Standards Authority and PhonepayPlus) and industry to implement the wider recommendations stemming from the different strands of the Government's review.

We have established a close working relationship with the Police Intellectual Property Crime Unit (PIPCU), the Federation Against Copyright Theft (FACT) and the British Phonographic Industry (BPI) to ensure that gambling operators do not advertise on copyright infringing websites. Marketing PML holders have reacted positively to our engagement and have taken swift action to remove adverts and tighten their arrangements with affiliates.

Building partnership and understanding

Working with licensing authorities (LAs)

We continue to invest in improving regulatory capability and industry partnerships at local authority level. For example, in addition to home based compliance managers in Scotland, we have a senior Commission staff member focused exclusively on working with LAs in Scotland to assist them in overcoming barriers to local gambling regulation and improving understanding of the powers available to them. In England, partnerships with Westminster Council, the Institute of Licensing, and with Leicester and Leicestershire's Enterprise Partnership deliver training and inspection templates, now available to all LAs.

Following major changes to LCCP, we consulted LAs on the next edition of our Guidance to Licensing Authorities (GLA) regarding those changes and the impact on shared regulation under the Act. To support this work we held a number of workshops in England, Scotland and Wales attended by some 350 local council representatives.

We met London Boroughs, Metropolitan and seaside local authorities to improve awareness of topical issues such as family entertainment centre licences and age-restricted gambling services, as well as building on our existing relationships through one-to-one meetings with around 20 licensing authorities. Our main focus was to encourage better partnership working with local businesses.

The problem of illegal poker clubs continues to keep us and our regulatory partners busy, and we used London Borough of Enfield's prosecution of a person for money laundering in relation to running an illegal poker den as a best practice training session for police and LAs. We also supported Westminster Council's gaming machine training events held around the country, which helps the whole industry by improving the capability to tackle illegal operators.

Sports betting integrity

Our work on sports betting integrity, while focused on Great Britain, is part of an international drive to tackle the issue of match fixing. We now coordinate and administer the International Association of Gambling Regulators' (IAGR) match fixing knowledge sharing portal which both contributes to the prevention and deterrence of match fixing and maximises opportunities for regulators to influence international betting integrity strategy development.

In Europe we have contributed towards the drafting of the Council of Europe Convention on match fixing and have been helping to shape the role of the Convention follow-up committee through membership and chairmanship of the network of regulators. We have also influenced the development of EU policy and partnerships through membership of EU working groups set up by Directorates General (DG) markets and DG community and sport.

In Britain the Sports Betting Integrity Forum was launched in November as part of Britain's action plan to address the risks of match-fixing and the threats to sports betting integrity. It brings together representatives from sports governing bodies, betting operators, sport and betting trade associations, law enforcement and gambling regulation. With the Commission taking a lead role, the Forum has responsibility for delivery of the sports betting integrity action plan which was referenced in the government's national anti-corruption plan published in December 2014. This is a collaborative approach focused on preventing, deterring and detecting corrupt sports and sports betting. We also worked with Forum members, including the Association of British Bookmakers and the Remote Gambling Association to develop a set of guiding principles for betting operators that support changes made to our LCCP.

Following the success of the betting integrity joint assessment unit (made up of the Commission, the International Olympic Committee (IOC) and the Metropolitan police) at the London Olympic Games in 2012, we have been working with the IOC to support their preparation for risk management capability for the 2016 Games and the development of their 2020 integrity strategy.

We continued to work with sports governing bodies to provide support both in investigations and development of their prevention and deterrence strategies. We have also organised practitioner events to share best practice and to promote collaboration between national and international stakeholders.

Some of our achievements during the year include:

- mitigating risk through sports betting integrity issues with major betting operators by preventing the use of insider or privileged information by senior employees in the industry for financial gain
- providing a response mechanism that links police, sport and the Commission that will help reach the best result for all in cases where criminality is suspected and gained engagement of lead CPS lawyers at national and regional levels

Operating review continued

- providing sports governing bodies with intelligence to support investigations into breaches of sports rules that help in the education and deterrence strategies to protect the integrity of sport and sports betting provide enhanced reporting facility (Crimestoppers) to which betting integrity related incidents can be reported
- establishing (with DCMS support) a web-based communications network for members of the Sports Betting Integrity Forum
- increasing and managing reports to Sports Betting Intelligence Unit (SBIU) from sports, law enforcement and operators working with law enforcement to secure convictions
- working with sports governing bodies to assist in securing positive disciplinary outcomes
- providing advice, guidance and support to UK sports, including major tournaments, for which we have received very positive feedback
- contributing to overseas regulators development of approach to addressing sports betting intelligence; UK betting integrity model is cited as the exemplar for establishing national platforms in other jurisdictions

Advice and assurance

We have been particularly busy providing advice and support in these key areas:

- the legislation that came into force on 1 November 2014 requiring overseas operators providing gambling to consumers in Britain to come under Commission regulation
- the prevalence of gambling advertising and its potential impact on vulnerable people and children
- a major review of the lottery market for DCMS, which was published by them as part of the Department's call for evidence into issues relating to that market
- submission of evidence and appearance before the Culture, Media and Sport Select Committee, for its inquiry into the society lottery sector and the development of advice to the Department in support of its wider review of the current provisions governing the lottery market
- the application of planning use classes to gambling premises, covered in the Smith Commission proposals for Scotland, to DCMS and the Department for Communities and Local Government
- contributed to the Betting Commission undertaken by the Local Government Association
- ongoing work around Primary Authority schemes and the Better Regulation agenda with Department for Business, Innovation and Skills (BIS) and the Better Regulation Delivery Office (BRDO). The Commission's work in support of the Primary Authority scheme and in ensuring a consistency of approach across the entire gambling industry has been recognised by BRDO as an example of good practice
- player protection measures, particularly regarding B2 gaming machines where we submitted formal advice to the Secretary of State on the Responsible Gambling Trust's programme of research
- developing our assessment of money laundering risks in the gambling sector to contribute to the implementation of the EU Fourth Anti-Money Laundering Directive.

Building the evidence base

As the statutory advisor on the effects of gambling and its regulation, building our evidence base has been a continued priority. During the year we have:

- improved analysis of regulatory data provided by all licensed operators resulting in improvements to our Industry statistics (published bi-annually) and providing support to our role as an advisor to Government
- published the combined Health Survey England and Scottish Health Survey results for 2012 and the Scottish Health Survey results for 2013. We have also secured space in these two surveys for 2015
- procured space in a large-scale (4,000 adults aged 16+) face-to-face omnibus survey in Wales to capture rates of problem gambling according to both the DSM-IV and PGSI[22] problem gambling screens. This will provide both a robust estimate for problem

22 DSM-IV = a classification found in the Diagnostic and Statistical Manual of Mental Disorders v IV. It focuses on the psychological motivations underpinning problem gambling and was developed by the American Psychiatric Association. PGSI = Problem Gambling Severity Index. It focuses on the harms and consequences associated with problem gambling

gambling rates in Wales and allow for the production of a combined rate for Great Britain once data from the Health Survey England and Scottish Health Survey 2015 is available

- introduced a new stand-alone survey for measuring gambling participation and carried out secondary analysis of long-term trends in participation
- published research figures for 11-15 year olds who say they played National Lottery games and other gambling products, showing that the claimed rate of gambling has remained relatively static over time.

In addition, since 2012 we have been tracking rates of problem gambling data through the short-form problem gambling severity index (PGSI) a three-question survey instrument which assesses whether individuals have experienced problems with their gambling. The questions have been included as part of our quarterly participation survey. We are now confident that the screen is accurately identifying problem gamblers and therefore plan to begin publication of mini-screen data from January 2016.

Responsible Gambling Strategy Board (RGSB)

RGSB, the advisory body to the Commission led by Sir Christopher Kelly, is focused on informing policy around effective gambling-related harm prevention, stimulating debate and forging partnerships. It has enhanced its working arrangements with the Responsible Gambling Trust (RGT)[23] including a working relationship protocol published last summer. The Strategy Board members, and thereby the Commission, have increased their knowledge and understanding of a range of topics relevant to gambling regulation including harm minimisation measures, advertising and self-exclusion.

RGSB produced and published a machines research framework, which was jointly agreed with the Commission. This framework was designed to ensure that the machines research programme commissioned by the Trust addressed the relevant knowledge gaps and met the Commission's needs. RGSB and the Commission kept in close contact with the RGT throughout the programme. Following the publication of seven research reports in December 2014, RGSB advised the Commission on machines regulation, helping to inform the Commission's formal advice to the Secretary of State. During the year, they also advised the Commission on self-exclusion, social gaming and the broader LCCP consultation.

In July RGSB published a position paper on gambling and young people which identified the importance of a wide range of people being equipped to have conversations with young people about the risks of gambling. RGSB is discussing with the RGT how we can use papers of this kind as the basis of conferences, seminars or workshops.

They also explored issues around gambling-related debt and affected others, pointing to a potentially important role for financial institutions in preventing excessive borrowing for gambling and the need to explore ways of focusing on, managing and ultimately refusing gambling transactions for those who are experiencing problems with their gambling.

Social gaming

We have been working with the social gaming industry for some time now to consider the risks that arise from those social games that look and feel like traditional gambling games, but have no prize of money or money's worth.

Based on the detailed data provided by the social gaming industry on individual games, we confirmed that the 'watching brief' stance we have adopted to date remains appropriate. While this data suggests that, in general, the vast majority of people who play social games spend very modest amounts of time and money, there is clearly a very small group who spend significant amounts. However, this group appears insufficiently large to justify any form of additional regulatory intervention, especially given existing consumer protection legislation. But we are much less clear on whether playing social games and the use of social media might lead to or cause more harmful behaviours in the longer term, especially to young people. We will continue to work with RGSB on this issue.

23 The Responsible Gambling Trust is an independent national charity funded by donations from the gambling industry. It funds education, prevention and treatment services and commissions research to broaden public understanding of gambling-related harm.

Operating review continued

Impact of other regulation

We gave a cautious welcome[24] to the proposed growth duty on regulators in the Deregulation Act 2015 which came into force in March 2015. We focused on unintended consequences for the Commission as an independent, impartial and objective regulator. We are not an economic regulator and we permit gambling, we do not promote it, ie we permit the industry to promote itself, to the extent compatible with consumer protection. Growth therefore depends on the gambling industry growing public confidence and public trust.

We continued to work closely with the National Crime Agency (Financial Intelligence Unit), HM Treasury and the Home Office as the implications of the EU Fourth Anti-Money Laundering Directive are assessed and in time transposed into national law. In parallel with HM Treasury, we are developing our money laundering risk assessment to identify the nature and extent of money laundering within the gambling industry and the effectiveness of the controls that mitigate against it.

We also continued to work towards implementation of the Alternative Dispute Resolution (ADR) Directive. The Government has named the Commission as the competent authority for the approval and supervision of alternative dispute resolution organisations that handle disputes relating to gambling. The Directive will be implemented in July 2015 and by this date ADR organisations wishing to offer dispute resolution to the gambling sector must have approval from the Commission to do so. Gambling operators must offer dispute resolution to their customers (as is currently the case) and from July, they may only use approved ADR organisations for this purpose.

Ensuring National Lottery returns to good causes are maximised

Under the National Lottery etc. Act 1993, we respond to new game licence proposals and variations and ensure that the National Lottery (NL) operator complies with its licence in particular the requirements for probity and protection of participants' interests.

We assessed and challenged Camelot's commercial performance in generating returns to good causes. This challenge included regular Chair to Chair, and NL Committee Chair to Chief Executive meetings with Camelot, as well as presentations by Camelot to the NL Committee and regular executive contact. We took into account recent historical trends but also reviewed future projections to be satisfied that reasonable plans were in place to sustain returns to good causes in the medium and longer term.

During the year the NL Committee considered and approved 11 licence proposals submitted by Camelot and monitored delivery where relevant. The Executive also granted ten licence variations and 34 waivers plus vetting 246 employee applications for Camelot. The overall returns to good causes were £1,804m, (£1,692m in 2013/14) an increase of £112m.

We imposed a financial penalty on Camelot of £100,000 for a licence breach. This followed the initial miscalculation and subsequent communication and publication of an incorrect National Lottery Lotto jackpot prize amount in October 2013.

24 Draft Deregulation Bill oral evidence

Our people

During the year there were several key appointments within the senior manager structure with the recruitment of three new programme directors, the selection[25] of a new Chief Executive and three new Commissioners. During the period January to March a recruitment drive reflecting growing requirements of the industry and the work of the Commission has helped in developing organisational effectiveness and building future capability.

Also this year we undertook a review of people policies to ensure ongoing compliance with employment legislation as well as best practice aligned to our values and ways of working.

We regard the development of our employees as a key component of our approach. In particular this year we have seen changes to remote gambling regulation, development of our approach to high impact operators and growing engagement with LAs on matters of shared regulation. In support we have delivered several specific training programmes on, for example, anti-money laundering, online gambling and stakeholder engagement. We have also developed our e-learning packages to enable colleagues to undertake training, whether statutory or voluntary, in a cost-effective timely manner. Further e-learning packages will be developed this year.

An equal pay audit was completed at the end of March 2015 and findings are due later this year – any changes needed will be implemented during the coming year. In the meantime, we continue to benchmark salaries against the market although remain constrained by Treasury guidelines to maintain pay awards at an average of up to 1%.

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

At 31 March 2015 there were 262 colleagues working at the Commission with 36 being home-based. A full breakdown is included at Appendix 4. Following our recruitment programme at the beginning of 2015, a number of new colleagues will be joining the Commission over the next six months.

Sickness rates

During the year, the average proportion of working days lost to sickness was 3.7% (3% 2013/14). This compares favourably with the public sector average of 8.2% (8.7% 2013/14) as reported in the Chartered Institute of Personnel Development (CIPD) annual survey report 2014.

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 values and behaviours statement setting out our expectations. This year we updated policies on disability and diversity reflecting developing best practice, with further training and briefings to be undertaken during 2015/16.

25 The appointment process was suspended during the election period and was only completed in June

Finances

The fee levels introduced in 2012 reflected a 16% real cut over the period 2009 to 2015 and we have continued to bear down on the costs we would otherwise have to recover from the industry. We have been looking at our costs and our approach to cost recovery via fees to see how it could be made more equitable and less administratively cumbersome. We will be consulting on our initial thinking shortly with a view to producing detailed fees proposals for consultation early next year.

Value for money and drive for efficiency

We commissioned a Chartered Institute of Public Finance and Accountancy (CIPFA) review benchmarking our finance services against comparable organisations This identified many activities where we were above average, whilst some areas needed development, including more direct finance engagement in strategic decision making and improving business partnering. We negotiated a lease extension which represents a considerable saving on the overall costs of moving to alternative accommodation even assuming a significantly lower rent elsewhere.

We have also developed a range of e-services which both reduce our operating costs and those of licensees. Operators can now apply to vary their licences, make their regulatory returns and report key events via Commission portals. We have helped to develop, and introduced, the multijurisdictional application form for operators which, in a world moving towards point of consumption regulation should substantially reduce operator and regulator costs in licence applications and keeping them up-to-date.[26]

Performance standards

How we performed in meeting our key performance indicators (KPIs) for licensing:

Target	Achieved	Actual number
80% of Operating Licence (OL) applications determined within 6 weeks (12 weeks if referred to Panel)	68% determined within target (76% in 2013/2014)	334 determined in total (195 in 2013/14)
85% of Personal Licence (PL) applications determined within 4 weeks (12 weeks if referred to Panel)	81% determined within target (69% on 2013/2014)	2,265 determined (1,705 in 2013/14)
97% of enquiries to be answered within 3 working days	83% within target (97% in 2013/2014)	51,567 enquiries received (25,279 in 2013/14)

26 The next phase of development should enable licensees to update their licence information across multiple jurisdictions with minimal duplication or running costs for operator or regulator

Achievement against KPIs was lower than our target, but this was expected in view of the increase in the volume of applications from overseas applicants received as a result of the Gambling (Licensing and Advertising) Act 2014 and changes to LCCP which required operators to use only Commission licensees to supply, maintain, install or adapt gambling software. An additional 152 software licences applications had to be processed to ensure there was no disruption to supply after 31 March 2015 – both OL and PL licences increased (71% and 25% respectively) and we also had to handle 176 transitional applications to ensure those overseas operators offering facilities into Britain prior to 1 November 2014 could continue to do so. There has also been a marked increase in the complexity and novelty of applications received which have required additional work in processing them. Despite this many operators and their advisers indicated their appreciation of the knowledgeable and pragmatic way their applications were handled.

The KPIs for handling of enquiries was also below target with many enquiries about the remote legislation needing specialist input. The number of enquiries received more than doubled to 51,567, compared with 25,279 in the previous year.

In accordance with the Freedom of Information Act 2000 statutory requirements the Commission aims to deal with all requests within 20 working days upon receipt. In 2014/15 the Commission received 121 requests of which 94% were responded to and completed with the required time frame.

We implemented a number of improvements to our website including a new content management system and search facility, faster internet connections and more resilient hardware. Although we are still working on the content management and search aspects the combination of these saw website availability improve from 99.0% to 99.8%, with a continuing upward trend and improved user satisfaction ratings. This was encouraging given an increase in website visits to 970,000 in 2014/15 from 530,000 in 2013/14. Our transactional e-services portal also received a significant overhaul with additional functionality for operators to manage their online submissions to the Commission.

We also had 14 complaints against the Commission. Three were not upheld, three were partially upheld and seven upheld with one ongoing. Those upheld or partially upheld referred to the service received from the Commission, such as complaints to our contact centre not getting a response, the time it took for us to respond to complaints, and responses not addressing the points raised in complaints.

We have been developing outcome measures which we will incorporate into our targets to ensure we keep improving our performance and delivering cost-effective regulation, particularly in light of the increase in workload as a result of the Gambling (Licensing and Advertising) Act 2014 and changes to LCCP.

Sustainability reporting

We remain committed to reducing our impact on the environment. This year, for the first time, we are providing a full sustainability report, which will be used as the base line against which future years will be compared. The report can be found at Appendix 5.

Finances continued

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 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

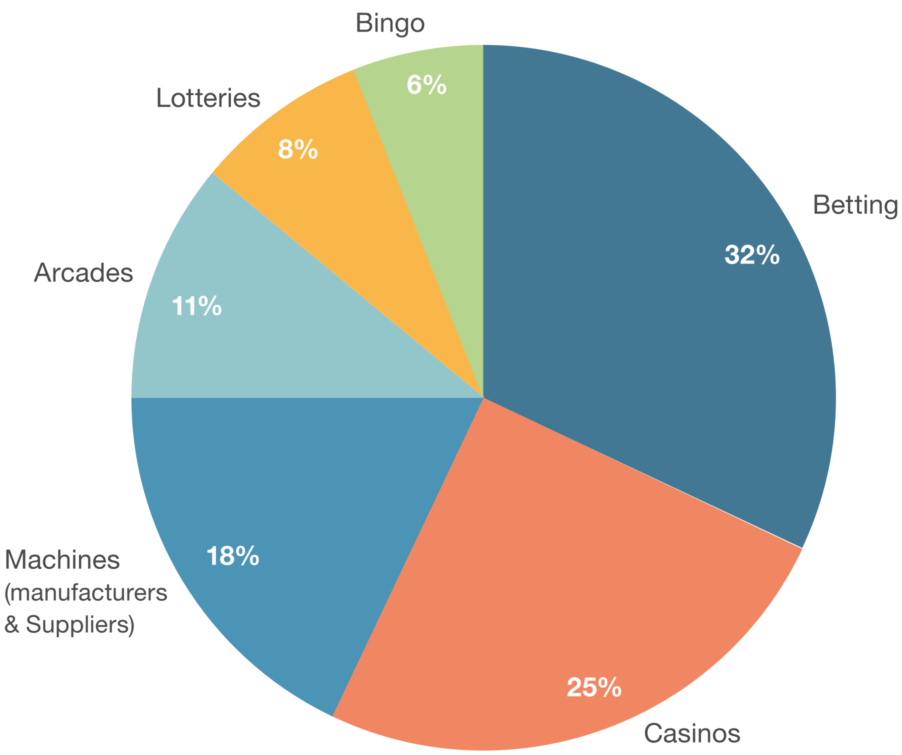
Our total income from fees and other sources was £17.07 million for the year (2013/14: £13.27m). This does not include the grant-in-aid funding in respect of National Lottery functions which is transferred directly to reserves.

Operator application fee income for the year amounted to £2.78 million (2013/14: £0.35m), an increase driven principally by the licence applications from 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 £0.92 million (2013/14: £0.77m) for personal licences and £13.19 million (2013/14: £11.76m) for operator annual licence fees (see page 62). Licence fees and other charges can be found on our website at www.gamblingcommission.gov.uk.

The Commission also received £0.18 million in miscellaneous income (2013/14: £0.10m). This was mainly attributable to the recovery of legal fees arising from the judicial review alongside contributions to compliance and enforcement costs received from a number of operators.

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

Chart B: Total annual fee income by sector



Expenditure

During the year, total expenditure on operational costs including depreciation was £18.30 million (2013/14: £16.60m*), an increase of £1.70 million on the prior financial year (10%). This was due to the considerable increase in work to prepare for the introduction of the Gambling (Licensing and Advertising) Act 2014 and subsequent activities under our expanded remit. This increase was partially offset by a reduction in the annual depreciation charge. National Lottery functions accounted for £2.49 million (2013/14: £2.2 million*).

Employee costs for the year were £12.28 million (2013/14: £10.53 million**), an increase of £1.75 million. This is mainly due to additional staff needed following the introduction of the Gambling (Licensing and Advertising) Act, and one-off redundancy costs resulting from the merger with the National Lottery Commission (NLC).

For comparative purposes, the table below shows year-on-year operational expenditure comparison for gambling and National Lottery regulation.

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

	2011-12	2012-13	2013-14	**2014-15**
National Lottery regulation	5.0***	2.8***	2.2**	**2.5*******
Gambling Commission	13.3	13.8	14.4	**15.8**
Combined costs of the organisations	**18.3**	**16.6**	**16.6**	**18.3**

* of which £1.1m was expenditure incurred by the NLC prior to the merger.

** of which £0.55m was incurred by the NLC prior to the merger.

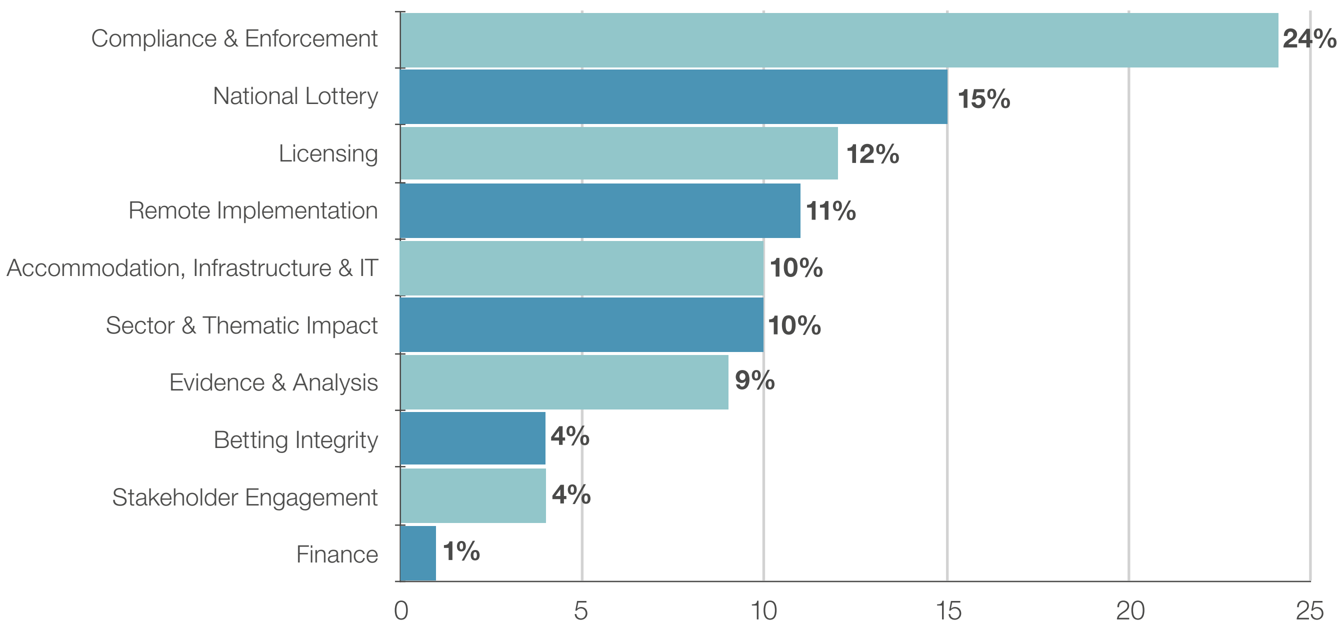
*** expenditure incurred by the NLC prior to the merger.

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

Finances continued

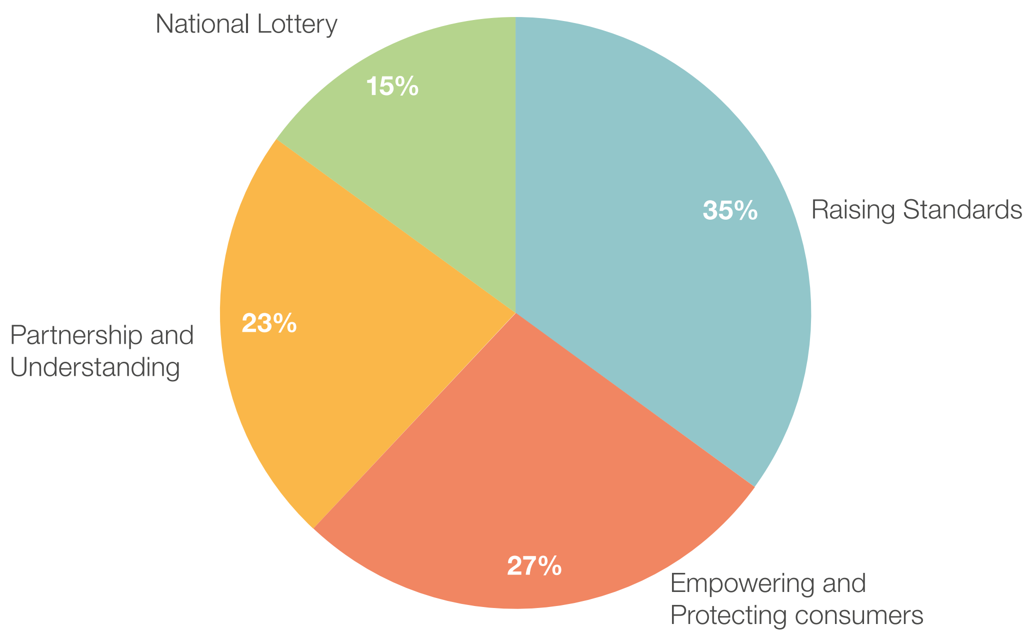
To deliver our business plan, the Commission works in cross-functional workstreams grouped thematically. Workstream costs are summarised below.

Chart D: 2014-15 Workstream costs by theme



Our business plan is split into four broad strategic objectives.
Costs for 2014/15 are summarised below by strategic objective.

Chart E: 2014-15 costs by strategic objective



Net expenditure for the year

In 2014/15 the regulation of gambling under the 2005 Gambling Act, as amended by the Gambling (Licensing and Advertising) Act 2014 produced a surplus of income over expenditure of £1.26 million. This surplus was mainly due to larger than forecast income arising from the extension of Commission regulation to overseas operators. Preparation costs incurred in the implementation of the 2014 Act contributed significantly to the deficit of £1.07 million in 2013/14. The grant-in-aid funding in respect of National Lottery regulation goes direct to reserves and is not included as income. As a result once the costs of regulating the National Lottery (£2.49m) are taken into account, the total Gambling Commission costs of regulating all its licensees produced a deficit of expenditure over income of £1.24m.

Statement of financial position

At 31 March 2015 the book value of non-current assets was £1.34 million (2013/14: £1.81 million). Assets less liabilities at 31 March 2015 amounted to £2.06 million (2013/14: £0.69 million).

The year-end closing cash balance at 31 March 2015 was £11.72 million (2013/14: £7.00m). The cash balance reaches its peak between August and October each year, after the largest tranche of annual fees fall due which are paid in advance by operators. 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 2015, 96% (target 95%) of invoices totalling £5.4 million were paid within 30 days of receipt.

Jenny Williams
Chief Executive
and Accounting Officer
Gambling Commission
1 July 2015

Financial statements and accounts

Remuneration report

This report covers the 12 months ending 31 March 2015 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 for a five-year term commencing 1 April 2011. His contract provides for the Chairman to work between two to three days per week on average.

Commissioners work on average one day per week. Commissioners' contracts may be terminated by written notice where the Secretary of State has reason to believe that the Commissioner has been absent from Commission meetings, without explanation, for a period of longer than three months; has become bankrupt or made an arrangement with a creditor; has been convicted of a criminal offence; has breached the Code of Conduct for Board members; or has become incapacitated by physical or mental illness. The Commissioners' appointments are not pensionable under the Civil Service pension scheme and no contributions have been paid by the Commission to any other scheme.

Full details of our Commissioners can be found in Appendix 1 on page 78.

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 2 on page 80, 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 (salary and payments in kind)

	2014-15				2013-14			
	Salary £'000	**Bonus payments £'000**	**Benefits in kind (to nearest £100)**	**Pension Benefits £'000**	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)	Pension Benefits £'000
Sarah Gardner *Director – Planning and performance*	**85-90**	**0-5**	**–**	**15-20**	85-90	0-5	–	40-45
Sue Harley** *Director* (from 4 April 2014)	**95-100**	**–**	**30,500**	**35-40**	–	–	–	–
Mark Harris*** *Director*	**115-120**	**15-20**	**29,400**	**20-25**	55-60 (115-120 fye*)	-	14,900	0-5
Matthew Hill *Director – Regulatory risk and analysis*	**95-100**	**0-5**	**–**	**25-30**	90-95	0-5	9,400	10-15
Julia Mackisack *Board Adviser*	**65-70**	**0-5**	**–**	**20-25**	65-70	0-5	–	10-15
Neil McArthur *General Counsel*	**105-110**	**0-5**	**–**	**20-25**	105-110	0-5	–	95-100
Jeanette Pugh**** *Director* (to 30 October 2014)	**75-80 (130-135 fye*)**	**–**	**–**	**35-40**	50-55 (125-130 fye*)	–	–	5-10
Nick Tofiluk *Director – Regulatory operations*	**100-105**	**–**	**–**	**35-40**	100-105	0-5	–	35-40
Jenny Williams *Chief Executive******	**145-150**	**20-25**	**14,100**	**–**	145-150	20-25	18,000	–
Band of highest paid directors total remuneration (£'000)*****	**180-185**				185-190			
Median total remuneration (£s)******	**30,543**				32,031			
Ratio******	**5.98:1**				5.85:1			

* fye – full year equivalent.

** Sue Harley was appointed on a fixed term contract for her specialist industry knowledge and to cover maternity leave. As part of her package the Commission agreed to reimburse reasonable travel and accommodation expenses.

*** 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 of 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.

***** The Chief Executive'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.

****** The total remuneration figure for the highest paid director (Chief Executive) is not comparable with those of other staff as she receives no employer pension contribution. On a comparable basis her total remuneration would be within the band 155-160, returning a ratio of 5.16:1 against the median total remuneration.

Remuneration report continued

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

	2014-15			2013-14		
	Salary £'000	**Bonus payments £'000**	**Benefits in kind (to nearest £100)**	Salary £'000	Bonus payments £'000	Benefits in kind (to nearest £100)
Mary Chapman *Commissioner*	**10-15**	**–**	**700**	10-15	–	1,000
Robin Dahlberg *Commissioner*	**10-15**	**–**	**1,300**	10-15	–	1,300
Robert Foster *Commissioner*	**10-15**	**–**	**1,100**	10-15	–	500
Philip Graf *Chairman*	**65-70**	**–**	**2,900**	65-70	–	3,000
Rachel Lampard *Commissioner*	**10-15**	**–**	**2,900**	10-15	–	3,900
Anthony Lilley *Commissioner*	**10-15**	**–**	**3,400**	10-15	–	2,400
Walter Merricks *Commissioner*	**10-15**	**–**	**1,100**	10-15	–	1,100
Graham Sharp *Commissioner*	**10-15**	**–**	**7,900**	10-15	–	7,400
Peter Teague *Commissioner*	**10-15**	**–**	**1,000**	10-15	–	600

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 and Mark Harris 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 2014-15

	Accrued pension at age 60 as at 31/03/15 and related lump sum £'000	**Real increase in pension and related lump sum at pension age £'000**	*** CETV at 31/03/15 £'000**	* CETV at 31/03/14 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account (to nearest £100)
Sarah Gardner *Director – Planning and Performance*	17.5-20.0 lump sum 55.0-57.5	0-2.5 lump sum 2.5-5.0	228	206	7	–
Sue Harley *Director* (from 7 April 2014)	0-2.5 lump sum n/a	0-2.5 lump sum n/a	30	–	22	–
Mark Harris *Director*	45.0-47.5 lump sum 137.5-140.0	0-2.5 lump sum 2.5-5.0	873	812	19	–
Matthew Hill *Director – Regulatory Risk and Analysis*	32.5-35.0 lump sum 35.0-37.5	0-2.5 lump sum 0-2.5	449	410	17	–
Neil McArthur *General Counsel*	27.5-30.0 lump sum 87.5-90.0	0-2.5 lump sum 2.5-5.0	467	429	13	–
Julia Mackisack *Board Adviser*	10.0-12.5 lump sum n/a	0-2.5 lump sum n/a	209	185	20	–
Jeanette Pugh *Director* (to 31 October 2014)	40.0-42.5 lump sum 50.0-52.5	0-2.5 lump sum 0-2.5	756	696	29	–
Nick Tofiluk *Director of Regulatory operations*	17.5-20.0 lump sum n/a	0-2.5 lump sum n/a	296	248	27	–

* Cash Equivalent Transfer Value

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

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), Rachel Lampard, Philip Graf and Walter Merricks (see Appendix 1 for details).

Jenny Williams
Chief Executive
and Accounting Officer
Gambling Commission
1 July 2015

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 his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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, transfer the majority of **classic**, **premium**, **classic plus** and **nuvos** members to the new scheme. Further details of this new scheme are available at www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

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 a going concern basis.

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

Jenny Williams
Chief Executive
and Accounting Officer
Gambling Commission
1 July 2015

Governance statement for the year ended 31 March 2015

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

The Board has complied with the *Code of Good Practice for Corporate Governance in Central Government*. This year the Board's annual effectiveness review was conducted 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 during the coming year with major changes in Board membership including a change in CEO; it would continue during the induction process for new commissioners and the CEO to maintain and develop relations with the executive 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 Executive Group, led by the Chief Executive, Jenny Williams.

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

The Chief Executive, as Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives. The Accounting Officer also ensures that the Commission complies with the principles of the *UK Corporate Governance Code* (where they are relevant to the Commission), and that it operates within the terms of the *Management Statement and Financial Memorandum* agreed with DCMS. We finalised a revised *Management Agreement* with DCMS to reflect the organisation post-merger (with the National Lottery Commission).

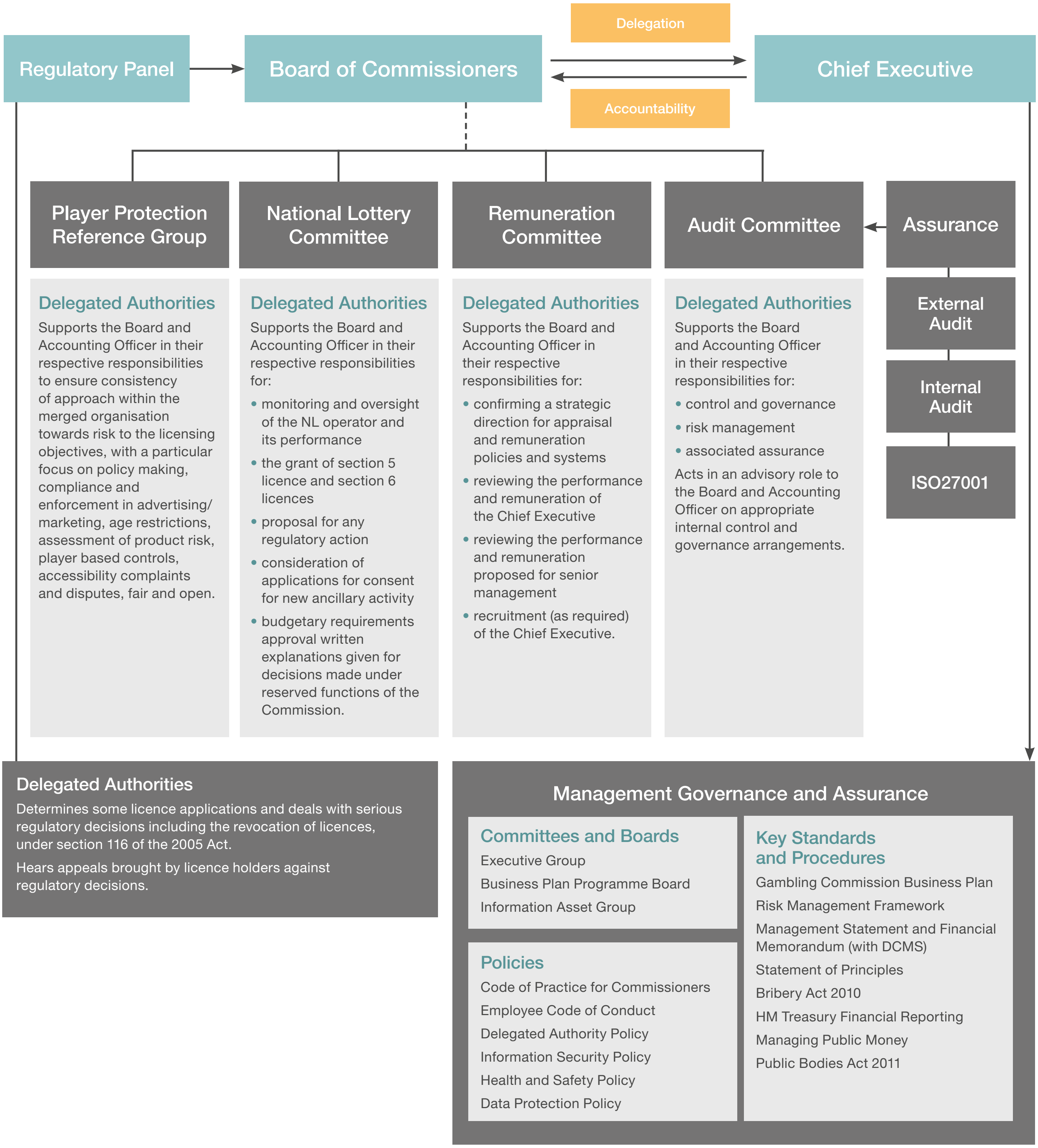
The Commission provides assurance on its performance by sharing its quarterly report on outcomes within priority workstreams, set by the Board for the next three to five years. Once the development work on an improved outcome performance measurement framework to facilitate the monitoring and evaluation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

Delivery of the Commission's strategic objectives is supported by the Executive Group and the Business Plan Programme Board.

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

Governance statement for the year ended 31 March 2015 continued

The Commission's governance structure



Board performance

The Board met eleven times during the year, one meeting being specifically for a discussion on policy, 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, and the Player Protection Reference Group.

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 2014/15, the Board allocated its time at scheduled Board meetings as follows:

- Financial and strategic planning – 20%
- Corporate governance arrangements – 1%
- Monitoring of business performance – 33%
- Compliance and enforcement – 1%
- Policy, prevalence and research – 20%
- External stakeholder engagement – 3%
- National Lottery Committee updates – 22%

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

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

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

Board performance continued

During 2014/15, the Audit Committee allocated its time at scheduled meetings as follows:

- internal audit programme – 27%
- external audit – 10%
- risk management review – 7%
- review and recommend approval of the annual report – 23%
- review of governance arrangements – 20%
- consideration of Committee activities – 13%

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 any of the Chief Executive and members of the senior management team and the payments made, ensuring they are fair to the individual and to the Commission; that they comply with wider public sector practice and approval processes; and that any payments defined as 'novel or contentious' are referred to DCMS
- any matters concerning remuneration referred to in the Management Statement and Financial Memorandum agreed between the Commission and the sponsor department, DCMS
- any other matters at the request of the Board.

During the year, the Committee:

- reviewed the Commission's pay and performance system, and employee pay awards
- reviewed and agreed the pay proposals for senior employees and
- reviewed and agreed the Chief Executive's annual remuneration report within the annual report and accounts
- supported the recruitment of a new Chief Executive.

During 2014/15, the Remuneration Committee allocated its time at scheduled meetings as follows:

- approval of performance management arrangements – 6%
- agreement of staff pay arrangements – 22%
- agreement of senior staff pay arrangements – 22%
- HR policy reviews – 31%
- Other – 19%

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:

Advice

- 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)
- 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
- to approve written explanations given to those affected for decisions made under reserved functions of the Commission.

Decisions

- the grant of section 6 licences that does raise new issues of principle or contentious issues
- variations to the section 5 and 6 licences that does raise new issues of principle or contentious issues
- 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 expenditure in excess of budget and/or any increase in the overall budget for the year
- to make recommendations about the annual budget for National Lottery regulation
- monitoring and oversight role of the National Lottery operator and its performance.

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

Since April 2014, the Committee has received a range of proposals from Camelot and approved, or recommended to the Board as appropriate, a number of these, including:

- trials for product improvements
- an investment proposal for digital affiliates
- a change to the prize payout rate for the UK only Millionaire Raffle part of EuroMillions
- a brand refresh
- an extension to the £3 and £5 interactive instant win game trial
- removal of the Lotto raffle rollover feature
- allowable Marketing Cost Head expenditure
- a change to the UK part of EuroMillions to enable Mega-Fridays.

It also received three presentations from Camelot – one on its annual performance, one on its five year strategy and one on a game proposal.

During 2014/15, the Committee allocated its time at scheduled meetings as follows:

- induction programme to widen knowledge of National Lottery matters – 8%
- review of Camelot's performance and matters raising – 30%
- review of Camelot strategy – 12%
- review of proposals from Camelot – 50%

Board performance continued

Player Protection Reference Group

In the lead up to the merger with the National Lottery Commission, a player protection reference group was established to ensure consistency of approach within the merged organisation towards risk to the licensing objectives, with a particular focus on policymaking, compliance and enforcement in the areas outlined below:

- advertising/marketing (eg gambling imagery on scratchcards)
- age restrictions
- assessment of product risk (eg interactive scratch cards v casino games)
- player based controls (eg spending limits on online lottery play; customer interaction policies)
- accessibility (eg what is available in newsagents v licensed premises)
- complaints and disputes
- fair and open (eg availability of top prizes).

The reference group was made up of three Commissioners supported by Commission colleagues. It met twice during 2014/15 and completed its work.

Overall the group did not identify any significant differences in the approach under the different Acts and satisfied itself that there was an acceptable and explicable rationale for any apparent differences. As a result of its work we are now in a better position to deal consistently with such issues in future.

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 Gambling 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 Chairman has a casting vote.

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

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

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

The Regulatory Panel sat on five occasions during 2014/15.

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 passage of the Gambling (Licensing and Advertising) Act 2014.

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.

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	Player Protection Reference Group
Mary Chapman	10		Chair 4		2
Robin Dahlberg	10	3		12	
Robert Foster	9			10	
Philip Graf	Chair 11		4		
Rachel Lampard	11	4	4		Chair 2
Anthony Lilley	8			10	
Walter Merricks	10		4		2
Graham Sharp	10	3		Chair 11	
Peter Teague	10	Chair 4			
Jenny Williams	11	4	4	10	2
Number of meetings per year	**11**	**4**	**4**	**12**	**2**

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.

BPPB agrees risks to be escalated onto the corporate risk register and submitted to the Executive Group 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 BPPB.

Board performance continued

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

The Board and Audit Committee – oversee the arrangements in place for the risk management function which operates within the Commission (see appendix 3, page 82 for further details). This includes an Omand[27] 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.

Directors and Programme directors – own and manage risk. The Executive Group 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; reputation, policy delivery, finances, legal standing and capacity/effectiveness, each of which will have varying acceptable residual levels of risk.

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

The Commission's governance framework – the Commission updated its comprehensive corporate governance framework on completion of the merger with the National Lottery Commission. It sets out how the Board manages its affairs and which matters are delegated to the Chief Executive. This is reviewed at least annually.

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

In their annual report, 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:

- data quality and the code of practice for official statistics
- core financials and procurement
- individual and operator licensing
- business continuity planning.

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.

Risk assessment and how risk is managed

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.

27 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)

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 were 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 2014/15. However given the high profile of the gambling industry and the Commission within the public domain, it is important that the Commission remains proactive in identifying instances where there is potential for fraud and corruption. The quality assurance mechanisms which have been developed for the compliance and enforcement processes depend in their turn on accurate, timely and complete information, to help safeguard the Commission's professional integrity and improve operational efficiency. Data quality has been reviewed by Internal Audit during the year with no high priority areas identified that require attention.

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 (everyday activity), project and thematic (for example, underage 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 are periodically reviewed by Internal Audit as part of the audit plan, and adherence to policies and procedures is reported to management and the Audit Committee as part of internal audit review.

Operational and financial reporting

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

Board performance continued

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 compliance to ensure that regulatory activity continues to be of high quality, whilst management review outputs within a range of frontline and support areas to ensure accuracy and relevance. These controls are subject to internal and external audit review as part of the internal audit plan and external audit fieldwork.

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 Commission's governance, risk management and internal control arrangements were generally adequate and effective
- certain weaknesses and exceptions were highlighted, none of which were fundamental in nature. These matters have been discussed with management and all of these have been, or are in the process of being addressed.

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

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	
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 learnt 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 risk that the Commission's risk-based regulatory approach does not effectively protect the licensing objectives and fails to uncover a significant breach to the regulatory framework.	• 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 is considered • We continually review our skills capabilities and procedures gaps within and between licensing, compliance and case management. • We ensure that lessons learnt are fed back in to our risk assessment and case management arrangements.

Board performance continued

Risk	Mitigation
Supporting delivery of the Commission's goals	
Resource allocation The risk that the allocation of resources is not aligned to business plan priorities reducing effectiveness of regulatory activities and value for money.	The 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 risk that 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.	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. A fees review has been commenced with a view to any significant changes in 2017.
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).

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.

Twelve breaches of the Commission's Information Security Management System (ISMS) were reported to senior management during the year. There have been three breaches in the new financial year, up until the end of May. These were all minor in nature. 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 the Business Plan Programme Board'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

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

We received 121 requests for information under the Freedom of Information Act during the year. In four cases we were asked to conduct an internal appeal and this was led by someone other than the original decision maker. One of these cases went to the Information Commissioner's Office for the decision to be reviewed, which resulted in the information being disclosed. We also received two subject access requests under 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.

Jenny Williams
Chief Executive
and Accounting Officer
Gambling Commission
1 July 2015

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 2015 under the Gambling Act 2005. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Gambling Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Gambling Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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 2015 and of the 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 part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Gambling Act 2005; and
- the information given in Strategic 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 part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
6 July 2015
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of comprehensive net expenditure

for the 12 months ended 31 March 2015

	Notes	**31 March 2015 £'000s**	31 March 2014 £'000s
Expenditure			
Employee costs	4	**(12,284)**	(9,980)
Depreciation and amortisation	6 & 7	**(803)**	(962)
Other expenditure	5	**(5,217)**	(4,553)
Net loss incurred upon merger	21	**–**	(373)
		(18,304)	(15,868)
Income			
Licence fee income	2b	**16,883**	12,883
Other income	3	**183**	382
		17,066	13,265
Net expenditure		**(1,238)**	(2,603)
Interest receivable	2b	**14**	10
Tax incurred on interest received		**(3)**	(2)
Interest cost on pensions liability	4	**(15)**	–
Net expenditure after interest and finance costs		**(1,242)**	(2,595)

Other comprehensive expenditure	Notes	**31 March 2015 £'000s**	31 March 2014 £'000s
Net loss on pension liability		**(33)**	–
Total comprehensive expenditure for the year ended 31 March 2015		**(1,275)**	(2,595)

The notes on pages 58 to 77 form part of these accounts

Statement of financial position

as at 31 March 2015

	Notes	**31 March 2015 £'000s**	31 March 2014 £'000s
Non-current assets			
Property, plant and equipment	6	**501**	620
Intangible assets	7	**842**	1,190
Total non-current assets		**1,343**	1,810
Current assets			
Trade and other receivables	8	**1,073**	850
Cash and cash equivalents	14	**11,718**	7,004
Total current assets		**12,791**	7,854
Total assets		**14,134**	9,664
Current liabilities			
Trade and other payables	9	**(10,926)**	(8,048)
Total current liabilities		**(10,926)**	(8,048)
Non-current assets less net current liabilities		**3,208**	1,616
Non-current liabilities			
Other payables	10	**(891)**	(694)
Pension liability	11	**(265)**	(233)
Assets less liabilities		**2,052**	689
Taxpayers' equity			
Income and expenditure reserve		**2,052**	689
Total		**2,052**	689

The notes on pages 58 to 77 form part of these accounts

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

Jenny Williams

Jenny Williams

Chief Executive and Accounting Officer

Gambling Commission

1 July 2015

Statement of cash flows

for the 12 months ended 31 March 2015

	Notes	31 March 2015 £'000s	31 March 2014 £'000s
Cash flows from operating activities			
Net expenditure for the year		**(1,238)**	(2,603)
Adjustments for non-cash transactions			
Depreciation and amortisation charge	6 & 7	**803**	962
(Increase) in trade and other receivables	8	**(223)**	(101)
Increase in trade and other payables	9 & 10	**3,072**	1,026
Increase in provisions		**32**	223
Net cash inflow from operating activities		**2,446**	(493)
Cash flows from investing activities			
Interest received		**14**	10
Interest costs arising from pension liability		**(15)**	–
Payments to acquire property, plant and equipment & intangible assets	6 & 7	**(336)**	(301)
National Lottery assets acquired on merger	21	**–**	(38)
Net cash outflow from investing activities		**(337)**	(329)
Cash flows from financing activities			
Grant-in-aid for revenue expenditure		**2,638**	1,421
Actuarial loss arising from pension liability		**(33)**	–
Net cash inflow from financing activities		**2,605**	1,421
Net increase in cash and cash equivalents in the period	14	**4,714**	599

Cash and cash equivalents at 1 April 2014	**7,004**
Cash and cash equivalents at 31 March 2015	**11,718**

The notes on pages 58 to 77 form part of these accounts

Statement of changes in taxpayers equity

for the 12 months ended 31 March 2015

	Income and Expenditure Reserve £'000s
Balance at 1 April 2013	**1,863**
Changes in reserves	
Retained surplus	(2,595)
Grant-in-aid for revenue expenditure	1,421
Total recognised comprehensive net expenditure for 2013-14	**(1,174)**
Balance at 31 March 2014	**689**
Balance at 1 April 2014	**689**
Changes in reserves	
Retained surplus	(1,242)
Actuarial loss arising on pension scheme	(33)
Grant-in-aid for revenue expenditure	2,638
Total recognised comprehensive net income for 2014-15	**1,363**
Balance at 31 March 2015	**2,052**

The notes on pages 58 to 77 form part of these accounts

Notes to accounts

1: Accounting policies

The policies adopted are in accordance with IFRS, to the extent it is meaningful and appropriate in the public sector context, as adopted and interpreted by the 2014/15 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 2014 to 31 March 2015. 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. A copy of the accounts direction can be obtained from the Commission.

On 1 October 2013, the assets, liabilities and activities of the former National Lottery Commission transferred to the Commission. The merger was accounted for as a transfer by absorption in accordance with the FReM (para 4.2.23).

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 F.

Table F: Anticipated life of assets

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

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

Property, plant & equipment

Property, plant and equipment is stated at depreciated historic cost as a proxy for fair value. All of the Commission's assets are short life assets and therefore depreciated historic cost is considered a suitable measure of fair value. A review of property, plant and equipment is undertaken annually to ensure that all items are still in use and that no disposals have taken place.

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

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 2015.

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 2015.

Notes to accounts continued

d) Operating leases

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

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

e) Employee costs

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

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

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

f) Value added tax

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

g) Licence fee receipts & fee income recognition

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

Operator licence application fees
Income is recognised in full when the operator licence is issued.

Operator licence annual fees
Income is recognised equally over the duration of the licence.

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

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

h) Revenue grant-in-aid

Following the merger, the Commission now recevies grant-in-aid funding for National Lottery operations. During 2014-15, the Commission also received £10k to support a betting integrity networking initiative.

i) Other income: shared services provided to the National Lottery Commission (NLC)

From January 2012 through to the merger in September 2013, the Commission provided services to the NLC. Service Standard Agreements were in place to support the provision of these common services, and a contribution towards the costs incurred in providing these services was received from the NLC. The contribution from the NLC covered all of the costs incurred in providing the shared service to the NLC, and is recognised in the Statement of Comprehensive Net Expenditure as 'Other income'. Expenditure is recognised within the Commission's standard expenditure categories.

j) Financial instruments

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

k) Presentational/functional currency

The Commission's functional 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.

l) Corporation tax

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

m) 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 20 reflects the Commission's management and internal reporting structure.

n) Cash and cash equivalents

All of the Commission's cash and cash equivalent balances are held with a single commercial bank or as cash in hand, apart from £3,285 which was held with Government Banking Services.

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.

o) Going concern

The financial statements have been prepared on a going concern basis. The Public Bodies (Merger of the Gambling Commission and the National Lottery Commission) Order 2013 merged the Gambling Commission with the National Lottery Commission. This was achieved by the abolition of the National Lottery Commission in its then current legal form and took place with effect from 1 October 2013.

p) 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 2015 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 13 sets out a new framework for measuring fair value and is expected to form part of the FReM from 2015-16. The standard clarifies the definition of 'fair value' in the context of assets and liabilities. As the Commission holds no property assets and no significant other assets, this is only expected to have a limited impact
- An amendment to IAS 36 – 'Impairment of assets' with reference to recoverable amount disclosures has also been recently adopted by the EU and is expected to form part of the FReM from 2015-16. It aims to modify the disclosure requirements regarding the valuation of impaired assets in relation to IFRS 13 (above) and is not expected to have a significant impact on the Commission.

Notes to accounts continued

2: Fee receipts

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:

	2015 £'000s	2014 £'000s
Operator licence applications		
Application fees	**2,934**	525
Annual fees	**16,142**	11,595
Personal licence applications	**1,107**	868
Total fee income received	**20,183**	12,988
Interest on fee income	**13**	10
Total	**20,196**	12,998

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:

	2015 £'000s	2014 £'000s
Operator licence applications		
Application fees	**2,776**	352
Annual fees	**13,185**	11,764
Personal licence applications	**922**	767
Total fee income	**16,883**	12,883
Interest on fee income	**14**	10
Total	**16,897**	12,893

3: Other income

Miscellaneous income collected during the year related to legal fees awarded as a result of the judicial review, penalties issued for breach of licence conditions, withdrawn applications and contributions to costs arising from enforcement action.

	2015 £'000s	2014 £'000s
Miscellaneous income	**183**	101
Contribution from NLC re. shared services	**–**	281
Total other income	**183**	382

4: Employee costs

a) Analysis of Commissioners' and employee costs

	2015 Total £'000s	**2015 Permanent £'000s**	**2015 Short term £'000s**	2014 Total £'000s
Salaries and wages	**9,786**	**8,997**	**789**	7,900
Social security costs	**801**	**734**	**67**	675
Pension costs:				
Included within statement of comprehensive net expenditure	**1,697**	**1,536**	**161**	1,405
Included as other finance costs	**–**	**–**	**–**	–
Recognised in other comprehensive expenditure	**–**	**–**	**–**	–
Total pension costs	**1,697**	**1,536**	**161**	1,405
Total Commissioners and staff costs	**12,284**	**11,267**	**1,017**	9,980

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

	2015 £'000s	2014 £'000s
Employee costs	**12,284**	9,980
Interest costs on pension scheme liability	**15**	–
Actuarial adjustments to pension scheme liability	**33**	–
Total	**12,332**	9,980

Exit packages agreed in 2014/15

	2014-15			2013-14		
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	**–**	**–**	**–**	–	–	–
£50,001 – £100,000	**–**	**–**	**–**	–	–	–
£100,001 – £150,000	**–**	**1**	**1**	–	–	–
£150,001 – £200,000	**–**	**1**	**1**	–	–	–
>£200,000	**–**	**–**	**–**	–	–	–
Total number of exit packages	**–**	**2**	**2**	–	–	–
Total cost	**–**	**266,493**	**266,493**	–	–	–

Notes to accounts continued

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. 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 detailed above were agreed during the year and will be paid in 2015-16.

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 2012.

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

For 2014-15, employers' contributions of £1,606,444 were payable to the PCSPS (2013-14 £1,336,470) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands.

In addition to this an amount of £51,065 (2013-14 £55,148) 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 2015-16, 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 2014-15 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 £37,354 (2013-14 £12,652) were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from 3% to 12.5% of pensionable pay. From October 2015, employer contributions will range from 8% to 14.75%.

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 £189,360. 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.

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2015 and the present value of the liability at 31 March 2015 is £9,000.

Sensitivity Analysis

1. Increasing the discount rate by 0.5% would result in a corresponding decrease in liabilities of approximately 1.5%.
2. Increasing the CPI inflation assumption by 0.5% would result in a corresponding increase in liabilities of approximately 1.5%.
3. Increasing assumed life expectancies in retirement by around one year would result in a corresponding increase in liabilities of approximately 8.5%.

The opposite changes in assumptions to those set out above 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.

(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 the scheme was carried out by the Government Actuary at 31 March 2015 and the present value of the liability at 31 March 2015 is £256,000.

Sensitivity Analysis

1. Increasing the discount rate by 0.5% would result in a corresponding decrease in liabilities of approximately £14,000 or 5.5%.
2. Increasing the CPI inflation assumption by 0.5% would result in a corresponding increase in liabilities of approximately £14,000 or 5.5%.
3. Increasing assumed life expectancies in retirement by around one year would result in a corresponding increase in liabilities of approximately £10,000 or 4.0%.

The opposite changes in assumptions to those set out above 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 March 2015	31 March 2014
Inflation assumption	**2.20%**	2.50%
Rate on increase in salaries	**4.20%**	4.50%
Rate of increase for pensions in payment, in line with inflation	**2.20%**	2.50%
Discount rate for scheme liabilities	**3.55%**	4.35%

Life expectancy at retirement

Current Pensioners	**As at 31 March 2015**		**As at 31 March 2014**	
Exact Age	**men (years)**	**women (years)**	**men (years)**	**women (years)**
60	29.1	31.3	29.0	31.2
65	24.2	26.4	24.1	26.2

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

	2015	2014
Permanent staff	**246**	215
Other staff	**22**	9
	268	224

Notes to accounts continued

d) Off-payroll appointments

(i) For all off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months

No. of existing engagements as of 31 March 2015	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 between three and four 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 2014 and 31 March 2015, 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 2014 and 31 March 2015.	1
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.	nil
No. for whom assurance has been requested.	1
Of which...	
No. for whom assurance has been received.	1
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 2014 and 31 March 2015

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 engagements.	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.	n/a

5: Other operating costs

	2015 £'000s	2014 £'000s
Accommodation	**1,259**	1,293
Professional and accountancy fees*	**977**	739
Travelling and subsistence	**544**	459
Contingent labour costs	**203**	100
Other staff costs	**137**	127
Recruitment, training and development	**369**	306
Hospitality	**19**	14
Office services	**959**	968
External audit fee**	**50**	40
Internal audit costs	**30**	31
Amounts payable to Disclosure and Barring Service	**135**	91
Other***	**535**	385
Total Operating Costs	**5,217**	4,553

* Professional and accountancy fees include consultancy costs totalling £98,000 (2013/14 nil).

** 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 £275,000 in 2014/15 (2013/14 £169,000). This also includes National Lottery research costs totalling £136,000

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

	2015 £'000s	2014 £'000s
Land and buildings	**865**	879
Other	**8**	7
	873	886

Notes to accounts continued

6: Property, plant & equipment

	IT hardware £'000s	Furniture and fittings £'000s	Plant and machinery £'000s	Transport equipment £'000s	Total £'000s
Cost/valuation					
At 1 April 2013	1,053	1,959	179	10	3,201
Additions	129	6	–	–	135
National Lottery assets acquired on merger	118	1	–	–	119
At 31 March 2014	1,300	1,966	179	10	3,455
Accumulated depreciation					
At 1 April 2013	924	1,336	159	10	2,429
Provided in year	106	1	–	–	107
Disposals	89	196	14	–	299
At 31 March 2014	1,119	1,533	173	10	2,835
Net book value at 31 March 2014	181	433	6	–	620
Net book value at 31 March 2013	129	623	20	–	772

	IT hardware £'000s	**Furniture and fittings £'000s**	**Plant and 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 2014	**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**

7: Intangible assets

	Software £'000s	Software licences £'000s	Websites delivering services £'000s	Total £'000s
Cost/valuation				
At 1 April 2013	4,709	255	235	5,199
Additions	142	24	–	166
Transfers	–	39	–	39
At 31 March 2014	4,851	318	235	5,404
Accumulated amortisation				
At 1 April 2013	3,186	223	129	3,538
National Lottery assets acquired on merger	–	13	–	13
Provided in year	608	21	34	663
At 31 March 2014	3,794	257	163	4,214
Net book value at 31 March 2014	1,057	61	72	1,190
Net book value at 31 March 2013	1,523	32	106	1,661

	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**

Notes to accounts continued

8: Trade receivables and other current assets

	2015 £'000s	2014 £'000s
Trade receivables	**219**	259
Deposits and advances	**67**	64
Prepayments & accrued income	**787**	527
	1,073	850

All of the Commission's receivables are due from bodies external to government. In 2013/14, all of the Commission's receivables were also due from bodies external to government.

9: Trade payables and other current liabilities

	2015 £'000s	2014 £'000s
Trade payables	**157**	628
Staff cost payables	**866**	636
Other payables	**3**	2
Accruals and deferred income	**9,900**	6,782
	10,926	8,048

The Commission held the following balances with other Government bodies as at 31 March 2015

Staff cost payables

HMRC – £257,263 in respect of employee tax & NI contributions due

Cabinet Office – £184,374 in respect of PCSPS pension contributions due

DCMS – £71,524 in respect of seconded staff

Other payables

HMRC – £2,854 in respect of corporation tax due

The remaining balances are held with bodies external to Government.

The Commission holds total deferred income balances of £9,543,490 (£6,616,852 in 2013/14) included in notes 9 and 10.

This relates to:

Licence fees paid that are due to be released to income within one year – £8,652,906 (£5,922,452 in 2013/14)

Licence fees paid that are due to be released to income after one year – £890,584 (£694,400 in 2013/14)

10: Amounts falling due after more than one year

	2015 £'000s	2014 £'000s
Deferred income	**891**	694
	891	694

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.

11: Pension liability

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

	2014 £'000s
At 1 April 2013	10
Inherited NLC pension liability	232
Pensions paid in the year	(9)
At 31 March 2014	233

All of the Commission's receivables are due from bodies external to government. In 2013/14, all of the Commission's receivables were also due from bodies external to government.

	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**

12: Third party assets

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

	2015 £'000s	2014 £'000s
At 1 April	**15**	185
Arising in the year	**–**	–
Settled in the year	**–**	(170)
At 31 March	**15**	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 2002, or returned.

13: Impact of pension liability on income and expenditure reserve

	Notes	**2015 £'000s**	2014 £'000s
Income and expenditure reserve excluding pension liability		**2,317**	922
Pension liability	11	**(265)**	(233)
Income and expenditure reserve		**2,052**	689

Notes to accounts continued

14: Cash and cash equivalents

	2015 £'000s	2014 £'000s
Balance at 1 April	**7,004**	6,405
Net change in cash and cash equivalent balances	**4,714**	599
Balance at 31 March	**11,718**	7,004

All of the Commission's cash and cash equivalent balances are held at commercial banks or as cash in hand apart from £3,285 which is held with Government Banking Services.

15: Capital creditors

At 31 March 2015 there were four capital creditors totalling £33,067 for the supply of IT hardware which has been capitalised (£31,000 in 2014).

16: Commitments under operating leases

At 31 March 2015 the Commission was committed to making the following payments in respect of operating leases.

	at 31 March 2015		at 31 March 2014	
	Land and buildings £,000s	**Other £,000s**	Land and buildings £,000s	Other £,000s
Operating leases:				
Within one year	**737**	**9**	830	7
In the second to fifth years inclusive	**–**	**23**	733	28
Over five years	**–**	**–**	–	–
	737	**32**	**1,563**	**35**

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 (on improved terms) was signed in May 2015 and therefore has not been included in the note above. The lease is for a period of ten years (with a five year break clause) and will commence with effect from February 2016 when the current lease expires. After taking rent free periods into account, the annual cost of the new lease (up to the break point) equates to £560k per year.

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. During 2014-15, the Commission also received £10k to support a Betting Integrity networking initiative.

DCMS is regarded as a related party. During the 12 months to 31 March 2015, the Commission has had a small number of material transactions with DCMS, comprising of:

Salary costs: in relation to DCMS staff on secondment	£50,778
Accruals: in relation to DCMS staff on secondment	£71,524
Grant-in-aid for revenue expenditure	£2,637,865

The National Lottery Commission was also regarded as a related party. Following co-location and the provision of shared services from 4 January 2012, the following transactions occurred in the six months to the point of merger on 30 September 2013:

Other Income: Shared Service Agreement & seconded staff	(£280,906)
Cash receipts: Shared Service Agreement & seconded staff	(£313,419)

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 instruments

IAS 32 (Financial Instruments: Classification), IAS 39 (Financial Instruments: Measurement, Recognition and Derecognition) and IFRS 7 (Financial Instruments: Disclosures) establishes principles for the presentation, recognition and measurement, and disclosure of financial instruments as 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 £000**	**Floating rate £000**	**Fixed rate £000**	**Non-interest bearing £000**	**Weighted average interest rate %**	**Weighted average period for which fixed Years**	**Weighted average term Years**
At 31 March 2015							
Sterling	**12,004**	**11,718**	**–**	**286**	**0.00**	**–**	**–**
Gross financial assets	**12,004**	**11,718**	**–**	**286**	**–**	**–**	**–**
At 31 March 2014							
Sterling	7,327	7,004	–	323	0.00	–	–
Gross financial assets	7,327	7,004	–	323	–	–	–

Notes to accounts continued

Financial liabilities

					Fixed rate		Non-interest bearing
Currency	**Total £000**	**Floating rate £000**	**Fixed rate £000**	**Non-interest bearing £000**	**Weighted average interest rate %**	**Weighted average period for which fixed Years**	**Weighted average term Years**
At 31 March 2015							
Sterling	**11,626**	**–**	**–**	**11,626**	**0.00**	**–**	**–**
Gross financial liabilities	**11,626**	**–**	**–**	**11,626**	**–**	**–**	**–**
At 31 March 2014 (restated)							
Sterling	8,608	–	–	8,608	0.00	–	–
Gross financial liabilities (restated)	8,608	–	–	8,608	–	–	–

(i) Financial assets & financial liabilities

Financial assets

	At 'fair value through profit and loss £000	**Loans and receivables £000**	**Available for sale £000**	**Total £000**
Embedded derivatives	**–**	**–**	**–**	**–**
Debtors	**–**	**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**
Embedded derivatives	–	–	–	–
Debtors	–	323	–	323
Debtors over 1 year	–	–	–	–
Cash at bank and in hand	–	7,004	–	7,004
Other financial assets	–	–	–	–
Total at 31 March 2014	–	7,327	–	7,327

Financial liabilities

		At fair value through profit and loss £000	Other £000	Total £000
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**
Embedded derivatives		–	–	–
Creditors		7,914	–	7,914
Creditors over 1 year		694	–	694
Borrowings		–	–	–
Private finance initiative and finance lease obligations		–	–	–
Other financial liabilities		–	–	–
Total at 31 March 2014 (restated)		**8,608**	**–**	**8,608**

19: Contingent liabilities

There are no contingent liabilities to report as at 31 March 2015 (£0, 2013/14).

Notes to accounts continued

20: Segmental reporting

a) Statement of Comprehensive Net Expenditure by operating segment

	31 March 2015			31 March 2014		
	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	**(15,819)**	**(2,485)**	**(18,304)**	(14,343)	(1,152)	(15,495)
Income	**17,066**	**–**	**17,066**	13,265	–	13,265
Net income/(expenditure)	**1,247**	**(2,485)**	**(1,238)**	(1,078)	(1,152)	(2,230)
Net income/(expenditure) after interest and finance costs	**1,258**	**(2,500)**	**(1,242)**	(1,070)	(1,152)	(2,222)
Other Comprehensive Expenditure						
Net loss on pension liability	**(3)**	**(30)**	**(33)**	–	–	–
Total comprehensive expenditure for the year ended 31 March 2015	**1,255**	**(2,530)**	**(1,275)**	(1,070)	(1,152)	(2,222)
Net loss incurred upon merger	**–**	**–**	**–**	–	–	(373)
	–	**–**	**(1,275)**	–	–	(2,595)

The above 2014 figures for National Lottery operations cover the period following the merger (1 October 2013 to 31 March 2014).

b) Statement of Financial Position by operating segment

	31 March 2015			31 March 2014		
	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	**1,313**	**30**	**1,343**	1,779	31	1,810
Current assets	**12,352**	**439**	**12,791**	7,636	218	7,854
Total assets	**13,665**	**469**	**14,134**	9,415	249	9,664
Current liabilities	**(10,704)**	**(222)**	**(10,926)**	(7,920)	(128)	(8,048)
Non-Current Assets less Net Current Liabilities	**2,961**	**247**	**3,208**	1,495	121	1,616
Non-current liabilities	**(900)**	**(256)**	**(1,156)**	(702)	(225)	(927)
Total liabilities	**(11,604)**	**(478)**	**(12,082)**	(8,622)	(353)	(8,975)
Assets less liabilities	**2,061**	**(9)**	**2,052**	793	(104)	689

21: Transfer of net assets from the National Lottery Commission (NLC)

On 1 October 2013 the assets, net liabilities and continuing activities of the NLC were transferred to the Commission.

The financial statements include National Lottery regulation expenditure from 1 October 2013. In addition, the following balances were transferred to the Commission with effect from 1 October 2013.

	£'000s
Non-current assets	
Property, plant and equipment	**13**
Intangible assets	**25**
	38
Current assets	
Trade receivables	**19**
	19
Current liabilities	
Trade and other payables	**(99)**
Cash and cash equivalents	**(99)**
	(198)
Non-current liabilities	
Pension liability	**(232)**
	(232)
Net assets less liabilities	**(373)**

22: Post balance sheet events

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

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

Appendix 1

Board of Commissioners


Philip Graf CBE (Chairman)


Robert Foster


Mary Chapman


Robin Dahlberg


Rachel Lampard


Anthony Lilley OBE


Walter Merricks


Dr Graham Sharp


Peter Teague

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

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

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

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

Robert Foster was appointed as a Commissioner for the National Lottery Commission in April 2005 and was Chairman of the project board which was responsible for overseeing the licence competition and transition. He was, until September 2004, Chief Executive of the Competition Commission. He has also held a number of senior posts in Whitehall including responsibility for the Department for Business, Innovation and Skills' innovation expenditure and science policy in the Cabinet Office.

He is a chartered engineer and previously was an engineering manager in the telecommunications industry. He has had a number of non-executive director appointments including the Jersey and Guernsey Competition Regulatory Authorities, Vice-Chair of King's College Hospital NHS Foundation Trust, and Chair of Equinox Care. He is also a member of the Advisory Council of Oxford Capital Partners, a venture capital company supporting spin-offs from university scientific research.

Mary Chapman was a Commissioner for the National Lottery Commission. She is Chairman of the Institute of Customer Service, a Council member of Brunel University London and the Archbishops' Council of the Church of England. She recently completed roles as a non-executive director of the Royal Mint and council member of the Girls' Day School Trust.

She was formerly Chief Executive of the Chartered Management Institute and the founding Chief Executive of Investors in People UK. Her earlier career was in marketing and general management with L'OREAL UK Group companies.

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.

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

Anthony Lilley 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.

Walter Merricks is a qualified solicitor. He chairs the board of IMPRESS, the independent monitor for the press, and the Trustee Board of the Academy of Medical Royal Colleges.

He was formerly Chairman of the Office of the Health Professions Adjudicator, Chief Ombudsman of the Financial Ombudsman Service and was previously Insurance Ombudsman. He had been Assistant Secretary-General at The Law Society following an earlier career as a lecturer in law and in legal journalism. 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.

Dr Graham Sharp 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.

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.

Jenny Williams (Chief Executive)

See Appendix 2 on next page

Appendix 2

The Executive Group

Jenny Williams
Commissioner
and Chief Executive

Nick Tofiluk
Director of Regulation

Sarah Gardner
Director – Planning
and Performance

Sue Harley
Director

Mark Harris
Director

Matthew Hill
Director – Regulatory
Risk and Analysis

Neil McArthur
General Counsel

Jeanette Pugh
Director

Jenny Williams became the Chief Executive of the Gaming Board, now the Gambling Commission, in 2004. She was previously a Director General at the Lord Chancellor's Department (now the Department for Justice). Before that she held a variety of policy and project management posts 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.

Role

The Chief Executive is the Commission's senior executive and is responsible for the development and effective delivery of the strategy agreed by the Board of Commissioners.

She manages our employees through the Executive Group comprising the Executive directors and, as Accounting Officer, is responsible for the proper management and financial governance of the organisation.

Nick Tofiluk joined the Gambling Commission in 2007, before which he was an Assistant Chief of Police with extensive policy and operational command experience. He has held positions as UK programme director for the resultant National Ballistics Intelligence Service, chair of the UK Firearms Intelligence Committee, vice chair of the UK Firearms Strategy Group and national Director of the Police National Database programme. Nick holds degrees from the Universities of Cambridge, Birmingham and an Advanced Diploma in Organisational Management from Manchester University.

Role

Nick's main focus is on corporate leadership of the Commission and delivery of the business plan, with strategic focus on our programmes of work that encompass licensing, compliance, intelligence and enforcement delivery through partnership activity. He has particular responsibility for our work addressing sports betting integrity issues in the UK and internationally and was UK delegate to the Council of Europe's Convention on the Manipulation of Sports Competitions. 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.

Sarah Gardner joined us in 2009 and was appointed Director – Planning and Performance 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
Before taking maternity leave Sarah's main focus was on the corporate leadership of the Commission, particularly supporting the Board's financial planning and strategy development, overseeing its secretariat and being the Senior Information Risk Owner (SIRO).

Sue Harley. 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 was appointed to cover Sarah Gardner's maternity leave on a fixed term contract basis. Her role was extended in January to take on chief operating officer functions, taking over chair of BPPB at the end March.

Mark Harris was previously Chief Executive and a Commissioner at the National Lottery Commission. Over more than a decade Mark managed a series of successful competitions for the Lottery licence, currently held by Camelot. Under his lead, the NLC worked with the operator to introduce a wider games portfolio, develop innovative new playing channels, and earned respect for the UK National Lottery's work to prevent underage and excessive play. Mark has a strong background in public sector governance, audit and regulation. He has also undertaken a range of strategic development roles within public sector organisations.

Role
Mark was a member of the National Lottery Committee, a sub-Committee of the Commission Board. Apart from this his main focus was on corporate leadership of the Commission and, as chair of BPPB, delivery of the business plan and project work, primarily around organisational development and compliance. He left the Commission in May 2015 having completed the smooth transition of National Lottery regulation following merger of the National Lottery Commission and the Gambling Commission.

Matthew Hill 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 is 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 joined us in 2006. He played a leading role in setting up the Commission's regulatory processes under the Gambling Act 2005 and has led the work to continually review and improve them. He has advised on a variety of high profile matters, including: complex licensing and regulatory decisions; appeals; procurement issues; commercial disputes; employment law; public law; judicial reviews; and criminal prosecutions.

Neil qualified as a solicitor in 1997. He holds a degree in Law and Accounting, a Masters degree in Criminology and a post-graduate diploma in Local Government Law. Neil's 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
He is our principal legal adviser with overall responsibility for our legal work, including providing advice on the operation of the regulatory regime and support to our Regulatory Panel. He shares responsibility for the corporate leadership of the Commission and delivery of the business plan.

Jeanette Pugh worked with us from September 2013 to October 2014, on secondment from the Department for Education (DfE). She has worked for the DfE and its predecessor departments since 1991 following an earlier career in academic research. Jeanette has spent the last decade working on children's services policy and has had a number of senior civil service posts, most notably Director of Safeguarding with national responsibility for child protection policy from 2006 to 2012. She was made a Companion of the Order of the Bath in the New Years Honours List in 2008.

Role
Jeanette was a member of the BPPB and attended meetings of Executive Group. She had particular responsibility for aspects of remote enforcement and for work on marketing and advertising.

Appendix 3

Management boards – remit and membership

Executive Group

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

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

Business Plan Programme Board (BPPB)

The role of the BPPB is to:

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

Table G: Management boards – membership

Name	Role	Executive Group	Business Plan Programme Board
Jenny Williams	Chief Executive	Chair	
Rebekah Eden (to 15 Aug 2014)	Programme director		✓
Ben Haden	Programme director		✓
Sue Harley (from 7 April 2014)	Director	✓	✓[28]
Mark Harris	Director	✓	Chair
Matthew Hill	Director	✓	
Paul Hope (from 1 September 2014)	Programme Director		✓
Sarah Gardner	Director	✓	✓
Julia Mackisack	Board Adviser		✓
Cathy Mullins (from 4 August 2014)	Programme director		✓
Sharon McNair	Programme director		✓
Neil McArthur	General Counsel	✓	
Jeanette Pugh (to 31 October 2014)	Director		✓
Alistair Quigley	Programme director		✓
Nick Tofiluk	Director	✓	
Helen Venn (from 3 November 2014)	Programme Director		✓

28 Succeeded Mark Harris as chair from end March 2015

Appendix 4

Employment statistics for 2014/15 (as at 31 March 2015)

Total employees by contract type	
Secondees	1
Fixed-term employees	14
Permanent employees	254
Total	**269**

Departmental split	
Corporate Affairs	7
Directors	7
Programme Directors	7
Executive support	5
Finance	10
Legal	6
Compliance	55
Enforcement	9
Licensing	60
Evidence, analysis, business planning	20
Intelligence	11
Research, education and treatment	4
Sector and Thematic	35
National Lottery	14
Support services including: Human Resources (7) Facilities (2) ICT (10)	19
Total	**269**

Sickness absence rates	
1 April 2014 to 31 March 2015	% of working days lost
Quarter 1	2.9
Quarter 2	2.7
Quarter 3	4.6
Quarter 4	4.5

Diversity – gender	
Female	117
Male	152
Total	**269**

Diversity – disability	
Employees with a disability as defined under the Equality Act 2010	15
Employees without a disability as defined under the Equality Act 2010	254
Total	**269**

Diversity – ethnic origin	
Asian or Asian British – Bangladeshi	0
Asian or Asian British – Indian	18
Asian or Asian British – Other	1
Asian or Asian British – Pakistani	7
Black or Black British – Caribbean	6
Black or Black British – African	2
Chinese	1
Mixed race – other	2
Mixed race – White / Asian	2
Mixed – White and Black Caribbean	3
White British	215
White Irish	4
White other	4
Not disclosed	4
Total	**269**

Diversity – age	
Under 20	4
21 to 30	45
31 to 40	87
41 to 50	65
51 to 60	53
60+	15
Total	**269**

Appendix 5

Sustainability

Introduction

This is the first full sustainability report that the Commission, as a non-departmental public body (NDPB) has been required to complete, and therefore provides the base line against which future years will be compared. It 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	tonnes CO_2e
Total gross emissions for Scopes 1 & 2 (procured electricity, gas and fleet vehicles incl pool cars)	120.12
Gross emissions attributable to Scope 3 (indirect emissions and official business travel)	182.14
Related energy consumption	thousand kWh
Electricity	240.8
Gas	33.49
Financial indicators	£'000
Expenditure on energy	40.03
Expenditure on accredited offsets	
Expenditure on official business travel	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		Tonnes
Total waste arising		15.96
– Hazardous waste		–
– Non-hazardous waste:	Landfill	1.89
	Reused/recycled	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 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 ie for coolers.
- Scope 3: Other indirect water. This would include embodied water emissions in products and services.

Non-financial indicators	m^3
Water consumption (office estate), Scope 2	
– Supplied	2,149.74
– Per FTE	8.01
Financial indicators	£'000
Water supply costs (office estate)	–
Water supply costs (non-office estate)	0.08

Sustainability continued

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[28] 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 2014-15, 56% of our procurement expenditure was sourced from SMEs.

28 Department for Environment, Food and Rural Affairs

GAMBLING
COMMISSION

Gambling Commission

Victoria Square House, Victoria Square, Birmingham B2 4BP

Tel: 0121 230 6666 Fax: 0121 230 6720

www.gamblingcommission.gov.uk

GAMBLING
COMMISSION

Victoria Square House, Victoria Square, Birmingham B2 4BP

Tel: 0121 230 6666 Fax: 0121 230 6720

www.gamblingcommission.gov.uk

ISBN 978-1-4741-1849-1

9 781474 118491