GAMBLING
COMMISSION

Annual Report and Accounts 2019-20

HC 489

Making gambling fairer and safer

Annual Report and Accounts

For the period 1 April 2019 to 31 March 2020

Although the impact of Covid-19 did not occur until after the reporting period, there are expected impacts in 2020/2021. Although the financial impact is not yet known, this will be managed accordingly.

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

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Annual Report and Accounts 2019-20

Making gambling fairer and safer

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Performance report

Overview

Two employees at our internal Collaboration and Innovation event held in September 2019

Who we are

The Gambling Commission exists to safeguard consumers and the wider public by ensuring that gambling is fair and safe.

We are committed to making gambling safer and we do this by placing consumers at the heart of regulation and maintaining the integrity of the gambling industry.

We are an independent non-departmental public body sponsored by the Department for Digital, Culture, Media and Sport (DCMS) and license operators and individuals in Britain that provide arcades, gaming machines, betting, lotteries, bingo, remote gambling (online, telephone), casinos and gambling software. We are also responsible for awarding the licence for the National Lottery.

There are two main pieces of legislation that underpin our work:

- the Gambling Act 2005 (as amended) which sets the framework for the regulation of gambling in Britain
- the National Lottery etc. Act 1993 which sets out the framework within which we regulate the National Lottery.

We have **340** employees, most of whom are normally based at our Birmingham office. There are also around **20** people based in London working on the 4th National Lottery Licence Competition.

Licensing objectives

We regulate in the public interest, as guided by our statutory duties, to:

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

In respect of the National Lottery, our objectives are to ensure that:

- every lottery that forms part of the National Lottery is run with all due propriety
- the interests of every participant in the National Lottery are protected
- subject to the above two duties, to secure that the net proceeds of the National Lottery are as great as possible.

Chairman's message

The work of the Gambling Commission in 2019-20 was defined by the corporate strategy we published in 2018, and by the National Strategy to Reduce Gambling Harms that we published in 2019.

Together, those two documents have proved to be invaluable in guiding our work, in achieving our licensing objectives, and helping our decision making. They have also supported our work in sending clear messages to the industry about the part we expect them to play in ensuring that all forms of gambling remain fair and safe, that we effectively regulate and license the National Lottery to maximise returns to good causes, and in building alliances with the healthcare sector and voluntary organisations to develop effective programmes to reduce gambling harms.

In 2019-20 the plans and priorities set out in these two documents have remained as valid as when they were first written. The Commission's overriding aim remains to secure greater involvement in the achievement of the objectives defined in our strategies by the gambling industry, by those who are funding or delivering care and treatment, and by those whose lives have been affected by relatives or friends whose gambling became seriously harmful.

By securing greater support and involvement we hope to increase the pace of change and secure lasting and growing reductions in gambling harms, without depriving those, whose gambling is well-controlled, of the entertainment it can offer.

Overall, I believe we have achieved that aim.

The range and depth of our engagement with key stakeholders increased markedly over the last year. Some key examples include:

- We have held a variety of workshops with gambling operators of all sizes to engage them in developing the Annual Assurance Statements. These will now seek more information and stronger assurance on how confident Boards are that their policies on promoting fairness and combatting gambling harms are being followed.

William Moyes

- We have worked to build good relationships with those with lived experience of the consequences of gambling addiction. Our aim is to ensure that this perspective influences every aspect of our regulatory work. The support provided by the Advisory Board for Safer Gambling and by the Health and Social Care Alliance Scotland has been invaluable.
- Before the work of the NHS was necessarily dominated by the Covid-19 pandemic, we were seeing real developments in research into the most effective treatment modalities for gambling addiction and in the creation of dedicated healthcare services. Developments have included: NHS-funded clinics in Leeds and Manchester, with plans for a further **12** in England; and studies by Public Health England and the National Institute for Health Research, and by Public Health Scotland.

Our regulatory regime was also strengthened in important ways, including :-

- the ban on using credit cards to fund gambling;
- the requirement that all gambling operators should belong to Gamstop, to support self-exclusion

- raising standards by using our compliance and enforcement powers.
- strengthened the requirements on operators to verify age and identity of gamblers before they can play.

The speed with which we can modify and strengthen our regulatory regime is perhaps the area where our progress has been less than the Board would have liked. It will be a focus for the future. But when we have to act quickly to protect customers, we can. When it became clear that some gamblers might be at greater risk of harm during the Covid-19 lockdown, we moved quickly to introduce stronger consumer protection measures, while we will continue to consult on wider changes taking into account evidence-based information.

The Covid-19 pandemic has undoubtedly made our work more difficult, as it has for everyone. Its impact on most parts of the gambling industry has been severe. Fortunately, there is no evidence that the lockdown has led to an increase in illegal gambling. As premises reopen and elite sports return, we will be monitoring carefully the impact on gamblers, and we expect gambling operators to do likewise and to take effective action to prevent harm to their customers.

One consequence of the Covid-19 pandemic was the Commission's important decision to delay the

Images from the launch of the National Strategy to Reduce Gambling Harms in Westminster, April 2019

Chairman's message continued

launch of the 4th National Lottery licence competition by three months. Having consulted the market, it was clear these unique circumstances were having an impact on potential applicants' ability to prepare for the competition. As a result of the delay, the market also requested a longer transition period, which has necessitated an extension of six months to the third National Lottery licence. This means that the launch will not take place before August and we will review the circumstances up until that point to ensure this is a fair, open and robust competition.

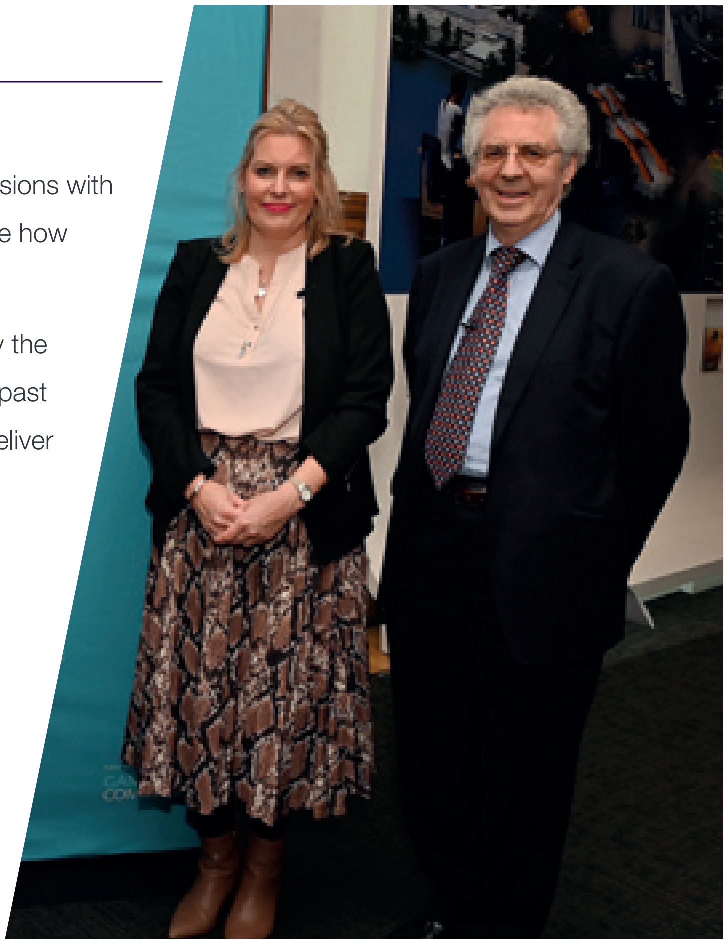
Looking forward, the agenda for the Commission over the next year will still be largely determined by our two strategy documents.

Following the National Audit Office (NAO) report earlier this year, the Commission is addressing recommendations on suggestions where it can improve its operations and strengthen its regulation including on evaluating the impact of our work and continuing to develop a deeper understanding of the causes and impacts of gambling related harm. The report also recommended that the suitability of the current licence fee model should be reviewed. That work is underway and we look forward to the outcome of the fees review which will be undertaken by DCMS.

Since the last Government Gambling Review we have strengthened our own requirements in relation to funding arrangements for research, education and treatment by requiring voluntary donations to go to approved bodies. We have also welcomed commitments from industry to increase their contributions. However, there is still a need for sustainable, predictable long-term funding.

Throughout the year ahead we will continue to be in discussions with partners in the delivery of the National Strategy to determine how this challenge can be met.

In closing, I want to pay tribute to all the hard work done by the Executive Team and everyone at the Commission over the past year. A lot has been achieved and we are well-placed to deliver even more in the year ahead.



William Moyes

Chairman
Gambling Commission

Performance analysis

Chief Executive and Accounting Officer's message

Neil McArthur

Our goal is to make gambling safer. This report sets out the progress we have made and the challenges we have faced over the last year.

The end of 2019-20 coincided with the Covid-19 crisis, which has had a devastating impact on people all around the world, including in Great Britain. In the gambling industry, social distancing measures meant that all land-based operators had to close, with the associated financial and operational challenges that posed. Online betting was also severely affected by the shut-down of live sport.

In contrast, online gaming saw an increase in participation. As a result, we introduced new measures to strengthen player protection. Protecting consumers from harm has been a high priority for the Commission over the last 12 months and it will continue to be a priority in the year ahead as we all adjust to life after a period of unprecedented disruption and personal loss.

Changes in the gambling market

We know that **24.7 million** people in Great Britain gamble, which represents a reduction in overall participation levels. The way consumers gamble has changed, with an increase in online gambling participation and a continued rise in gambling on mobile phones.

Alongside a reduction in overall participation levels, Gross Gambling Yield has also reduced to **£14.3 billion**, with **2,652** operators now in the market. We have also seen further consolidation of the GB gambling market and an increasingly global outlook from the largest operators as they look for opportunities in the United States and elsewhere in the world.

The last 12 months has seen an increase in online gambling. **11 million** people now gamble online[2].

An estimated **5.5 million** people now gamble through their mobile phone – an increase of approximately **1.2 million** from the previous year – while usage of PCs, laptops and tablets to gamble has declined[3]. Players are also increasingly playing online slots and higher intensity products such as in-play betting[4].

The number of licensed gambling premises has fallen to **9,745**[2] which mainly accounts for the reduction in betting shops. The number of machines in premises has increased from **179,766** to **185,203**. This has been driven, in part, by an expansion in the number of machines in arcades and bingo halls.

The action we have taken

As part of our strategy to make online gambling safer and to address new issues, over the last 12 months we have:

- Toughened age verification processes to protect children by preventing underage play
- Strengthened customer identity verification procedures operators must use
- Improved operators' interaction with customers who are at risk of or experiencing harm
- Announced a ban on gambling with credit cards, which came into force on 14 April, and;
- Made it mandatory for participation in the Gamstop online self-exclusion scheme.

Delivery of our Business Plan

Preventing harm to consumers and the public

We have been working hard to reduce the risk of gambling related harm. There are some early signs that our strategy is starting to have a positive impact, but it is too soon to draw firm conclusions and there is no room for complacency. Consumer trust in gambling has continued to decline – currently standing at **29%** in comparison to **30%** in 2018[5] and we do not expect to see that to change until we see significant reductions in gambling related harm.

An important development in our efforts to reduce gambling related harm was the publication of the National Strategy to Reduce Gambling Harms. The Strategy sets a road map for harm prevention, education, treatment and support and there have been a variety of highlights in the first year of implementation.

We have also been seeking opportunities to bring a wider range of perspectives into our work, including insight from people with lived experience of gambling harm who can play a role in developing our work.

2. Gambling participation in 2019: behaviour, awareness and attitudes – (February 2020).
3. Page 17 – Graph D 4. Page 16 – Graph B 5. Page 17 – Graph C

Chief Executive's message continued

Our collaborative work with operators has also accelerated. I have spent time meeting senior leaders from across the industry, both from operators and from trade bodies. I know from those meetings that they want to work with us to make gambling safer. The creation of the Betting and Gaming Council has been a welcome development and they are making strong public commitments and supporting collaboration across the industry to make quicker progress in protecting consumers.

We also set three high profile challenges to operators which are designed to protect vulnerable people. These working groups continue to address poor practice around VIP customers, focus on safer products and game design, and how advertising technology can be used to prevent harm. The idea of these challenges was not universally applauded when they were launched but we continue to control the process and set the agenda.

Raising standards in the gambling industry

Over the past year we undertook nearly **700** assessments as part of our proactive compliance work.

Our approach to anti-money laundering and counter terrorist financing was endorsed at the highest level with the publication of the Financial Action Task Force's Mutual Evaluation Report of the UK. The Commission has worked with operators across the gambling industry and other statutory authorities since then to ensure that any improvements recommended have been implemented and standards raised, both domestically and internationally.

Our enforcement work has continued to increase in complexity. We have continued to hold operators to account for significant failings, which mainly centred around anti-money laundering, social responsibility controls and customer interaction issues. In total, we carried out almost **130** regulatory and criminal investigations into operators and senior managers and over the past year we have suspended **five** operators' licences and revoked **11** licences. We have also imposed a range of other sanctions, including significant financial penalty packages and regulatory settlements for failings.

As the operators we license and regulate are increasingly operating in a global market we have spent more time sharing our learnings and intelligence with international regulators to work together to make gambling crime free and safe.

Improving how we regulate

The way we regulate has continued to evolve and this year we have improved our digital services for licensees. Listening to the needs of personal licence holders, this year we launched a more streamlined service where people can now manage their personal licences online and through their mobile phone. We will be looking at similar initiatives in the year ahead while also ensuring that all our digital services are accessibility compliant.

Optimising returns to good causes from lotteries

The National Lottery is one of Great Britain's most recognised brands and amongst the largest lotteries in the world. It makes a significant contribution to our society, transforms lives and contributes to sports, arts, heritage and community projects. The National Lottery has so far raised a staggering **£42 billion** for good causes, generating **£1.79 billion** in 2019-20 alone.

The National Lottery's 25th birthday last year was marked with a high-profile campaign and series of events which told the story of its incredible success. We were delighted to be part of those celebrations alongside the Department for Digital, Culture, Media and Sport (DCMS), distributor bodies and the operator.

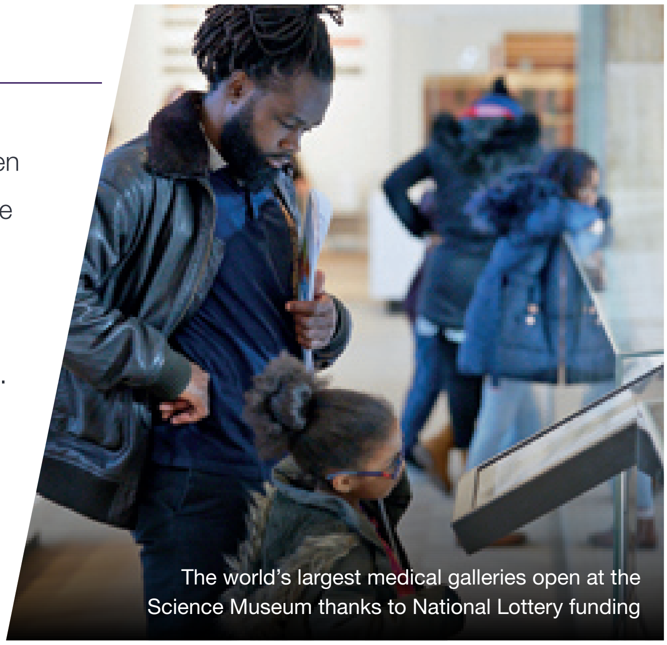
The project to award the next licence to run the National Lottery has been a major priority over the last 12 months, as it will be in the future. We are determined to run a fair and open competition and ensure a level playing field for those who choose to enter the process.

Conclusion

I am entering my third year as the Commission's Chief Executive. It is a privilege to work with colleagues who are so passionately committed to making gambling safer for consumers and I am grateful to all my colleagues, including the Chair, our Commissioners and our Advisory Boards, for the support they give.

We are constantly working to stay on top of emerging issues and risks to make sure we are focussing our work in the right areas. While progress has been made this year to make gambling safer, we are all clear that there is much more to do.

Neil McArthur
Chief Executive and Accounting Officer
Gambling Commission



The world's largest medical galleries open at the Science Museum thanks to National Lottery funding

Sir Chris Hoy and Nicola Adams celebrate 25 years of National Lottery funding for sport

United by Numbers: David Mach

Overview of the gambling sector

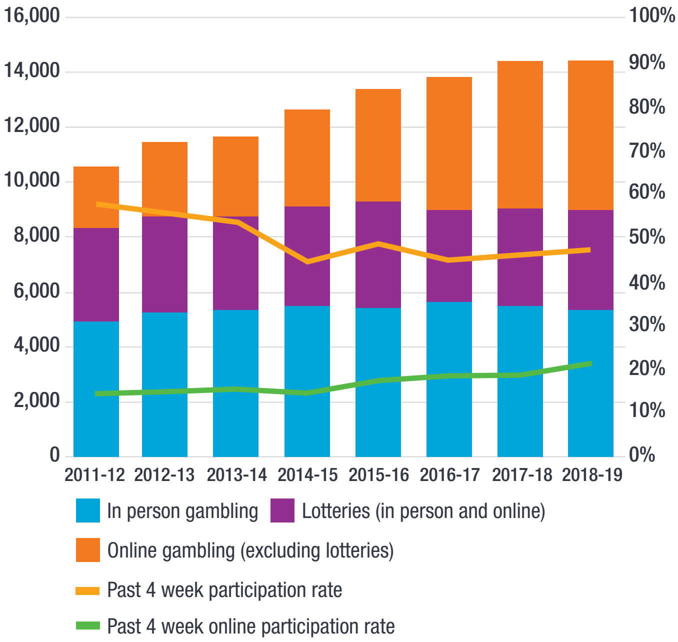
Within these following pages are key statistics and comparison data relating to the gambling industry in Great Britain during 2019-20, alongside tables referred to within the Chief Executive's foreword.

The information covers general industry statistics, online betting, sports betting, gambling harm, and the National Lottery. Data is collected and analysed from a wide range of sources to ensure the Commission is up-to-date with industry statistics and gambling-related research.

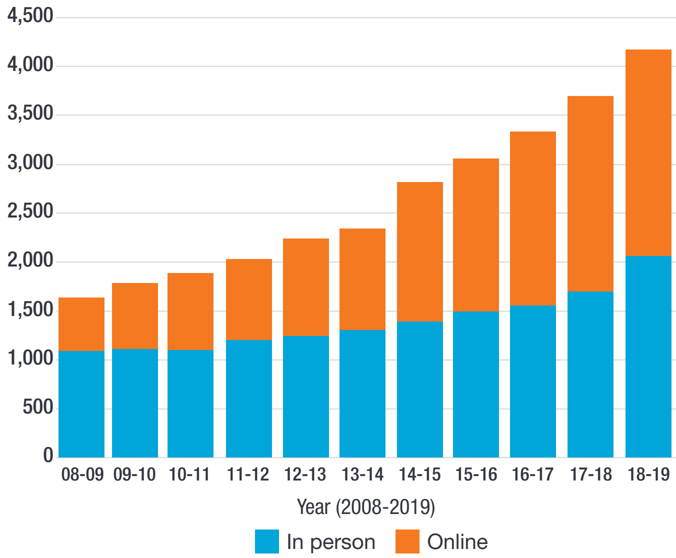
The industry

- Total GGY of British gambling industry: **£14.3 billion**[1] – down ***0.5%*** when compared to April 2018-March 2019
- Total GGY of British remote/online sector up **4.3%**[1] when compared to April 2018-March 2019
- **98,174 people** employed by the industry[1] – *down **4.4%** from March 2019*

Graph A) Gross gambling yield (£m)[1] vs participation[2]*



Graph B) Slots GGY (£m)[1]*



In Great Britain, there are:

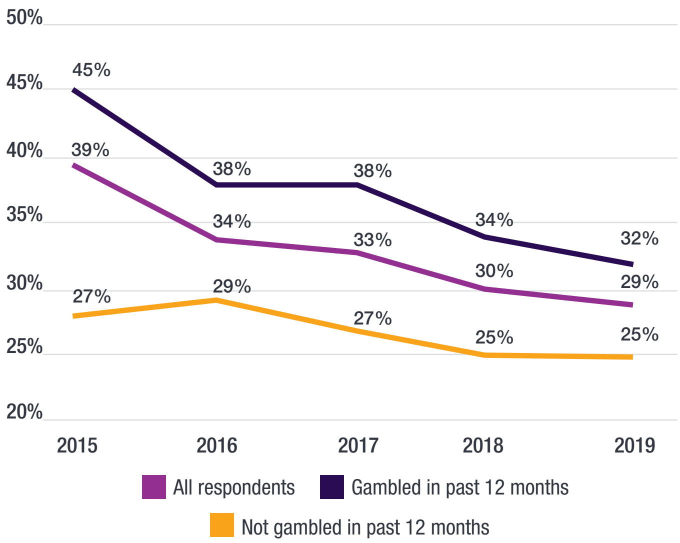
- **155** casinos[1]
- **642** bingo premises[1]
- **7,315** betting shops[1]
- **1,633** licensed arcades[1]
- **185,203** number of gaming machines[1]

* First full year the Commission had direct figures for the extent of online gambling was 2015/16.
GGY data is based on October-September and participation data is based on year to December.

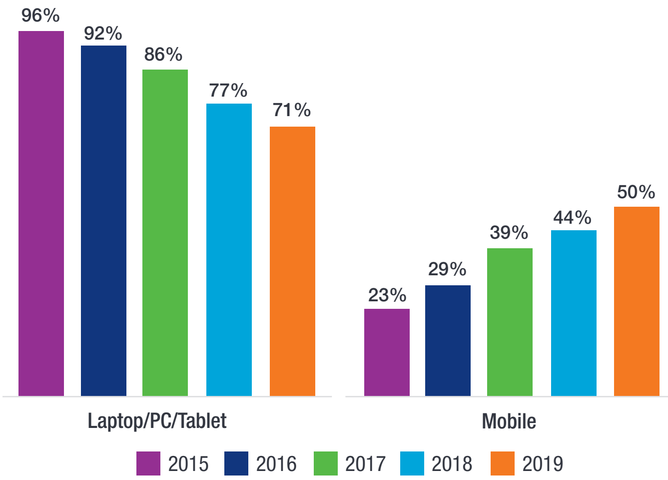
Consumers

- Approximately **24.7 million**[2] adults gambled in 2019 – *up **1%** since December 2018*
- Approximately **11 million**[2] had gambled online – *up **3%** since December 2018*
- **50%**[2] of online gamblers use their mobile to gamble – *up **6%** since December 2018*

Graph C) Consumer trust in gambling[2]



Graph D) Device used for online gambling in the past four weeks[2]



- **3 million** had bet on football[2] – *stable since December 2018*
- **21%** of online gamblers have bet in play[2] – *down **2%** since December 2018*
- **5%** of gamblers have self excluded[2]
- Approximately **340,000** adults are problem gamblers[3]
- **1.2 million** adults are at a low risk of problem gambling[3]
- **550,000** adults are classed as a moderate risk[3]

National Lottery

- **£1.79 billion** raised for good causes last year
- **£42 billion** raised for good causes since 1994
- Approximately **15.5 million** reported buying a National Lottery ticket in the past four weeks[2]

THE NATIONAL LOTTERY®

Sources: 1. Industry statistics October 2018-September 2019. Published in May 2020
2. Gambling participation in 2019: behaviour, awareness and attitudes – (February 2020).
3. Gambling Behaviour in Great Britain in 2016 Report – (September 2018)
Increases and decreases shown from Sources 1 and 2 are based on percentage point changes.

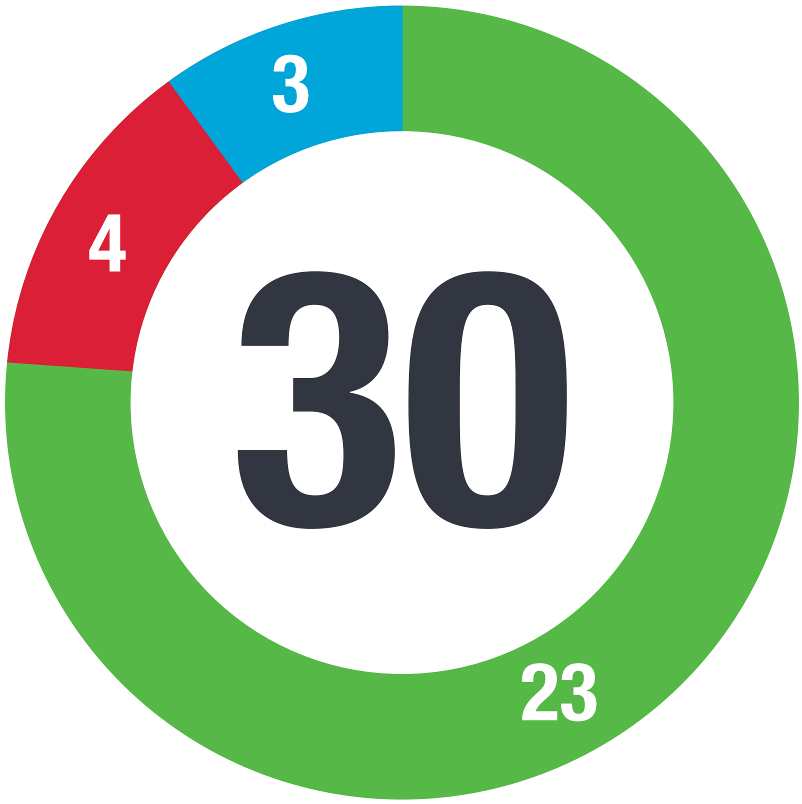
A year in review – delivery of our corporate business plan

In this section we reflect on the work we have done in the second year of our three-year Corporate Strategy to ensure strong regulation, while protecting consumers from gambling harm. As set out in our corporate business plan, our five key focus areas are:

- Protect the interests of consumers
- Raise standards in the gambling market
- Prevent harm to consumers and the public
- Improve the way we regulate
- Optimise returns to good causes from lotteries

Summary of achievements – 2019-20 corporate business plan milestones

- **30** milestones were due
- **23** milestones were achieved
- **4** were rescheduled and will be delivered during 2020-21
- **3** milestones were superseded



Our 2019-20 Business Plan, which details our milestones, is available through our website at **www.gamblingcommission.gov.uk/PDF/Business-plan-2019-2020.pdf**. Other milestones and significant achievements are detailed on pages 19-23.

Protect the interests of consumers

Consumers continue to be at the heart of our regulatory approach and as gambling behaviour changes we work hard to stay on top of emerging trends to make sure our work is focused in the right areas.

This year we have continued to implement the recommendations from our review of online gambling in 2018. This year following a consultation, we introduced a ban on the use of credit cards for gambling and working with our partners, continued to further strengthen protections in relation to unfair practices, complaints and disputes, customer interaction and online age and identity verification.

On 1 April, the day of the introduction of the **£2** stake cut on Fixed Odds Betting Terminals, we stepped in to remind operators of their responsibilities in keeping consumers safe following the introduction of products which went outside the rules. The stake cut has, in turn, played a role in the rise of certain types of online gambling over the past 12 months.

This year our key activities in this area were:

- A ban on credit cards for online gambling was introduced on 14 April and we continue to monitor and evaluate the ban, watching closely for any unintended circumstances for consumers.
- Following a consultation, we improved alternative dispute resolution standards by requiring operators to use only providers who meet our additional standards.
- Our Consumer Contact Centre is the main point of contact for consumers and the public. During 2019, the team received **10,000** complaints about operators which helped support and inform our regulatory approach.
- We commissioned a piece of consumer research to understand how we can best inform consumer decision-making and assist harm prevention.
- Along with guidance, we wrote to online operators upon the outbreak of the Covid-19 crisis reminding them of their responsibilities to their customers with millions of people having to observe social distancing rules.
- Through our research and insight we constantly analyse data, markets, products and trends. These insights allow us to look at the risks and opportunities in the industry which inform our work. This year has included the growth in online gambling and consumers' move to mobile.

A year in review – delivery of our corporate business plan continued

Prevent harm to consumers and the public

Minimising and preventing gambling harms is a core focus and we are continuing to use our full range of powers, alongside effective partnership working, to enhance the protections that exist for consumers.

Launched in April 2019, the three-year National Strategy to Reduce Gambling Harms sets a clear roadmap for how the Gambling Commission and others can take joined up action to better protect consumers. The strategy has already resulted in a variety of positive actions which includes the launch of a Commission on Crime and Problem Gambling by the Howard League for Penal Reform, while the expansion of national NHS gambling clinics was also positive step forward.

Our regulatory activity was focussed on three areas during the past year – building preventive measures to protect vulnerable consumers, increasing the support for those who may be experiencing harm, and taking action against those gambling operators that were not meeting their obligations to protect their consumers. We continue to use regulation to raise standards and expectations on how the gambling industry should seek to prevent and reduce gambling harms.

Our key activities in this area were:

- We collaborated with partners to launch the new National Strategy to Reduce Gambling Harms, engaging with stakeholders from across the industry and other partners from the regulatory, public health and business sectors. Events were also held in Cardiff and Edinburgh to launch the strategy.
- We ensured the successful delivery of the National Strategy to Reduce Gambling Harms by publishing and updating an approved list of RET recipients.
- We published an implementation plan actions map to support coordination for the effective delivery of action under the new Strategy.
- We contributed to groups across England, Scotland and Wales to coordinate action to reduce gambling harms – in England this is through the government-led Research, Education and Treatment Steering Group, and in Scotland and Wales this is through Strategy Implementation Groups which include a range of public health and statutory partners.
- We strengthened requirements for operators to interact with consumers at risk of harm.
- We assessed industry progress on the development of games designs – determining where regulatory intervention was required.
- We set the industry challenges to focus on making rapid progress on key areas of risk: safer games design, use of VIP incentives and the use of advertising technology.
- Through the safer games design challenge the industry committed to some changes to make products safer including minimum spin speed on casino games and the removal of game features which encourage intense play. We assessed industry progress and determined that more work was needed to be done to make progress and work began to consult on changes to the LCCP. The Advertising Technology challenge aimed to reduce the amount of online advertising seen by children, young people and vulnerable adults. This led to progress including a common list of negative search terms; better use of customer data and an industry code of conduct.
- Through the collaborative work on the VIP incentives challenge an industry group was established to develop an industry code which addressed poor practices around the management and incentivisation of high value and high spending customers. The industry's voluntary code will form the basis of proposals for a public consultation to mandate measures controlling the management and incentivisation of high value customers for all licensees.
- We approved the Gamstop scheme – making it a requirement for all online operators to be signed up to Gamstop by 31 March, and supported via approval of regulatory settlements, a number of key projects to trial effective pathways and delivery of community support and treatment.
- We began a trial for a data repository through the 'Patterns of Play' workstream which is helping to further understand consumer trends and behaviours.
- We supported research and dissemination by key partners, including by Gambling Research Exchange, which now makes available a website, e-newsletter and a number of tools for evidence exchange to ensure research leads to action.
- We partnered with Twitter to publish a guide for consumers on how to limit their exposure to gambling content.
- We undertook proactive compliance work to crackdown on Google Ads for gambling being served to vulnerable consumers searching for advice on how to gamble safely and how to self-exclude online.
- We worked closely with CAP and the ASA to review the findings of an interim report on the effects of gambling advertising on children, young people and vulnerable adults, and to identify and take forward actions. Formal engagement is ongoing.

Raise standards in the gambling market

Our role is to ensure that standards are constantly being raised across the industry to protect consumers. We do this through a variety of ways – through our day to day licensing work, targeted compliance activity, and where we see standards not being met, using our enforcement powers. This year we have seen changes in the way that we engage the industry on key priority topics. We have taken a collaborative approach to bringing operators together to work on finding solutions for issues such as customer interaction and creating a Single Customer View. Through our engagement with the industry and its most senior leaders, we have been actively promoting a tone from the top of organisations to lead a culture of compliance and commitment by doing the right thing for consumers.

We have been clear about our expectations of the industry and where we need to see improvement, we are committed to supporting them in raising standards. Where we find operators standards are failing consumers, we will continue to take tough action.

Our key activities in this area were:

- We undertook an extensive programme of compliance activity including; completing **101** full assessments of **90** operators; **55** of these were of online operators and **35** were of land-based operators. Additionally, we completed **257** targeted assessments of **185** operators; **110** of these were of online operators and **75** were of land-based operators. We also carried out **33** website reviews, **234** security audits and reviewed **61** personal licences as part of our regulatory work.
- We have seen a growth in our enforcement activity against land and online based operators and personal licence holders. We have continued to hold operators to account for failings around anti-money laundering, social responsibility controls and customer interaction issues. Our casework led to the suspensions of **seven** online operators and **11** licence revocations. **12** operators received financial penalty packages or made regulatory settlements.
- In 2019-20, our intelligence team, who provide a confidential ear to the industry and the public, as well as being our main gateway to partner agencies such as the National Crime Agency, international law enforcement organisations, and sports governing bodies, generated **3,239** intelligence reports, relating to a number of issues including social media lotteries, unlicensed remote operators and money laundering. **92** Incident Referral Forms (IRFs) were submitted by the unit to Incident Management Group (IMG) for consideration.
- Our Sports Betting Intelligence Unit received **635** reports which included issues such as suspicious betting activity, sports rules breaches, misuse of inside information, Gambling Act offences or other criminality. Football and tennis continue to be the source for the majority of these calls and reports.
- We have continued to work to shut down illegal gambling, working closely with law enforcement agencies, the UK Cyber Centre and consumers to gather intelligence and take action against black market gambling.
- We have assessed the ongoing suitability of our licensees by using a variety of tools, such as regulatory data and interaction with stakeholders. In the past year we have processed **236** operator licence applications, with **2,056** individuals applying for a personal licence.
- Through a variety of interactive events and publications we delivered a best practice programme for the industry, this included an event around forming a Single Customer View.
- We published our second annual enforcement report which outlined case work during 2018-19. The document also provided lessons learned from our investigations for industry to use as a guide to raise standards within their own businesses. Together with case studies, the report provided guidance on anti-money laundering, customer interaction, self-exclusion, unfair terms and practices, and marketing and advertising.
- We continued to ensure Boards focused on their responsibilities to be tested via corporate evaluations and assurance statements.
- Through initiatives such as Know Your Customer we continued to develop operator and sector oversight to intensify actions.
- We supported the UK Government in developing the role of the Regulatory Supervisor for Money Laundering.
- With recommendations, we published the 2019 Money Laundering Risk Assessment document.
- We continue to implement changes to the Licence Conditions and Codes of Practice to raise operator standards in identifying and addressing gambling harms.
- Through our internal initiative ‘Hot Shoes’, several staff from the Commission spent valuable time with operators and other industry partners to learn more about their work and their approaches which will help our future regulation.

A year in review – delivery of our corporate business plan continued

Optimise returns to good causes from lotteries

Lotteries, including the National Lottery, make significant contributions to society and generate important funds for good causes – with **£42 billion** raised by the National Lottery since its launch in 1994. Those good causes include funding sports, arts, heritage and community projects.

The National Lottery has made a difference to the lives of millions and continues its positive impact on society. The Commission's role is to ensure it is run with propriety whilst protecting the interests of every player and making sure funds are maximised for good causes. The National Lottery celebrated its 25th birthday in November 2019 and a series of high-profile events took place all over the country which told the story of its success. This year our major priority has been to design and prepare to launch a fair and open competition for the next licence. The competition will launch in 2020 and the next licence will begin in 2023.

Our key activities in this area were:

- We approved joint marketing investment proposals between the Operator and good causes for Lotto, EuroMillions, Set for Life and the National Lottery Brand. Performance of existing marketing investment proposals indicate that these decisions stand to significantly benefit good causes during the 2020/21 financial year.
- We continued to focus on players' interests, undertaking a review of our approach to regulating scratchcards which led to the Operator removing a product associated with problem gambling from the market.
- As part of the National Lottery family we played a role on both the steering group and the working group in creating a national campaign to celebrate the National Lottery's success and shine a light on its contribution to society.
- The benefits continued to be felt from our response last year to the current Operator's strategy to increase money raised for good causes – where following high levels of scrutiny three significant proposals and a number of minor proposals from the Operator were approved, including game changes to EuroMillions and Lotto.
- Returns to good causes finished the financial year at **£1.79 billion**. It has been a strong year, partly as a result of jackpot rollovers seen on EuroMillions. The Set for Life game is also performing well.
- In response to Government plans, we launched a consultation on measures to amend prize and ticket sales limits for Society Lotteries, as well as enabling consumers to make better informed decisions about whether to gamble.
- We built engagement and excitement through special briefings on the competition for the next National Lottery Licence – engaging with a range of organisations including technology providers.
- We have carried out and concluded a series of market engagement interactions which has informed the development of the next National Lottery Licence and competition.
- As part of the series of interactions we made available to the market the draft licence and the draft invitation to apply for the next National Lottery competition; a part of the crucial development phase.
- We have addressed the feedback from the market and will launch the next licence competition later this year.

Improve the way we regulate

Our risk and evidence-based approach to regulation continues to ensure high standards are maintained and play a role in setting the direction for others in the industry to follow as we work to ensure the industry is safe, fair, free from crime and free from the risks of money laundering.

We continue to monitor and review our performance as a regulator with innovation and technology constantly evolving. In the past year our administrative and licensing procedures were made more efficient and digitally accessible for the thousands of people who use those services.

This year our key activities in this area were:

- We introduced a number of new online services, including manage and maintain a personal licence, GOV.pay and GOV.notify.
- With new online accessibility legislation soon to come into force, we have continued to improve our website and microsites to ensure they are redesigned and restructured ahead of the deadline in September 2020.
- We continued to improve and consolidate our software and hardware estate, moving further towards an entirely cloud based infrastructure, reducing costs and improving resilience.
- We have refreshed our People Strategy, setting out our aspirations and objectives to ensure that the Gambling Commission is a great place to work and develop.
- We consulted further with stakeholders on how we collect, check and use operator data. The proposals for change reflected our continued focus on consumers and social responsibility, and sought to reduce the amount information we require operators to provide to us.
- We conducted our annual fees health check which led us to conclude that changes to our fees are necessary. Our fees are set by the Secretary of State so we have started to develop proposals for discussion with DCMS.
- We introduced a user research programme, to work alongside our users and improve our digital services and websites.
- We welcomed the National Audit Office (NAO) review of gambling regulation which reported at the end of February 2020. We continue to work with the NAO and other stakeholders to take forward the recommendations.
- We undertook a comprehensive Board effectiveness review which evaluated the performance of the Board, its committees, the chair and the Executive Directors. The review was positive overall and did not find any significant issues but did make some suggestions to improve in a few areas.

Financial review

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 in accordance with FReM).

Income

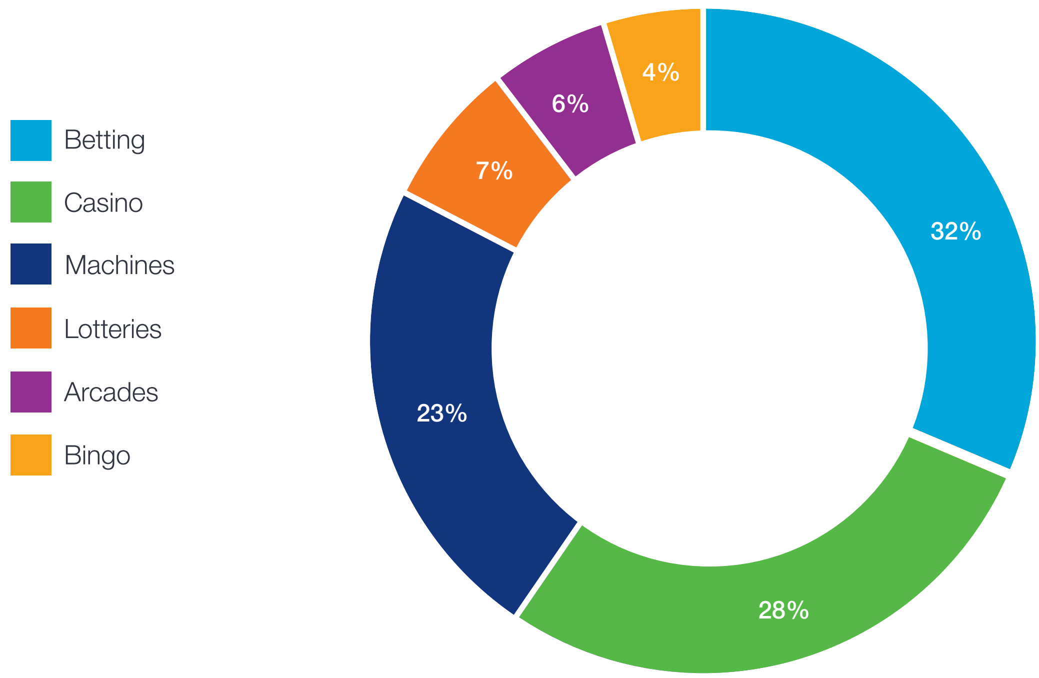
Our total income from fees and other sources was **£19.90m** for the year (**£18.99m** for 2018-19). This figure does not include the **£17.020m** (2018-19 **£6.7m**) of grant-in-aid funding in respect of the National Lottery functions which is transferred directly to reserves. Within the 2018-19 figure, the Commission received **£0.16m** in relation to preparatory work undertaken for the proposed transfer of the horserace betting levy from the Horserace Betting Levy Board (HBLB) to the Commission which did not subsequently take place. This funding came from HBLB Levy.

Our fee income for the year was made up of the following:-

- Operator application fee income was **£1.02m** (2018-19: **£0.74m**);
- Fees for personal licences **£0.92m** (2018-19 **£0.75m**);
- Operator annual licence fees **£17.71m** (2018-19 **£16.98m**);
- Miscellaneous income of **£0.25m** (2018-19 **£0.53m**). This was mainly attributable to contributions to compliance and enforcement costs received from operators.

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

Annual operator fee income by sector 2019-20



Expenditure

During the year, total expenditure on operational costs including depreciation was **£37.45 million** (2018-19: **£27.58 million**), an increase of **£9.87 million** on the prior financial year (**36%**).

Expenditure on gambling regulation totalled **£21.20 million** (2018-19: **£20.52 million**) National Lottery functions accounted for **£16.26 million** (2018-19 **£6.89 million**). This included **£13.29 million** on the National Lottery 4th Licence competition. This is a significant increase over 2018-19 (**£9.21 million**), as the competition has completed the market engagement stage in-year and has started the Invitation to Award (ITA) stage.

Employee costs for the year were **£19.49 million** (2018-19 **£17.46 million**), an increase of **£2.03 million**. Employee costs for gambling regulation were **£14.31 million** (2018-19: **£13.72 million**) and National Lottery regulation **£5.18 million** (2018-19: **£3.65 million**). Of this, **£2.83 million** related to the National Lottery 4th Licence competition (2018-19 **£1.60 million**). Employee costs for Horserace Betting Levy activity was **nil** (**£0.29 million** in 2018-19), funded entirely by levy funds.

For comparative purposes, the table below shows year-on-year operational expenditure comparison for gambling and National Lottery regulation expenditure, and the costs of Horserace Betting Levy activity which was funded by the Horserace Betting Levy and ceased in 2018-19.

	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	**2019-20 £m**
National Lottery regulation	5.00**	2.80**	2.20*	2.50***	2.70	2.67	2.98	2.81	**2.97**
National Lottery competition	–	–	–	–	–	0.20	0.64	4.08	**13.29**
Gambling regulation	13.30	13.80	14.40	15.80****	16.90****	18.01	19.53	20.54	**21.20**
Horserace Betting Levy activity	–	–	–	–	–	–	0.04	0.16	**–**
Total costs of operation	18.30**	16.60**	16.60*	18.30***	19.60	20.88	23.19	27.58	**37.45**

* of which **£0.55 million** was incurred by the National Lottery Commission prior to the merger.
** expenditure incurred by the NLC prior to the merger.
*** includes one-off redundancy costs of **£0.2 million** following the merger.
**** Under the Gambling (Licensing and Advertising) Act 2014, we began regulating online gambling provided to the UK by operators based overseas. This widened remit had an impact on both the Commission's fee income and expenditure from November 2014.

Financial review continued

Net expenditure for the year

During the year, the regulation of gambling under the 2005 Gambling Act, as amended and updated by the Gambling (Licensing and Advertising) Act 2014 produced an income and expenditure deficit of **£0.597 million***. The deficit for the year was budgeted under the Commission's medium-term financial plan using reserves created from the fee income collected in prior years as a result of the continuing expansion of the gambling industry, particularly within the remote sector. The Commission sought to address this by achieving a deficit in 2019-20 through expenditure exceeding licence fee income. Expenditure on the Commission's regulatory activity, particularly in relation to technological developments, is increasing and together with the reduction in licence fees that came into effect from 6 April 2017, this resulted in the planned deficit for the year. The total income and expenditure deficit arising for the year is **£17.62 million**, including regulating the National Lottery. This deficit is due to the requirement to transfer grant-in-aid funding in respect of National Lottery regulation direct to reserves and not being included as income.

Statement of financial position

At 31 March 2020 the book value of non-current assets was **£6.57 million*** (2018-19: **£1.54 million**). Assets less liabilities at 31 March 2020 amounted to **£3.97 million*** (2018-19: **£4.56 million**). The year-end closing cash balance at 31 March 2020 was **£16.61 million** (2018-19: **£25.76 million**). The cash balance reaches its peak between August and November 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 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 2020, **74%** (target **95%**, 2018-19: **85%**) of invoices totalling **£18.15 million** were paid within 30 days of receipt.

* Due to the impact of adopting IFRS 16 during 2019-20 and the decision of not to exercise the break clause of the Victoria Square house building lease In 2021 (note 16), the lease will continue for an additional 5 years, resulting in increased expenditure in year of £0.236 million.

Sustainability report

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

Corporate Responsibility

As part of our commitment to corporate responsibility the Commission seeks to have a positive role in the lives of our employees and our community. We do so by:

- Being a responsible employer (see Staff Report).
- Reviewing and minimising our impact on the environment (see Sustainability Report).
- Supporting our local community through our relationship with LoveBrum.
- Ensuring we maintain robust anti-corruption and anti-bribery policies.

Greenhouse gas (GHG) emissions

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

- 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	2019-20 tonnes CO_2e	2018-19 tonnes CO_2e
Total Gross Emissions for Scopes 1 & 2 (procured electricity, gas and fleet vehicles incl pool cars)	**99.69**	78.21
Gross emissions attributable to Scope 3 (indirect emissions and official business travel)	**96.00**	147.72
Related energy consumption	**thousand kWh**	thousand kWh
Electricity*	**291.83**	231.20
Gas	**21.94**	23.08
Financial indicators	**£'000s**	£'000s
Expenditure on energy	**28.99**	36.18
Expenditure on accredited offsets	**–**	–
Expenditure on official business travel	**293.67**	416.93

* The Commission recognises that there has been a significant increase in utilities consumption during FY 2019-2020 in comparison to FY 2018-2019. This is due to an isolated, unexplained spike in electricity usage for the period May 2019.

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.

Sustainability report continued

Non-financial indicators	2019-20 tonnes	2018-19 tonnes
Total waste arising	**22.56**	25.31
▶ Hazardous waste	**–**	–
▶ Non-hazardous waste		
▶ Landfill	**–**	–
▶ Reused/recycled	**19.81**	21.01
▶ Waste composted	**–**	–
▶ Incinerated with energy recovery	**2.75**	4.30
▶ Incinerated without energy recovery	**–**	–

Use of finite resources

This category is broken down into use of water, energy and other finite resources. Water sources are classified by:

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

Non-financial indicators	2019-20 m^3	2018-19 m^3
Water consumption (office estate), Scope 2		
▶ Supplied	**13,547.00**	2,279.00
▶ Per FTE	**38.38**	7.20
Financial indicators	**£'000s**	£'000s
Water supply costs (office estate)	**–**	–
Water supply costs (non-office estate)	**–**	–

Sustainable procurement

Many of the Commission's contracts are awarded through pan government frameworks operated by 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 DEFRA2 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 a whole life costs basis
- Performance can be monitored throughout the life of the contract.

The use of small and medium sized enterprises (SMEs) for supply of goods and services across the Commission exceeds the Government's **25%** target. During 2019-20, **30%** of our procurement expenditure was sourced from SMEs (**41%** 2018-19).

NMcArthur

Neil McArthur
Chief Executive and Accounting Officer
Gambling Commission
9 November 2020

William Moyes

William Moyes
Chairman
Gambling Commission
9 November 2020

Accountability report

Accountability report

Corporate governance report

Directors' report, Board of Commissioners

Bill Moyes
(Chairman)

Dr William (Bill) Moyes' career has spanned the public and private sectors, including leadership roles at five national regulators. Having completed a PhD in theoretical chemistry at the University of Edinburgh, Bill entered the UK Civil Service Fast Stream in 1974 and spent 20 years in policy-making roles in Whitehall and the Scottish Office.

Bill is also the Chairman of the General Dental Council, which regulates dental professionals to secure the delivery of high standards of education, training and professional practice to protect the public.

Bill has held positions in banking – funding the construction of hospitals, a period as director general at the British Retail Consortium and executive chair at Monitor, the independent regulator of NHS Foundation Trusts. Previous board appointments include the Priory Hospital Group, the Legal Services Board and the Office of Fair Trading.

Bill has extensive experience of organisational leadership at board and senior executive level in the regulation of industries and professional groups.

John Baillie
(Interim Chair of Audit and Risk Committee)

John Baillie is a chartered accountant and former partner of KPMG in Scotland and London. He is a former chair of the Scottish local authority watchdog and the Accounts Commission for Scotland. He was also a member of the reporting panel of the Competition and Markets Authority for nine years.

John has held various roles in Scottish universities, including visiting professor of accountancy at the University of Edinburgh, and the Johnstone Smith Chair of Accountancy at the University of Glasgow.

Carol Brady MBE
(Commissioner)

Carol Brady is a former senior ombudsman for legal complaints and chair of the Chartered Trading Standards Institute (CTSI) and is currently managing director of a consumer protection consultancy. She is also an independent advisory member at the Commission for Local Administration in England (Local Government and Social Care Ombudsman) and non-executive chair at the claims management regulation unit at the Ministry of Justice.

Carol was awarded an MBE in June 2016 in recognition of her services to consumers and better regulation. She is a fellow of the CTSI, an honour bestowed on her by her peers in 2009 for her contribution to the profession. She began her career with trading standards and has worked in the former Department for Trade and Industry to set up the Consumer Direct helpline.

Stephen Cohen
(Chair of National Lottery Competition Committee)

Stephen has over 40 years' experience in asset management, in Asia, Europe and the USA. He started his career with Mercury Asset Management and worked both as a portfolio manager and in business development. Stephen is also on the board of the Health & Care Professions Council, a healthcare regulator, and is Chair of Audit for both the JPMorgan Japan Investment Trust plc and the Schroder UK Public Private Trust plc. Stephen brings a global business perspective, deep experience of finance and financial services regulation, corporate governance, as well as board engagement, activism and fintech.

Trevor Pearce CBE QPM
(Chair of National Lottery Committee and Remuneration Committee)

Trevor Pearce has had a 40-year career in law enforcement. Starting at Kent County Constabulary, he moved to national agencies becoming director general at both the National Crime Squad and Serious Organised Crime Agency.

More recently, Trevor has focussed on regulatory roles and risk management. He is chair of UK Anti-Doping and trustee of Canterbury Oast Trust, a charity providing residential services to adults with learning difficulties. He is also trustee of Stop the Traffik, a charity working to prevent human trafficking. Trevor brings experience of running large complex organisations, dealing with international serious and organised crime, anti-money laundering, integrity and anti-corruption.

Directors' report, Board of Commissioners continued

Jonathan Scott

(Commissioner)

Jonathan Scott was senior partner and chair of Herbert Smith Freehills, a leading global law firm. He has extensive experience of competition law including the gambling sector, having advised on governance, regulation and mergers within the industry.

He is a non-executive director of the Competition and Markets Authority, a member of the Press and Assessment Board at Cambridge University and is a trustee of two charities.

Jonathan left his role as a Commissioner on 30 April 2020.

Catharine Seddon

(Senior Independent Director)

Catharine Seddon was previously a documentary film maker for BBC TV before becoming an independent producer for Channel 4.

Her current national public appointments include the determinations panel at the Pensions Regulator and the Legal Services Board where she chairs the Audit and Risk Assurance Committee. She served eight years at the Human Tissue Authority and sat on appeals for the Human Fertilisation and Embryology Authority and is also a trustee of the CPotential Trust.

Simone Pennie

(Commissioner – appointment ended 31 May 2019)

Simone Pennie qualified as a chartered accountant in 1991 and spent 18 months with KPMG in Toronto before joining P&O Nedlloyd in 1994. She subsequently joined BBC worldwide in 1996 and was appointed finance director of BBC World News in 2005.

Since 2011 Simone has maintained a portfolio career including positions as chair of the audit committee and non-executive director for Wye Valley NHS Trust, independent risk and audit committee member for Ofcom, governor for Westonbirt Schools and independent member of the inaugural audit and assurance board for the National Police Chiefs' Council. Simone is finance director at Kyloe Partners, a global software company servicing the recruitment sector. Simone left her role as a Commissioner on 31 May 2019.

Alison Hastings

(Commissioner – appointment ended 30 August 2019)

Alison Hastings is vice chair at Clatterbridge Cancer Centre and a non-executive director at Motability Operations and Archant, a privately owned media company.

Alison is also a board member at Durham University and the Press Association Trust. She has previously held positions as vice president at the British Board of Film Classification, the BBC trustee for England and a Press Complaints Commissioner. Alison left her role as a Commissioner on 30 August 2019.

Sarika Patel

(Commissioner – appointment ended 25 November 2019)

Sarika is a business leader with over 30 years' public and private sector experience in finance and strategic management. A chartered accountant and law graduate, Sarika started her career at Price Waterhouse and after moving through a variety of senior positions in the public sector, became Director of Innovation at the London Development Agency. She has also held a variety of senior leadership and advisory roles in the UK and mainland Europe within businesses including Grant Thornton, MW Corporation and private equity firm Zeus Caps. With a varied non-executive portfolio, Sarika is currently chair of the charity Action for Children and chairs the Audit, Risk and Assurance Committee at the Office for Nuclear Regulation. Sarika left her role as a Commissioner on 25 November 2019.

New Commissioner appointments

Commencing from 30 April 2020, Terry Babbs, Brian Bannister and Jo Hill were appointed by the Secretary of State for Digital, Culture, Media and Sport as Commissioners for five years. Their biographies are available on the Gambling Commission website and will be included in our 2020/21 Annual Report and Accounts.

Directors’ report, Board of Commissioners continued

Register of disclosable interests

Board members completed their annual declarations of interest and 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 that may have conflicted with their management responsibilities.

Directors’ disclosure

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

Fees and charges

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

Current application and licence fees range from **£195** to **£494,856** dependent on operator size and licence type. The Commisssion’s total income from fees and other sources was **£19.90 million** for the year (2018-19: **£18.99 million**). Further analysis of fees and charges is provided in the performance analysis section.

Neil McArthur
Chief Executive and Accounting Officer
Gambling Commission
9 November 2020

William Moyes
Chairman
Gambling Commission
9 November 2020

Statement of the Commission and Accounting Officer's responsibilities

Under the Act, the Secretary of State for Digital, 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 accrual 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 Commission and Accounting Officer are 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 Digital, 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
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Accounting Officer of DCMS has designated me as the Commission's Chief Executive Officer 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 Managing Public Money published by the HM Treasury.

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

Neil McArthur
Chief Executive and Accounting Officer
Gambling Commission
9 November 2020

Governance Statement for the year ended 31 March 2020

I became accounting officer on 28 February 2018, having joined the Commission in October 2006. This statement describes how I have carried out these duties and the key features of the governance structure that supported us in the financial year 2019-20.

The Gambling Commission Board

The Board has complied with government guidance for corporate governance in arms-length bodies. The appointments of three Commissioners came to an end during the year. There was a process during the year to recruit with the new Commissioners expected to be in place by the beginning of the 2020/21. In spite of the reduced numbers, the quorum was maintained and Committees remained operational.

New Commissioners go through an extensive programme of induction and training to ensure a solid foundation of knowledge about consumer issues in gambling, and the operating environment and diversity of the sector. We also work closely with DCMS to ensure careful management of recruitment of new Commissioners, so that at all times the board has sufficient experience and expertise.

Governance framework

The board of commissioners, led by the chair, Bill Moyes, oversees the business of the Commission. The day-to-day activity of the Commission is managed by the leadership team, led by me as chief executive and accounting officer.

Commissioners are responsible for the strategic direction of the organisation and oversee delivery of the Commission's business plan. Commissioners also retain direct responsibility for some regulatory decisions, such as complex licence applications.

The Commission monitors its performance using an outcome-based framework built around its statutory duties and business plan. Performance against these outcomes is monitored by the board on a regular basis, with updates being provided by the Executive team on the Commission's performance covering operational management and delivery and a range of strategic measures on at least a quarterly basis.

The accounting officer has personal responsibility for stewardship of the organisation's resources, consistent with the duties and requirements set out in Managing Public Money.

The executive has overall accountability for delivery of the Commission's strategic objectives. It is supported by the Finance and Performance Group, a group of programme directors and heads of functions, which monitors progress and resourcing in business plan delivery.

The Commission also reports on performance to DCMS, sharing the data and information set out in the management agreement.

The Commission's governance structure

Regulatory Panel

Delegated authorities

Determines final result of cases in relation to licensing and enforcement decisions where an escalation is sought by Commission officials or the licensee.

Advisory Groups

Advisory Board for Safer Gambling (ABSG)

Digital Advisory Panel

Expert Advisory Group for the National Lottery Licence Competition Team.

Board of Commissioners

National Lottery Committee

Delegated authorities

Supports the Board and Accounting Officer in their respective responsibilities for:

- monitoring and oversight of the NL operator and its performance
- proposals for any regulatory action
- consideration of applications for consent for new ancillary activity
- budgetary requirements

National Lottery Competition Committee

Delegated authorities

Supports the Board and Accounting Officer in their respective responsibilities for:

- reviewing and approving the strategy, business plan and budget for the Competition
- agreeing associated project and business objectives
- monitoring the delivery of activities in accordance with the agreed business plan
- reviewing associated risks, controls, delegations, governance and processes.

Remuneration Committee

Delegated authorities

Supports the Board and Accounting Officer in their respective responsibilities for:

- confirming a strategic direction for appraisal and remuneration of the Chief Executive
- reviewing the performance and remuneration proposed for senior management
- recruitment (as required) of the Chief Executive.

Delegation

Accountability

Chief Executive

Audit and Risk Committee

Delegated authorities

Supports the Board and Accounting Officer in their respective responsibilities for:

- control and governance
- risk management
- associated assurance.

Acts in an advisory role to the Board and Accounting Officer on appropriate internal control and governance arrangements.

The committee has the delegated authority to:

- appoint internal auditors. The NAO are external auditors based on statute.
- recommend the Annual Report and Accounts to Board for approval.

Assurance

External Audit

Internal Audit

Management, Governance and Assurance

Committees and Boards Executive Group

Finance and Performance Group
Strategy Coordination Group
Issue Management Group
Case Management Group
Policy Management Group

Policies

Code of conduct for Commissioners
Employee code of conduct
Delegated authority policy
Information security policy
Health and safety policy
Data protection policy

Key standards and procedures

The Strategy
Business plan
Risk management framework
Management statement and memorandum (with DCMS)
Statement of principles
Bribery Act
HM Treasury financial reporting manual
Managing public money

Board performance

The Board

The Board met formally ten times during the year. It monitors and receives regular reports from its Audit and Risk, Remuneration, National Lottery and National Lottery Competition Committees.

Meeting attendance by commissioners is given below:

Based on the number of meetings each commissioner was eligible to attend as a member of the relevant committee:

Commissioner	Board	Audit and Risk Committee	Remuneration Committee	National Lottery Committee	National Lottery Competition Committee
Bill Moyes *(Chairman)*	10/10	N/A	N/A	N/A	N/A
John Baillie[1] *(Interim Chair of Audit and Risk Committee)*	10/10	2/4	N/A	N/A	9/10
Carol Brady MBE	8/10	N/A	2/2	N/A	9/10
Stephen Cohen *(Chair of National Lottery Competition Committee)*	10/10	N/A	N/A	N/A	10/10
Alison Hastings[2]	3/3	N/A	1/1	3/3	N/A
Sarika Patel[3]	5/6	3/3	N/A	N/A	N/A
Trevor Pearce[4] CBE QPM *(Chair of National Lottery Committee and Remuneration Committee)*	10/10	N/A	1/1	7/7	N/A
Simone Pennie[5]	1/1	1/1	N/A	2/2	N/A
Jonathan Scott	10/10	N/A	N/A	7/7	N/A
Catharine Seddon *(Senior Independent Director)*	9/10	4/4	N/A	N/A	10/10
Number of meetings in year	10	4	2	7	10

1) Became Interim Chair of Audit and Risk Committee from December 2019. 2) Chair of Remuneration Committee until the end of her appointment on 30 August 2019. 3) Chair of Audit and Risk Committee until the end of her appointment on 25 November 2019 4) Became Chair of Remuneration Committee from September 2019. 5) Appointment ended on 31 May 2019.

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 in the Code of Conduct for Commissioners, which is available on our website.

During the year, a significant amount of time in formal board meetings was focused on monitoring progress against the delivery of the Commission's Corporate Strategy, taking action to protect consumers from harm, and consideration of the policy issues relating to the next National Lottery Licence Competition.

Consistent with good practice, the Board undertook a Board Effectiveness Review. It found the standard of performance was high, but did identify some areas where effectiveness could be improved, centring on the size and scope of Board meetings, and the role and activities of Board members. It also recommended the creation of a Finance and Performance Committee, which will come into effect in 2020-21. An action plan was put in place to address all of the recommendations.

The Board is supported by a number of committees, all of which are outlined on the following pages. Details of the committee members and their attendance can be found in the table above, while the remit and responsibilities of each committee are set out in the Terms of Reference, which are on our website.

Commissioners also spend time outside of board and committee meetings attending events and engaging with stakeholders, as well as providing non-executive advice on strategic projects.

Senior Independent Director

Consistent with the UK Corporate Governance Code and with DCMS guidance, the Board has appointed a Senior Independent Director (SID) from among its current members.

The role of the SID is to provide a Board-level lead for high standards of governance, conduct the appraisal of the Chairman and act as a route to resolve any concerns about the operation of the board. Catharine Seddon was appointed as Senior Independent Director in June 2017.

Audit and Risk Committee

The Audit and Risk Committee supports the Board and the Accounting Officer in their responsibilities by monitoring the integrity of the Commission's annual statutory financial statements, reviewing the Commission's governance, internal control and risk management systems, and by reviewing the internal and external audit services. Audit and Risk Committee are the champions of the Commission's public interest disclosure which can be found on the Commission's website as part of the corporate governance framework. In addition to Commissioners, the Audit and Risk Committee also has an independent member, Chris Andrew, who was appointed on 2 January 2019 following the departure of previous independent member, Ann Harris.

Remuneration

Remuneration Committee

The Remuneration Committee supports the Board and the Chief Executive in their responsibilities for performance management, senior appointment departures and HR policies and practices. It also monitors progress with regards to culture, including the results of (and actions resulting from) annual colleague engagement surveys.

National Lottery Committee

The National Lottery Committee advises the Board and the Chief Executive in relation to the exercise of certain Commission functions under the National Lottery etc. Act 1993. The Committee has decision making powers in a number of areas delegated to it by the Board.

In the last year, the Committee has received a range of proposals from the Operator and approved, or recommended to the board for approval.

A significant part of the Committee's business is engagement with and review of the National Lottery operator's strategy and performance.

National Lottery Competition Committee

The National Lottery Competition Committee advises the Board and the Chief Executive in respect of the National Lottery 4th Licence Competition, and through oversight of the progress of the Competition. The Committee has decision making powers in a number of areas delegated to it by the Board. As well as Commissioners, the Committee also has an independent member, David Rossington who was appointed on 1 August 2018. The Senior Responsible Officer for the Competition, John Tanner, has also been a member of the Committee since November 2019.

Regulatory Panel

The Regulatory Panel determines some licence applications and deals with significant regulatory decisions which may include the revocation of licences. The Regulatory Panel sat on three separate occasions during 2019-20, with each case requiring two or three Commissioners to attend for a full day hearing in addition to substantial preparation and review time. All of these cases came as a result of licence reviews.

Advisory Board for Safer Gambling (ABSG)

The ABSG provides independent advice to the Commission on research, education and treatment programmes needed to support the new National Strategy to Reduce Gambling Harms, along with the associated funding requirements. The ABSG is chaired by Dr Anna van der Gaag CBE.

Board performance continued

Digital Advisory Panel (DAP)

The DAP comprises of six experts from the digital sector, including specialists in networks, social media, retail and logistics. The Panel meets on a bi-monthly basis and provides the Commission with advice on matters regarding technology, digital trends and the implications for the Commission as a regulator. The DAP is chaired by Andy Payne.

Expert Advisory Group (EAG)

Concentrating on the National Lottery, the Expert Advisory Group provides advice and recommendations to the Fourth National Lottery Competition team. Members have expertise in different areas such as procurement, economics, digital and commercial. The EAG is chaired by Professor Paul Grout.

Risk and internal control framework

The Commission's risk and assurance framework accords with Treasury guidance and is designed to manage risk to a reasonable level. It is based on a process designed to identify and prioritise the risks to achieving 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, as a minimum, incorporates priority operational risks. Operational risks are reviewed at the Finance & Performance Group (FPG) meeting monthly.

The FPG agrees risks to be escalated to the Executive Group for ratification and onward submission to the board.

The Board and Executive also identify corporate risks that are likely to impact or change the environment within which the Commission operates, using several methods to ensure sufficient coverage has been achieved. This involves putting in place controls and actions to keep the level of residual risk within an acceptable level. The key risks and the framework are reviewed regularly by the Audit & Risk Committee and the Executive.

Risk management architecture

As an integral element of its risk and assurance 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 measures its tolerance for risk against four distinct areas, each of which will have varying acceptable residual levels of risk:

- operational and policy delivery
- financial and value for money
- compliance – legal and regulatory
- credibility

The Board and Audit and Risk Committee – oversee the arrangements put in place for the risk management function which operates within the Commission. This includes Board risk sessions at least bi-annually with the Audit and Risk Committee reviewing the risk register when required.

Finance and Performance Group (FPG) – coordinates and reports on delivery of the current business plan, and analysis of operational financial, performance and resource data to inform recommendations to Executive for decision.

Executive Group – own and manage risk. The board then reviews corporate risks on a bi-annual 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.

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 sets out how the Board manages its affairs and which matters are delegated to the Chief Executive, or to other employees or committees. This is reviewed periodically, with the most recent changes to the overarching framework being made in May 2017. Specific aspects of this framework have however, been reviewed more recently (and within the last financial year), such as the terms of references for Committee meetings.

The internal audit programme 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 for 2019-20 (PwC) 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, PwC carried out specific reviews on the following subjects:

- External Statistics Reporting
- Information and Data Security
- Governance and Assurance
- Financial Systems – Purchase to Pay & Expenses
- Payroll Systems Transition
- 4th National Lottery Licence Competition
- Operator Compliance Programme.

No fundamental weaknesses were identified in the Commission's control and assurance processes.

Financial Management

Our expenditure continues to be modified to reflect the demands on the Commission arising from changes in the regulatory landscape.

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 larger in-year deficits than currently planned within the medium-term financial plan.

These risks are addressed as part of the budgeting process, through prudent planning and long-term management of reserves. Throughout the year, the risk to the Commission's income and expenditure profile is continually reviewed through close monitoring of actual income and expenditure and forecasts.

The Commission holds reserves as a matter of prudent financial management, principally so that it can fund substantial legal action in furtherance of its regulatory objectives, manage short-term fluctuations in its licensing income, and provide for foreseeable but not yet certain liabilities such as dilapidations. At present the Commission calculates that reserves of **£3.5 million** meet this requirement. Reserves are currently in excess of this amount and plans are in place to reduce these by the end of 2020-21 in order to fund some organisational changes to ensure that we remain fit for purpose. The Commission will take account of the impact of Covid-19 on fee income and will review the adequacy of the reserves policy in the new circumstances. As an arms-length body the Commission does not hold reserve to cover terminal

Board performance continued

liabilities as these would be met by its parent government department.

To ensure we maintain tight control over our expenditure we continually review our procurement arrangements. A central contracts database is in place to ensure that procurement processes are compliant and all contracts are brought in line with central frameworks where applicable.

There have been no reported actual or attempted frauds at the Commission during 2019-20.

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 on accurate, timely and complete information to help safeguard the Commission's professional integrity and improve operational efficiency.

Internal control framework

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

Organisational structure and delegation of authority

The Commission is currently organised into business areas and functions that bring together related operational, project and thematic activity.

Authority to make decisions and authorise expenditure is delegated to the appropriate level of responsibility within each business area.

Policies and procedures

Comprehensive policies and supporting procedures are in place across the Commission at a corporate and operational level. A thorough review of all financial policies was undertaken during 2018-19 to ensure that they remain compliant with Managing Public Money (MPM) and that they reflect best practice. An updated suite of financial policies, reviewed under the MPM project, was in place during the financial year. The appropriateness of Commission policies and procedures is periodically reviewed by internal audit as part of the audit plan.

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 risks and uncertainties to ensure that these can be mitigated where possible. Both of these elements are reviewed and approved by the Board along with progress against the business plan. Financial performance is reported to the Board on a monthly basis. In addition, the Commission also undertakes monthly financial re-forecasts to ensure that financial management of the Commission remains robust. This is reviewed by the Board.

Review and sign-off of actions

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

Public Interest Disclosure Policy

The Commission has a public interest disclosure policy in place for the confidential reporting of unlawful conduct or malpractice. The policy is readily available online for all employees and is available to the public via the website. 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 public interest disclosure policy.

Personal data incidents

There have been no substantive security incidents during 2019-20 (nil during 2018-19).

Effectiveness of internal controls

The Commission's senior management reviews the operational effectiveness of the current internal controls using a Board Assurance Framework. 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, the internal auditors have concluded:

Generally satisfactory with some improvements required

Governance, risk management and control in relation to business critical areas is generally satisfactory, except for the two areas listed below. There are some areas of weakness and non-compliance in the framework of governance, risk management and control which potentially put the achievement of objectives at risk. Some improvements are required across all areas we reviewed to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

The opinion set out above relates to our internal audit plan, except for the following areas

- Financial Systems (Purchase to Pay and Expenses).
- National Lottery 4th Licence (Financial Plans and Forecasts).

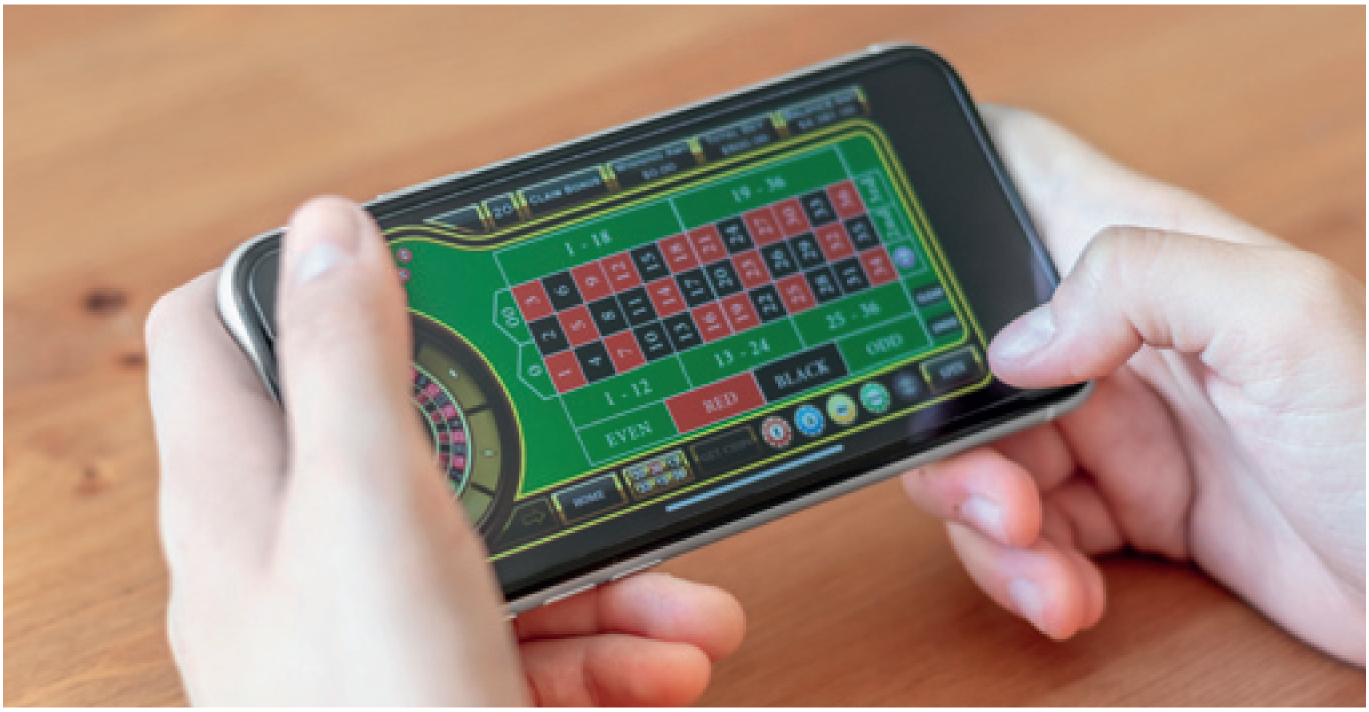
In these two isolated areas, our opinion is as follows:

Major improvements required

There are significant weaknesses and non-compliance within discrete parts of the framework of governance, risk management and control which put the achievement of organisational objectives at risk.

Improvements are required to improve the adequacy and effectiveness of governance, risk management and control.

Following the issue of the internal audit reports on Financial Systems and the National Lottery Competition programme's financial plans and forecasts, we have responded to the high risk findings to the satisfaction of the internal auditors.



Board performance continued

National Audit Office – Gambling Regulation report

In February 2020, the National Audit Office released its report on Gambling Regulation: problem gambling and protecting vulnerable people.

The recommendations and the Commission's response to those recommendations are summarised below:

Recommendations The Commission should:	The Commission's actions
Build on its high-level definition of vulnerability to articulate clearly how it interprets which consumers may be vulnerable under what circumstances, and how its work is intended to address this.	We are continuing to develop our understanding of vulnerability. This builds on the Statement of Principles, references to vulnerability in our corporate strategy and our customer interaction guidance.
Do more to translate its high-level intended consumer outcomes into what they mean in practical terms, to help determine progress in achieving these objectives.	We are developing new metrics that will look at the impact of our work on all three of the licensing objectives with a particular focus on protecting consumers from harm. We are also restructuring our existing governance framework and will be setting up a new Finance and Performance committee to establish a new performance framework and monitor performance against it. This includes the development of sharper KPIs.
Enhance its analytical capability to better identify consumer harm and make greater use of the intelligence it has available.	We are reaching out to regulators that the NAO's review team have recommended as having particularly sophisticated methods of collecting/analysing consumer data. We are keen to explore transferable lessons/practices which could feed into to a wider review of our current approach.
Develop a more strategic approach to influencing gambling operators to raise standards in protecting consumers.	We have undertaken research into the considerations that shape consumer behaviour, which included the extent to which an operator's reputation influenced consumer choice. Whilst the evidence on the benefits of league tables to raise standards is inconclusive, we are looking at comparative info available in other regulated sectors.
Develop a deeper understanding of the causes and impacts of gambling related harm.	The National Strategy to Reduce Gambling Harms, that we led on the development and publication of in 2019, places a strong focus on understanding gambling related harms. We continue to call on partners to work with us on the next steps of this work. Aside from the national strategy we have published two other pieces of work designed to improve understanding around gambling related harm. In 2018 we published our Harms measurement framework, which considers how harms can be measured and understood better. We also published two scoping studies exploring the best approaches to take to measuring harms and setting up a longitudinal study.
Review whether the arrangements for consumers when things go wrong are working effectively.	In 2018 we made changes to the LCCP and published guidance and standards for licensees and ADR providers respectively on complaints handling. This year we intend to research consumers' experiences of making complaints and seeking redress against licensees. The findings of the research will inform next steps.
Review the suitability of the current licence fee model, and what it means for the regulatory approach, to address the challenges identified in this report and ensure that gambling regulation can adapt to changing risks to consumers.	We are developing advice on future fees arrangements for discussion with our Department sponsor (DCMS).

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. The most significant risks facing the Commission as of the end of March 2020 are:

Risks and uncertainties	Existing and Planned Mitigations
Income from fees and grant-in-aid does not cover expenditure.	**Existing** ▶ Project underway to explore the case for a fees review. ▶ Modelling of impact of Covid-19 etc. **Planned** ▶ Develop and implement robust cost saving plans to reduce expenditure. ▶ Proceed with fees review work in conjunction with DCMS to ensure future income streams can meet our expenditure requirements. ▶ Develop the Commission's Medium-Term Financial Plan (MTFP) to ensure future income streams can meet expenditure requirements.
We fail to run a successful and effective competition for the 4th National Lottery licence.	**Existing** ▶ Key engagement with Distributors to keep them up to date with progress and ensure their contributions are included. ▶ Second round of Market Engagement completed. ▶ Draft ITA and Licence made available to potential applicants 2 December 2019. ▶ DCMS Finance uplift agreed, including increase in financial monitoring and controls. ▶ Consolidated programme objectives, ensuring all stakeholders agree them. ▶ OBC 2020-2023 submitted to DCMS on 8 January. **Planned** ▶ Key changes to Licence and ITA will be made available to potential applicants between close of 22/1 market engagement round and competition launch. ▶ Lessons learned work to current end of design phase complete with improvement plans due. ▶ Market engagement to date has taken account of emerging market concerns regarding Covid-19 and the Programme has fed into a DCMS impact assessment. Post-lockdown we are increasing the level of engagement with the market and testing specific impacts on consortium and bid development to inform Board decision making on competition timing.
We fail to manage the transition from the Third to the Fourth licence in a coherent way.	**Existing** ▶ Licensing obligations are currently in place to support an effective handover (for example, asset condition is guaranteed for two years post expiry of the Third Licence). ▶ Appointed dedicated internal leads for the management of the transition risk and associated decisions on technology. ▶ Completed deep dives into specific areas of operations and data (including technology, finance and logistics) and presented relevant data to the market. **Planned** ▶ Establish the technology requirements for transition e.g. Cyber security standards, contract novation, handover, financial costs and maintaining technical performance during handover. ▶ Heads of Terms of Enabling agreement to be shared with market before competition launch. ▶ Heads of Terms of Co-operation agreement to be shared with market before competition launch.

Remuneration and staff report

Remuneration report

This report covers the 12 months ending 31 March 2020 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.

Bill Moyes was appointed as Chairman for a five-year term commencing 5 September 2016. His contract provides for the Chairman to work two 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.

Diversity breakdown for the Board of Commissioners:

Male Board members **71%**

Female Board members **29%**.

Black, Asian and minority ethnic (BAME)
Board members – **0/10** (**0%**)

Board members with a declared disability – **0/10** (**0%**).

Full details of our Commissioners can be found on pages 30-33.

Independent member of Audit and Risk Committee

The Commission appointed Chris Andrew on a three-year contract with effect from 2 January 2019 as an independent member of the Audit and Risk Committee, for which a payment is made. His appointment followed the departure of previous independent member, Ann Harris.

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

Details of all executive directors serving during the year are provided at Appendix 1 from pages 90-93.

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.

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

Directors	2019-20 Salary (in bands of £5k)	2019-20 Bonus Payments (in bands of £5k)	2019-20 Expenses as BiK** (to nearest £100)	2019-20 Pension Benefits (to nearest £1,000)	2019-20 Total (in bands of £5k)	2018-19 Salary (in bands of £5k)	2018-19 Bonus Payments (in bands of £5k)	2018-19 Expenses as BiK** (to nearest £100)	2018-19 Pension Benefits (to nearest £1,000)	2018-19 Total (in bands of £5k)
Victoria Beaumount Chief People Officer	100-105	0-5	–	39,000	140-145	65-70 (95-100 fye)*	–	–	26,000	90-95
Sarah Gardner Executive Director	75-80 (105-110 fye)*	–	–	33,000	110-115	85-90 (105-110 fye)*	0-5	–	44,000***	130-135
Paul Hope Executive Director	100-105	0-5	–	93,000	195-200	80-85 (95-100 fye)*	–	–	144,000***	230-235
Neil McArthur Chief Executive	140-145	10-15	–	59,000	215-220	140-145	0-5	–	223,000***	360-365
Tim Miller Executive Director	105-110	5-10	–	43,000	160-165	105-110	0-5	–	42,000	145-150
Tamsin Morgan Chief Communications Officer *(from 31 March 2019)*	95-100	–	–	–	95-100	–	–	–	–	–
Marie Perry Chief Financial Officer *(from 06 January 2020)*	20-25 (100-105 fye)*	–	–	10,000	30-35	–	–	–	–	–
John Tanner Executive Director *(from 01 July 2019)*	100-105 (135-140 fye)*	–	–	314,000	415-420	–	–	–	–	–
Alistair Quigley Interim Chief Technology Officer *(from 20 July 2019)*	90-95 (95-100 fye)*	0-5	–	59,000	150-155	–	–	–	–	–
Helen Venn Executive Director	95-100	0-5	–	40,000	140-145	95-100	0-5	–	38,000	135-140
Richard Watson Executive Director	95-100	0-5	–	40,000	145-150	95-100	0-5	–	38,000	135-140
Former Employees										
Ann Harris Interim Executive Director *(from 30 July 2018 to 31 May 2019)*	10-15 (60-65 fye)*	–	300	4,000	10-15	40-45 (60-65 fye)*	–	4,000	16,000	60-65
Nicky Heathcote Interim Executive Director *(from 21 May 2018 to 31 May 2019)*	15-20 (100-105 fye)*	–	–	25,000	40-45	85-90 (100-105 fye)*	–	–	148,000***	230-235
Philip Lloyd Interim Chief Financial Officer *(from 30 July 2018 to 17 January 2020)*	105-110 (130-135 fye)*	–	–	41,000	145-150	85-90 (130-135 fye)*	–	–	34,000	120-125
James MacKay Executive Director *(from 1 December 2017 to 30 June 2018)*	–	–	–	–	–	45-50 (105-110 fye)*	0-5	–	–	45-50
David Pemberton Executive Director *(from 19 June 2017 to 19 July 2019)*	30-35 (100-105 fye)*	–	–	12,000	40-45	100-105	0-5	–	40,000	140-145
Band of highest paid directors total remuneration (£'000)	155-160					140-145				
Median total remuneration	36,754					35,349				
Ratio	4.29:1					4.03:1				
Range of staff remuneration (£'000)	18 to 155-160					17 to 140-145				

* fye = full-year equivalent

** BiK = Benefits in Kind

*** Nicky Heathcote, Paul Hope, Sarah Gardner and Neil McArthur are currently within the Civil Service average salary pension scheme (Alpha) but maintain a salary link to a previous PCSPS final salary pension scheme (classic). The pension administrator (MyCSP) has provided an annual valuation of all individual pension benefits over both the alpha and classic schemes, and based upon these calculations total pension benefits are reported as above. Pension benefits provided under the classic scheme are significantly higher than those provided under the alpha scheme.

Remuneration report continued

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

Commissioners	2019-20 Salary (in bands of £5k)	2019-20 Bonus Payments (in bands of £5k)	2019-20 Expenses as BiK** (to nearest £100)	2019-20 Pension Benefits (to nearest £1,000)	2019-20 Total (in bands of £5k)	2018-19 Salary (in bands of £5k)	2018-19 Bonus Payments (in bands of £5k)	2018-19 Expenses as BiK** (to nearest £100)	2018-19 Pension Benefits (to nearest £1,000)	2018-19 Total (in bands of £5k)
Chris Andrew Independent Audit Committee Member	0-5	–	1,200	–	0-5	0-5	–	800	–	0-5
David Rossington Independent Committee Member NL	0-5	–	–	–	0-5	0-5	–	–	–	0-5
John Baillie	10-15	–	3,900	–	15-20	10-15	–	6,900	–	20-25
Carol Brady	10-15	–	400	–	10-15	10-15	–	800	–	10-15
Stephen Cohen	10-15	–	1,400	–	15-20	10-15	–	3,400	–	15-20
Bill Moyes Chairman	55-60	–	7,600	–	60-65	50-55	–	7,900	–	60-65
Trevor Pearce	10-15	–	2,500	–	15-20	10-15	–	3,800	–	15-20
Jonathan Scott	10-15	–	1,400	–	15-20	10-15	–	5,100	–	15-20
Catharine Seddon	10-15	–	800	–	10-15	10-15	–	2,700	–	15-20
Previous non executives										
Ann Harris Independent Audit Committee Member *(to 31 July 2018)*	–	–	–	–	–	0-5	–	300	–	0-5
Alison Hastings *(to 30 August 2019)*	5-10	–	900	–	5-10	10-15	–	2,300	–	15-20
Sarika Patel *(to 25 November 2019)*	5-10	–	600	–	10-15	10-15	–	2,800	–	15-20
Simone Pennie *(to 31 May 2019)*	0-5	–	–	–	0-5	10-15	–	1,500	–	15-20

* fye = full-year equivalent, ** BiK = Benefits in Kind

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

Apart from the Chair and Chief Executive, all Commissioners are paid a fixed amount for work that entails approximately one day of time per week. No employees or Commissioners were remunerated by way of service companies or third parties.

Expenses as benefits in kind: The Commission incurred costs for travel, subsistence and accommodation in respect of the Chairman and the Commissioners whilst attending meetings at Victoria Square House. These expenses could be viewed as benefits in kind and treated by HM Revenue & Customs as a taxable emolument. To avoid doubt, such taxes are paid by the Commission.

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. The bonuses reported in 2019-20 and relate to performance in 2019-20 and the comparative bonuses reported for 2018-19 relate to the performance in 2018-19.

Pay multiples: The Commission is required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the Commission's workforce.

The banded remuneration of the highest paid director in the Commission in the financial year 2019-20 was **£155-£160,000** (2018-19 **£140-£145,000**). This was **4.29** times (2018-19, **4.03** times) the median remuneration of the workforce, which was **£36,754** (2018-19, **£35,349**).

In 2019-20, **0** (2018-19, **0**) employees received remuneration in excess of the highest paid director. Remuneration ranged from **£18,000** to **£158,000** (2018-19, **£17,000-£142,000**).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits 2019-20 – audited information

	Accrued pension at pension age as at 31/03/20 (in bands of £5,000)	Accrued Lump Sum pension at pension age as at 31/03/20 (in bands of £5,000)	Real increase in pension at pension age (in bands of £2,500)	Real increase in pension Lump Sum at pension age (in bands of £2,500)	* CETV at 31/03/20 £'000s	* CETV at 31/03/19 £'000s	Real increase in CETV* £'000s	Employer contribution to partnership pension account (nearest £100)
Victoria Beaumount Chief People Officer	0-5	–	0-2.5	–	41	16	17	–
Sarah Gardner Executive Director	30-35	65-70	0-2.5	0-2.5	497	458	14	–
Paul Hope Executive Director	35-40	85-90	2.5-5	5-7.5	698	600	66	–
Neil McArthur Chief Executive	50-55	120-125	2.5-5	0-2.5	999	917	34	–
Tim Miller Executive Director	5-10	–	2.5-5	–	83	57	16	–
Tamsin Morgan Chief Communications Officer *(from 31 March 2019)*	–	–	–	–	–	–	–	–
Marie Perry Chief Financial Officer *(from 06 January 2020)*	0-5	–	0-2.5	–	51	45	4	–
John Tanner Executive Director *(from 01 July 2019)*	50-55	160-165	12.5-15	40-42.5	1,251	900	311	–
Alistair Quigley Interim Chief Technology Officer *(from 20 July 2019)*	20-25	–	2.5-5	–	356	300	38	–
Helen Venn Executive Director	35-40	–	0-2.5	–	463	412	22	–
Richard Watson Executive Director	15-20	–	0-2.5	–	214	174	25	–
Former Employees								
Ann Harris Interim Executive Director *(from 30 July 2018 to 31 May 2019)*	0-5	–	0-2.5	–	23	18	4	–
Nicky Heathcote Executive Director *(from 21 May 2018 to 31 May 2019)*	30-35	70-75	0-2.5	0-2.5	534	514	18	–
Philip Lloyd Chief Financial Officer *from 30 July 2018 to 17 January 2020)*	0-5	–	0-2.5	–	62	28	26	–
David Pemberton Executive Director *(from 19 June 2017 to 19 July 2019)*	40-45	–	0-2.5	–	534	521	6	–

* CETV = Cash Equivalent Transfer Values

Remuneration report continued

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (**PCSPS**). The **PCSPS** has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the **PCSPS** who were within 10 years of their normal pension age on 1 April 2012 remained in the **PCSPS** after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their **PCSPS** benefits 'banked', with those with earlier benefits in one of the final salary sections of the **PCSPS** having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in **PCSPS** or **alpha** – as appropriate.

Where the official has benefits in both the **PCSPS** and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 **4.6%** and **8.05%** for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in classic accrue at the rate of **1/80th** of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of **1/60th** of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with **2.3%** of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate in **2.32%**. 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 **8%** and **14.75%** (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 **0.5%** 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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in **PCSPS** or **alpha** – as appropriate. Where the official has benefits in both the **PCSPS** and **alpha** the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

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

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 – audited information

Six employees left under Voluntary Exit terms during the period 17 May 2019 and 5 September 2019. They received separate compensation payments totalling **£195,524**. None of the employees effected were senior managers or executives.

Remuneration Committee

The members of the Remuneration Committee were Alison Hastings (Chair) and Trevor Pearce until August 2019 when Trevor Pearce replaced Alison Hastings as Chair and Carol Brady joined the committee. (Details of Commissioners can be found from page 30).

Staff report

a) Analysis of Commissioners and employee costs – audited information

	2019-20 Permanent £'000s	2019-20 Short term £'000s	2019-20 Total £'000s	2018-19 Total £'000s
Salaries and wages	13,706	615	14,321	13,364
Social security costs	1,447	65	1,512	1,429
Other pension costs	3,509	149	3,658	2,671
Total Commissioners and staff costs	18,662	829	19,491	17,464

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 in which the Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2020. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2019-20, employers' contributions of **£3,608,473** were payable to the PCSPS (2018-19 **£2,630,424**) at one of four rates in the range **26.6%** to **30.3%** (2018-19: **20.0%** to **24.5%**) of pensionable pay, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of **£0** (2018-19 **£19,213**) were paid to one or more of the panel of three appointed stakeholder pension providers.

Employer contributions are age-related and ranged from **8%** to **14.75%**.

Employers also match employee contributions up to **3%** of pensionable earnings. In addition, employer contributions of **£0, 0.0%** of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were **£364,446**. No contributions were pre-paid.

(ii) Former Director General – OFLOT

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

A full actuarial valuation of both schemes was carried out by the Government Actuary at 31 March 2020 and the present value of the liability at 31 March 2020 is **£218,000**.

Sensitivity analysis

1. Increasing the discount rate by **0.5%** would result in a corresponding decrease in liabilities of approximately **£9,000** or **4%**.
2. Increasing the CPI inflation assumption by **0.5%** would result in a corresponding increase in liabilities of approximately **£10,000** or **4%**.
3. Increasing assumed life expectancies in retirement by around one year would result in a corresponding increase in liabilities of approximately **£7,000** or **3%**.

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:

Life expectancy at retirement

Current Pensioners	As at 31 March 2020		As at 31 March 2019	
Exact Age	men (years)	women (years)	men (years)	women (years)
60	26.8	28.4	27.6	29.3
65	21.9	23.5	22.7	24.3

c) Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	2019-2020	2018-2019
Permanent staff	331	328
Other staff	20	14
Total	351	342

The Gambling Commission does not use Civil Service pay grades. No disclosure is made in respect to the number and banding of Senior Civil Service grades. The executive team is considered to be employed at Senior Civil Servant equivalent level.

Staff report continued

d) Off-payroll appointments

i For all off-payroll engagements as of 31 March 2020, for more than £245 per day that last for longer than six months	
No of existing engagements as of 31 March 2020	4
of which...	
No. that have existed for less than one year at time of reporting.	3
No. that have existed for between one and two years at time of reporting.	1
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.	4

ii For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 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 2018 and 31 March 2020	10
of which...	
No. assessed as caught by IR35.	nil
No. assessed as not caught by IR35.	10
No. engaged directly (VIA PSC contracted to department) and are on the departmental payroll.	nil
No. of engagements reassessed for consistency / assurance purposes during the year.	nil
No. of engagements that saw a change to IR35 status following the consistency review.	nil

iii. For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020	
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	nil
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility"	20

Reporting of Civil Service and other compensation schemes – exit packages – audited information

	2019-20			2018-19		
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	–	4	4	–	–	–
£25,001 – £50,000	–	1	1	–	2	2
£50,001 – £100,00	–	1	1	–	–	–
£100,001 – £150,000	–	–	–	–	–	–
£150,001 – £200,000	–	–	–	–	–	–
>£200,000	–	–	–	–	–	–
Total number of exit packages	–	6	6	–	2	2
Total cost (£)	–	195,524	195,524	–	59,520	59,520

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. The table above shows the total cost of exit packages agreed and accounted for in 2019-20 (2018-19 comparative figures are also given). **£195,524** exit costs were paid in 2019-20, the year of departure (2018-19 comparatives). Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Consultancy costs

As per Note 3(b) of the Annual Accounts, the National Lottery Competition spent **£1.02m** on consultancy assignments during 2019-20 (**nil** in 2018-19).

Employment Statistics for 2019-20 (as at 31 March 2020)

Total Employment by contract type	
Fixed Term Employees	15
Permanent Employees	325
Total	340

Department split	
Consumers and Contact Centre	22
Communications	8
Data	10
Enforcement and Intelligence	42
Executive Directors	12
Executive Support	9
Finance	12
Governance & Legal	7
People Services & Facilities	14
Insight	30
Digital & Technology	29
Licensing & Compliance	87
National Lottery	13
National Lottery Fourth Licence Competition	16
Programme Management Office	6
Regulatory Frameworks & Outcomes	5
Safer Gambling	13
Strategic Analysis	5
Total	340

Diversity – disability	
Employees with a disability as defined under the Equality Act 2010	19
Employees without a disability as defined under the Equality Act 2010	5
Not disclosed	316
Total	340

Diversity – ethnic origin	
Asian or Asian British – Indian	13
Asian or Asian British – Other	0
Asian or Asian British – Pakistani	7
Black or Black British – African	2
Black or Black British – Caribbean	4
Mixed – White and Asian	3
Mixed – White & Black Caribbean	6
Not Disclosed	29
Other Ethnic Background	4
Other Mixed Background	0
Other White Background	6
White British	256
White Irish	3
Prefer Not to Say	7
Total	340

Staff report continued

Diversity – age	
24 and under	12
25-34	85
35-44	111
45-54	83
55-64	45
65-74	4
Total	**340**

Diversity – gender	
Female	179
Male	161
Total	**340**

Sickness absence rates	
1 April 2019 to March 2020	% of working days lost
Quarter 1	5.29
Quarter 2	4.98
Quarter 3	5.45
Quarter 4	4.61
Total	**5.08**

Policies and procedures

The Commission has a range of policies and procedures in place relating to recruitment, sickness absence, learning and development and Dignity at Work. Each of our policies aim to achieve fair practices for all job applicants and employees, ensuring that disability and all protected characteristics are managed fairly and appropriately. The Commission is also signed up to the Disability Confident scheme which guarantees interviews for candidates with disabilities who meet the criteria.

We continue to report on the Gender Pay Gap, and action we are taking to reduce it. We routinely report to the Board on workforce diversity. Equality issues are covered and assessed within each of our policies, and as part of our compliance with the Equalities Act 2010.

Our Trade Union Partnership agreement has continued this year, alongside our Trade Union Health and Safety Committee which meets regularly.

Sickness rates

During the year, the average proportion of working days lost to sickness was **5.08%** (**4.9%** for 2018-19) which includes long term absence related to disability, underlying health conditions and extended periods of recovery following operations. We have a new occupational health provider in place who is providing us with ongoing support for colleagues and management alike.

Trade Union facility time

Relevant union officials	
Number of employees who were relevant union officials during 2019-20	10
Full time equivalent employees who were relevant union officials during 2019-20	10

Percentage of time spent on facility time	
%	Number of employees
0	–
1-50	10
51-90	–
100	–

Percentage of pay bill spent on facility time	£'000s
Total cost of facility time	104
Total pay bill	19,491
Percentage of the total pay bill spent of facility time	**0.5%**

Paid trade union activities	
Time spent on paid trade union activities as a percentage of total paid facility time	29%

Parliamentary accountability disclosures – audited information

Regularity of expenditure

Losses and special payments – audited

Managing Public Money states that individual losses and special payments of more than **£300k** should be noted separately.

There were no losses or special payments exceeding **£300k** during 2019-20.

Gifts – audited

Managing Public Money states any gifts made over the limits proscribed limits should be disclosed.

There were no gifts made during 2019-20.

Fees and charges – audited

In accordance with Managing Public Money, entities should provide an analysis of fees and charges income where material.

See ‘Fees and charges’ on page 34.

Remote contingent liabilities – audited

Managing Public Money states any material remote contingent liabilities (that is, those that are disclosed under Parliamentary reporting requirements and not under IAS 37) should be reported.

There were no remote contingent liabilities during 2019-20.

Neil McArthur
Chief Executive and Accounting Officer
Gambling Commission
9 November 2020

William Moyes
Chairman
Gambling Commission
9 November 2020

Parliamentary accountability and audit report

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

Opinion on financial statements

I have audited the financial statements of the Gambling Commission for the year ended 31 March 2020 under the Gambling Act 2005. The financial statements comprise of: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2020 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 regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Gambling Commission in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Gambling Commission's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Gambling Commission have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Gambling Commission's ability to continue to adopt the going concern basis.

Responsibilities of the Commission and Accounting Officer for the financial statements

As explained more fully in the Statement of the Commission's and Accounting Officer's Responsibilities, the Commission and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Gambling Act 2005.

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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gambling Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- conclude on the appropriateness of the Gambling Commission's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Gambling Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Gambling Commission to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Commission and the Accounting Officer are responsible for the other information. This comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Gambling Act 2005;
- in light of the knowledge and understanding of the Gambling Commission and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability 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.

Gareth Davies

?? November 2020

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial statements

Financial statements

Statement of comprehensive net expenditure

for the year ended 31 March 2020

	Notes	31 March 2020 £'000s	31 March 2019 £'000s
Expenditure			
Employee costs	3a	**(19,491)**	(17,464)
Depreciation and amortisation	6 & 7	**(644)**	(622)
Right-of-use depreciation	16	**(823)**	–
Other expenditure	3b	**(16,495)**	(9,495)
Total Operating Expenditure		**(37,453)**	(27,581)
Income			
Licence fee income	4b	**19,653**	18,462
Other income	5	**251**	525
Total Operating Income		**19,904**	18,987
Net expenditure		**(17,549)**	(8,594)
Finance income	4b	**65**	103
Finance expense		**(12)**	(19)
Finance cost on lease liability	3b	**(114)**	–
Interest cost on pensions liability	3a	**(6)**	(6)
Net expenditure for the year		**(17,616)**	(8,516)

Other comprehensive expenditure	Notes	31 March 2020 £'000	31 March 2019 £'000
Net gain/(loss) on pension liability	3a	**(1)**	1
Total comprehensive expenditure for the year		**(17,617)**	(8,515)

The notes on pages 70 to 88 form part of these accounts

The Commission receives grant-in-aid funding which fully covers the National Lottery expenditure. Grant-in-aid is treated as a financing transaction rather than revenue and is taken directly to reserves.

Statement of financial position

as at 31 March 2020

	Notes	31 March 2020 £'000s	31 March 2019 £'000s
Non current assets			
Property, plant and equipment	6	**910**	799
Intangible assets	7	**773**	745
Right-of-use assets	16	**4,887**	–
Total non-current assets		**6,570**	1,544
Current assets			
Trade and other receivables	8	**916**	1,630
Cash and cash equivalents	9	**16,605**	25,760
Total current assets		**17,521**	27,390
Total assets		**24,091**	28,934
Current liabilities			
Trade and other payables	10	**(13,655)**	(13,445)
Short Term Lease Liabilities	16	**(782)**	–
Pension Liability and Provisions	12	**(15)**	(15)
Consolidated Fund payables	13	**(278)**	(9,873)
Total current liabilities		**(14,730)**	(23,333)
Total assets less current liabilities		**9,361**	5,601
Non-current liabilities			
Other payables	11	**(794)**	(827)
Long Term Lease Liabilities	16	**(4,398)**	–
Pension liability	12	**(203)**	(211)
Total non-current liabilities		**(5,395)**	(1,038)
Total assets less total liabilities		**3,966**	4,563
Taxpayers' equity			
General Fund		**3,966**	4,563
Total equity	14	**3,966**	4,563

The notes on pages 70 to 88 form part of these accounts

Neil McArthur
Chief Executive and Accounting Officer
Gambling Commission
9 November 2020

William Moyes
Chairman
Gambling Commission
9 November 2020

Financial statements

Statement of cash flow

for the year ended 31 March 2020

	Notes	31 March 2020 £'000s	31 March 2019 £'000s
Cash flows from operating activities			
Net expenditure for the year*		**(17,561)**	(8,613)
Depreciation and amortisation charge	6 & 7	**644**	622
Depreciation on right-of-use assets	16	**823**	–
Disposal of property, plant and equipment	6	**(44)**	–
(Increase)/Decrease in trade and other receivables	8	**714**	23
Increase/(Decrease) in trade and other payables	10,11 & 13	**(9,419)**	10,207
Adjustments for accruals reclassification – IFRS 16 cumulative catch-up	16*	**358**	–
Use of provisions	12	**(8)**	(20)
Interest costs arising from pension liability	12	**(6)**	(6)
Net cash inflow from operating activities		**(24,499)**	2,213
Cash flows from investing activities			
Interest received	4b	**65**	103
Purchase of property, plant and equipment	6	**(440)**	(192)
Purchase of intangible assets	7	**(299)**	(232)
Net cash outflow from investing activities		**(674)**	(321)
Cash flows from financing activities			
Grant-in-aid for revenue expenditure		**17,020**	6,721
Payment of lease liabilities	16	**(1,002)**	–
Net cash inflow from financing activities		**16,018**	6,721
Net Increase/(Decease) in cash and cash equivalents in the period	9	**(9,155)**	8,613

Cash and cash equivalents at 31 March 2019	**25,760**
Cash and cash equivalents at 31 March 2020	**16,605**

The notes on pages 70 to 88 form part of these accounts

* The Net expenditure for the year includes Finance expense of **£12k** relating to tax on interest receivable

Statement of changes in taxpayers' equity

for the year ended 31 March 2020

	Income & Expenditure Reserve £'000s
Balance at 1 April 2018	6,357
Changes in reserves	
Comprehensive net expenditure for the year	(8,516)
Actuarial gain arising on pension scheme	1
Grant-in-aid for capital and revenue expenditure	6,721
Total recognised comprehensive net expenditure for 2018-19	(1,794)
Balance at 31 March 2019	4,563
Balance at 1 April 2019	**4,563**
Changes in reserves	
Comprehensive net expenditure for the year	**(17,616)**
Actuarial gain arising on pension scheme	**(1)**
Grant-in-aid for capital and revenue expenditure	**17,020**
Total recognised comprehensive net income for 2019-20	**(597)**
Balance at 31 March 2020	**3,966**

The notes on pages 70 to 88 form part of these accounts

Notes to the accounts for the 12 months ended 31st March 2020

1: Statement of accounting policies

The policies adopted are in accordance with the International Financial Reporting Standards (IFRS), to the extent it is meaningful and appropriate in the public sector context, as adopted and interpreted by the 2019-20 Financial Reporting Manual (FReM) issued by Her Majesty's Treasury (HMT).

a) Accounting conventions

These are the accounts for the Gambling Commission (the Commission) covering the twelve months from 1 April 2019 to 31 March 2020. They have been prepared in a form directed by the Secretary of State for Digital, Culture, Media, and Sport (DCMS) with the approval of HMT, in accordance with Schedule 4 of the Gambling Act 2005 (the Act). A copy of the accounts direction can be obtained from the Commission.

The particular policies adopted by the Commission are described below and have been applied consistently during the year. During the year, IFRS 16 has been adopted by the Commission which is a change compared to the previous financial year 2018-19.

The Commission applied IFRS 16 with a date of initial application of 1 April 2019. As a result the Commission has changed its accounting policy for lease contracts as detailed below.

b) Non-current assets

Non-current asset purchases are capitalised if the original purchase price of an item or group of related items is **£2,500** or more and the asset or group of assets has a useful life that exceeds one year. Purchased software licences are classified as intangible assets.

Accounting estimates and judgements

Critical accounting estimates and judgements

Valuation of non-current assets

The value of the Commission's property, plant and equipment, right of use assets and intangibles are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of an asset.

Extension options

At lease commencement the Commission makes a decision as to whether we are reasonably certain to be exercising break clauses, extension options. This estimate impacts the length of the lease term impacting the lease liabilities and right of use assets. This has been reviewed if there is a significant event or significant change of circumstances.

Depreciation and amortisation

Depreciation and amortisation are 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 shown in the following table.

Anticipated life of assets

Asset	Anticipated life
IT Hardware	4 years
IT Software Licences	Over the life of the licence
IT Developed Software	5 years
Fixtures & Fittings	10 years
Furniture	10 years
Equipment	7 years
Telecoms	7 years
Motor Vehicles	4 years
Right-of-use	Over the life of the lease

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

Property, plant & equipment

Property, plant and equipment is stated at depreciated historic cost as a proxy for fair value. All of the Commission's assets are short life assets and therefore depreciated historic cost is not considered to be materially different from fair value. A review of property, plant and equipment is undertaken annually to ensure that all items are still in use and that disposals have been appropriately treated through the year.

Property leases assesed for IFRS 16 Right-Of-Use assets are valued using a cost model which has been used as a proxy for current value as the underlying asset of the short lease is unlikely to fluctuate significantly.

Annual reviews are also undertaken to identify any impairment of assets in accordance with the International Accounting Standard (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 IAS 38. IAS 38 sets out the criteria for recognising and measuring intangible assets and requires disclosures about them. An intangible asset is an identifiable non-monetary asset without physical substance. Such an asset is identifiable when it is separable, or when it arises from contractual or other legal rights.

Under IFRS software development 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;
- the intangible asset will generate probable future economic or service delivery benefits, for example there is a market for it or its output, or where the asset is to be used for internal use, the usefulness of the asset can be determined;
- there are adequate financial, technical and other resources available to the Commission to complete the development and sell or use the asset; and,
- the Commission can measure reliably the expenses attributable to the asset during development.

Internal staff costs that have been directly incurred in the implementation of capital projects are identified as capital expenditure, provided that they satisfy the conditions of IAS 38. 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, 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, the 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.

Notes to the accounts for the 12 months ended 31st March 2020 continued

c) Pension costs

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

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

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

Upon the merger between the Commission and the National Lottery Commission, the Commission inherited a pension liability for the former Director General of the Office of the National Lottery (OFLOT). 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 2020.

d) Operating leases

Following the adoption of IFRS 16 in 2019-20 financial accounts, the Commission has categorised all leases are recognised as lease liabilities, with the exception of those leases which are exempt either by having less than 12 months to run from 31st March 2020 or are considered low value (less than **£5,000**).

Rentals due under operating leases are charged over the lease term on a straight-line basis, or on the basis of actual rental payable where this fairly reflects usage.

e) Finance leases

IFRS 16 "Leases" has been implemented from 1 April 2019; this introduces a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases (apart from the exemptions included below).

For government bodies reporting under the FReM, IFRS 16 is due to be brought into effect on 1 April 2020 and replaces IAS 17 (Leases). The Commission has elected, with DCMS authority, to early adopt IFRS 16 (as adapted by the 2020-21 FReM).

In respect of lessees, IFRS 16 removes the distinction between operating and finance leases and introduces a single accounting model that requires a lessee to recognise ('right-of-use') assets and lease liabilities.

The definition of a lease has been updated under IFRS 16, there is more emphasis on being able to control of the use of asset identified in a contract. There are new requirements for variable lease payments such as RPI/CPI uplifts; and there is an accounting policy choice allowable to separate non-lease components.

Implementation and Assumptions

The Commission has applied IFRS 16 using the modified retrospective approach and therefore the comparative information have not been restated and continues to be reported under IAS 17 and IFRIC 4. The cumulative effect of adopting IFRS 16 is included as an adjustment to equity at the beginning of the current period.

IAS 17 operating leases are included within our statement of financial position as a lease liability and right of use asset for the first time with changes made through the general fund as a cumulative catch up adjustment. The calculation of the lease liability and right of use assets are included below.

The option to reassess whether a contract is, or contains, a lease at the date of initial application has not been used, the Commission has used the practical expedient detailed in IFRS 16(C3).1.

The definition of a contract is expanded to include intra-UK government agreements where non-performance may not be enforceable by law. This includes Memorandum of Terms of Occupation (MOTO) agreements.

The Commission has expanded the definition of a lease to include arrangements with nil consideration. Peppercorn leases are examples of these, these are defined by HMT as lease payments significantly below market value. These assets are fair valued on initial recognition. On transition any differences between the discounted lease liability and the right of use asset are included through cumulative catch up. Any differences between the lease liability and right of use asset for new leases after implementation of IFRS 16 are recorded in income on the SoCNE.

The Commission has elected not to recognise right of use assets and lease liabilities for the following leases:

- intangible assets;
- non-lease components of contracts where applicable;
- low value assets (less than **£5,000**) ; and
- leases with a lease term of 12 months or less.

Previous treatment

In the comparative period, as a lessee the Commission classified leases that transfer substantially all the risks and rewards of ownership as finance leases. The leased assets were measured at an amount equal to lower of the fair value and the present value of minimum lease payments. This fair value cap has been removed under IFRS 16 and has resulted in re-measurement of finance leased assets within 2019-20 if they meet the re-measurment criteria mentioned below.

Assets previously held as operating leases were not recognised in the Commissions statement of financial position. Payments were recognised in SoCNE on a straight line basis over the term of the lease. Lease incentives were recognised as an integral part of the total lease expense, over the term of the lease.

Policy applicable from 1 April 2019

At inception of a contract, the Commission assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time. This includes assets for which there is no consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Commission assesses whether:

- The contract involves the use of an identified asset;
- The Commission has the right to obtain substantially all of the economic benefit from the use of the asset throughout the period of use; and
- The Commission has the right to direct the use of the asset.

The policy is applied to contracts entered into, or changed, on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Commission allocates the consideration in the contract to each lease component on the basis of the relative standalone prices.

The Commission assesses whether it is reasonably certain to exercise break options or extension options at the lease commencement date. The Commission reassesses this if there are significant events or changes in circumstances that were anticipated.

As a lessee

Right of use assets

The Commission recognises a right of use asset and lease liability at the commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

Notes to the accounts for the 12 months ended 31st March 2020 continued

The right of use assets are subsequently measured at either fair value or current value in existing use in line with property, plant and equipment assets. The cost measurement model in IFRS 16 is used as an appropriate proxy for current value in existing use or fair value for the majority of leases (consistent with the principles for subsequent measurement of property, plant and equipment) except for those which meet one of the following:

- A longer-term lease that has no provisions to update lease payments for market conditions or if there is a significant period of time between those updates; and;
- The fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices.

The right of use assets is depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis of those of property plant and equipment assets.

The Commission applies IAS 36 Impairment of Assets to determine whether the right of-use asset is impaired and to account for any impairment loss identified.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HMT.

The lease payment is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the index or rate, if there is a change in the Commission's estimates of the amount expected to be payable under a residual value guarantee, or if the Commission changes its assessment of whether it will exercise a purchase, extension or termination option.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Commission is reasonably certain to exercise, lease payments in an optional renewal period if the Commission is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Commission is reasonably certain not to terminate early.

When the lease liability is remeasured a corresponding adjustment is made to the right of use asset or recorded in the SoCNE if the carrying amount of the right of use asset is zero.

The Commission presents right of use assets that don't meet the definition of investment properties per IAS40 as right of use assets on the Statement of Financial Position. The lease liabilities are included within Lease liabilities within current and non-current liabilities on the Statement of Financial Position.

Impact on financial statements

On transition to IFRS 16, the Commission recognised an additional **£1,729k** of right of use assets and **£2,087k** of lease liabilities, recognising the difference in the movement in accruals due to the brought forward rent free provision, which is released over the life of the lease (see note 16*).

When measuring lease liabilities, the group discounted lease payments using a rate of **1.99%**.

	£'000s
Operating lease commitment at 31 March 2019*	(1,654)
Discounted using discount rates	1.99%
Finance Lease liabilities at 31 March 2019	–
▶ Exemptions for	
▶ Short terms leases	–
▶ Leases of low value assets	–
▶ Extension and termination options reasonably certain to be exercised	–
▶ Variable lease payments based on an index or a rate	–
▶ Residual value guarantees	–
Lease liabilities recognised at 1 April 2019**	**(2,087)**

* Finance Lease liabilities at 1 April 2019 includes £616k which wasn't recognised as an Operating lease commitment as at 31 March 2019.

- **£610k** relates to the lease on Bloomsbury Street (see note 16), which wasn't recognised as an Operating lease commitment as at 31 March 2019 as there was no signed intra-UK government agreement. Under IFRS 16, the definition of a contract is expanded to include intra-UK government agreements where non-performance may not be enforceable by law. This includes Memorandum of Terms of Occupation (MOTO) agreements.
- **£6k** relating to a 'Franking Machine' lease (see 'Plant & Equipment' note 16), which wasn't recognised as an Operating lease commitment as at 31 March 2019.

** The effect of 'discounted using discount rates' is **£183k**, being the difference between restated operating lease commitments **£2,270k** (**£1,654k + £616k**) and the total lease liability of **£2,087k**.

determined using data from the Commission's electronic leave records.

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

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

g) Value added tax

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

IFRS 15 introduces a new five stage model for the recognition of revenue from contracts with customers. The core principle is to recognise revenue so that it depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Commission have considered the five-step process and have determined no change to the revenue recognition approach.

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.

Notes to the accounts for the 12 months ended 31st March 2020 continued

Personal licence fees:

60% of the Application income received is recognised when the licence is issued (to reflect the application costs). The remaining **40%** is recognised equally over the duration of the licence (i.e. 5 years).

35% of the Maintenance renewal income received is recognised when the licence is issued (to reflect the renewal costs). The remaining **65%** is recognised equally over the duration of the licence (i.e. 5 years).

i) Financing grant-in-aid

The Commission receives grant-in-aid funding for National Lottery operations. In accordance with the FReM, grant-in-aid is treated as a financing transaction rather than as revenue as it is a contribution from a controlling entity.

j) Financial instruments

The Commission adopted IFRS 9 – Financial Instruments – with effect from financial year 2018-19. We have reviewed our financial instruments in respect of classification, measurement and impairment, applying the expected credit losses where applicable. The assets and liabilities which are considered to be financial in nature are set out in note 19. We do not hold any complex financial instruments.

k) Functional and presentational currency

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

l) Corporation tax

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

m) Segmental reporting

During the year the Commission's Board as 'Chief Operating Decision Maker' has determined that the Commission operated in three distinct material segments; to regulate commercial gambling, to regulate the current National Lottery, and to commission the 4th National Lottery. All three segments fall within one main geographical segment, Great Britain. The Commission has distinct sources of income for the three segments; licence fees for gambling regulation, grant-in-aid for National Lottery regulation, and National Lottery Commissioning. The segmental reporting format in note 2 reflects the Commission's management and internal reporting structure.

The Commission had previously reported the Horserace Betting Levy Board (HBLB) as a operatng segment as it was intended that the HBLB would be incorporated into the Commission's activities. This has not transpired and there have been no transactions under the HBLB segment for 2019-20.

n) Cash and cash equivalents

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

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

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

o) Treatment of penalty packages

Where the Commission has issued a penalty in respect of a regulatory failing or breach, in the majority of cases the penalty is paid directly to a benefactor (where a benefactor has been identified) or to a nominated responsible gambling charity. Only the direct costs of the Commission and a reasonable share of expenditure incurred which is directly referable to the investigation or the imposition and enforcement of the penalty, is retained by the Commission. The amounts retained by the Commission are shown within the accounts as other income.

In the event that a fine is issued for a regulatory breach, the Commission will collect the fine and pay it to the Consolidated Fund having deducted the costs of its investigation under the principle above.

Cost recovery or amounts due to be passed over to the Consolidated Fund at the year end shown as other creditors, penalties are not included within the Commission's accounts.

p) Going Concern

The financial statements have been prepared on a going concern basis. The recent events in respect of the Covid-19 outbreak may have a significant financial impact on the Commission's fee income over the coming year. However, based on the most severe but plausible downside cash flow scenario, we expect to remain in a positive cash and reserves position for at least the coming twelve months after the issue of these annual report and accounts. In addition, as a statutory body created under the Gambling Act 2005 we anticipate continuing to provide a statutory service in the future. As such the accounts have been prepared on a going concern basis.

q) 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 12 months ended 31 March 2020 and have not been applied in preparing the accounts. The following are those standards, amendments and interpretations that may be adopted in subsequent accounting periods:

- IFRS 17 was published in May 2017 and is expected to replace the current financial reporting standard for insurance (IFRS 4) with effect from 1 January 2022. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. The effect on the Commission's accounts is anticipated to be minimal. The standard has not yet been adopted by FReM and therefore early adoption is not permitted.
- IFRIC (International Financial Reporting Interpretations Committee) 23 was published in June 2017 and clarifies how to apply the recognition and measurement requirements in IAS 12- Income Taxes. It is not expected to have a significant effect upon the Commission's accounts.

2: Statement of Operating Costs by Operating Segment

a) Statement of Comprehensive Net Expenditure by operating segment

	31 March 2020					31 March 2019				
	Gambling operations	National Lottery operations	National Lottery Competition	HBLB operations	Total as per SOCNE	Gambling operations	National Lottery operations	National Lottery Competition	HBLB operations	Total as per SOCNE
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Expenditure	(21,196)	(2,969)	(13,288)	–	(37,453)	(20,536)	(2,806)	(4,076)	(163)	(27,581)
Income	19,904	–	–	–	19,904	18,824	–	–	163	18,987
Net income/(expenditure)	(1,292)	(2,969)	(13,288)	–	(17,549)	(1,712)	(2,806)	(4,076)	–	(8,594)
Net income/(expenditure) after interest and finance costs	(1,348)	(2,975)	(13,293)	–	(17,616)	(1,628)	(2,812)	(4,076)	–	(8,516)
Other Comprehensive Expenditure										
Net gain/(loss) on pension liability	–	(1)	–	–	(1)	–	1	–	–	1
Total comprehensive expenditure for the year ended 31 March	(1,348)	(2,976)	(13,293)	–	(17,617)	(1,628)	(2,811)	(4,076)	–	(8,515)

Notes to the accounts for the 12 months ended 31st March 2020 continued

b) Statement of Financial Position by operating segment

	31 March 2020					31 March 2019				
	Gambling operations £'000s	National Lottery operations £'000s	National Lottery Competition £'000s	HBLB operations £'000s	Total as per SOCNE £'000s	Gambling operations £'000s	National Lottery operations £'000s	National Lottery Competition £'000s	HBLB operations £'000s	Total as per SoFP £'000s
Non-current assets	5,996	48	526	–	6,570	1,468	76	–	–	1,544
Current assets	17,520	1	–	–	17,521	27,389	1		–	27,390
Total assets	23,516	49	526	–	24,091	28,857	77	–	–	28,934
Current liabilities	(14,273)	(195)	(262)	–	(14,730)	(23,142)	(192)	–	–	23,333
Non Current Assets less Net Current Liabilities	9,243	(146)	264	–	9,361	5,715	(115)	–	–	5,601
Non-current liabilities	(4,850)	(218)	(327)	–	(5,395)	(827)	(211)	–	–	(1,038)
Total liabilities	(19,124)	(412)	(589)	–	(20,125)	(23,969)	(402)	–	–	(24,371)
Assets less liabilities	4,392	(363)	(63)	–	3,966	4,888	(325)	–	–	4,563

3: Staff costs

a) Employee costs

	2020 £'000s	2019 £'000s
Employee costs	19,491	17,464
Interest costs on pension scheme liability	6	6
Actuarial adjustments to pension scheme liability	1	(1)
Total	19,498	17,469

b) Other expenditure

	2020 £'000s	2019 £'000s
Accommodation	887	1,454
Professional fees*	10,834	2,983
Travelling and subsistence	514	615
Contingent labour costs	822	682
Other staff costs	252	188
Recruitment, training and development	473	674
Hospitality	16	16
Office services	1,821	1,527
External audit fee**	61	58
Internal audit costs	174	141
Amounts payable to Criminal Records Bureau	101	83
Research costs***	331	795
Finance cost right-of-use	114	–
Other	209	279
Total other expenditure	16,609	9,495

* Professional fees include consultancy costs totalling **£1.02m** (2018-19 **£0**), due to increased costs relating to National Lottery Competition.

** The external audit fee represents the cost of the audit of the accounts carried out by KPMG LLP on behalf of NAO. No non audit work was undertaken by KPMG LLP, or NAO during the year. The external audit fee for 2019-20 is **£61,000** (2018-19 **£57,500**).

*** Research costs includes costs associated with prevalence studies into gambling. This totalled **£331,271** in 2019-20 (2018-19 **£795,143**). This also includes National Lottery research costs totalling **£52,939** in 2019-20 (2018-19 **£247,641**).

Included within other expenditure are payments made by the Commission during the year under operating leases. IFRS 16 has been implemented within 2019-20 with no changes to comparative data, the prior year figures include rentals under operating leases under IAS17. These may be analysed as follows:

	2020 £'000s	2019 £'000s
Land and buildings	0	808
Other	13	10
Total	13	818

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

c) Non-cash items

	2020 £'000s	2019 £'000s
Depreciation of property, plant and equipment	385	378
Amortisation of intangibles	259	244
Depreciation of right-of-use assets*	823	–
Total	1,467	622

*IFRS 16 has been implemented within 2019-20 with no changes to comparative data.

4: Fee receipts

a) Gambling Act 2005 fee receipts

The Act came fully into force on 1st September 2007, at which date 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 the Statement of Financial Position, under Creditors as ‘Deferred Income’.

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

	2020 £’000s	2019 £’000s
Operator licence applications		
Application fees	1,217	897
Annual fees	17,936	17,409
Personal licence applications	1,001	829
Total fee income received	20,154	19,135
Interest on fee income	65	103
Total	20,219	19,238

b) Gambling Act 2005 income recognised

Fees payable under the Act are identified by income stream, and released to the Commission's Statement of Comprehensive Net Expenditure in accordance with the Commission's Financial and Accounting Policy. Recognised fee income is included within the Statement of Comprehensive Net Expenditure as ‘Licence Fee income’.

Notes to the accounts for the 12 months ended 31st March 2020 continued

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

	2020 £'000s	2019 £'000s
Operator licence applications		
Application fees	1,023	737
Annual fees	17,712	16,977
Personal licence applications	918	749
Total fee income	**19,653**	18,462
Interest on fee income	65	103
Total	**19,718**	18,565

5: Other income

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

	2020 £'000s	2019 £'000s
Miscellaneous income	251	525
Total other income	**251**	525

6: Property, plant & equipment

	IT hardware £'000s	Furniture & fittings £'000s	Plant & machinery £'000s	Transport equipment £'000s	Total £'000s
Cost/valuation					
At 1 April 2018	2,458	2,217	185	–	4,860
Disposals	(444)	–	–	–	(444)
Additions	167	25	–	–	192
At 31 March 2019	2,181	2,242	185	–	4,608
Accumulated depreciation					
At 1 April 2018	1,674	2,019	181	–	3,874
Disposals	(443)	–	–	–	(443)
Provided in year	302	74	2	–	378
At 31 March 2019	1,533	2,093	183	–	3,809
Net book value at 31 March 2019	648	149	2	–	799
Net book value at 31 March 2018	784	198	4	–	986

	IT hardware £'000s	Furniture & fittings £'000s	Plant & machinery £'000s	Assets under the course of construction £'000s	Total £'000s
Cost/valuation					
At 1 April 2019	2,181	2,242	185	–	4,608
Reclassification*	18	–	–	(1)	17
Additions	268	45	–	127	440
Disposals	44	–	–	–	44
At 31 March 2020	**2,511**	**2,287**	**185**	**126**	**5,109**
Accumulated depreciation					
At 1 April 2019	1,533	2,093	183	–	3,809
Reclassification*	5	–	–	–	5
Provided in year	309	75	1	–	385
At 31 March 2020	**1,847**	**2,168**	**184**	**–**	**4,199**
Net book value at 31 March 2020	**664**	**119**	**1**	**126**	**910**
Net book value at 31 March 2019	648	149	2	–	799

* During 2019-20, a review of the asset register was carried out resulting in reclassifications between intangible and tangible assets.

7: Intangible assets

	IT Software £'000s	IT Software licences £'000s	Websites delivering services £'000s	Assets under the course of construction £'000s	Total £'000s
Cost/valuation					
At 1 April 2018	6,061	318	250	–	6,629
Reclassification	26	(39)	13	–	–
Additions	38	–	21	173	232
Disposals	(87)	–	–	–	(87)
At 31 March 2019	6,038	279	284	173	6,774
Accumulated amortisation					
At 1 April 2018	5,336	279	257	–	5,872
Reclassification	61	–	(61)	–	–
Provided in year	224	–	20	–	244
Disposals	(87)	–	–	–	(87)
At 31 March 2019	5,534	279	216	–	6,029
Net book value at 31 March 2019	504	–	68	173	745
Net book value at 31 March 2018	725	39	(7)	–	757

Notes to the accounts for the 12 months ended 31st March 2020 continued

	IT Software £'000s	IT Software licences £'000s	Websites delivering services £'000s	Assets under the course of construction £'000s	Total £'000s
Cost/valuation					
At 1 April 2019	6,038	279	284	173	6,774
Reclassification*	(19)	145	–	–	126
Additions	391	3	14	–	408
Assets brought into use	–	–	–	(109)	(109)
At 31 March 2020	6,410	427	298	64	7,199
Accumulated amortisation					
At 1 April 2019	5,534	279	216	–	6,029
Reclassification*	(7)	145	–	–	138
Provided in year	234	–	25	–	259
At 31 March 2020	5,761	424	241	–	6,426
Net book value at 31 March 2020	649	3	57	64	773
Net book value at 31 March 2019	504	–	68	173	745

* During 2019-20, a review of the asset register was carried out resulting in reclassifications between intangible and tangible assets.

8: Trade and other receivables

	2020 £'000s	2019 £'000s
Trade receivables	98	338
Deposits and advances	52	62
Accrued income	–	110
Prepayments	766	1,120
Total	916	1,630

9: Cash and cash equivalents

	2020 £'000s	2019 £'000s
Balance at 1 April 2019	25,760	17,147
Net change in cash and cash equivalent balances	(9,155)	8,613
Balance at 31 March 2020	16,605	25,760
The following balances at 31 March 2020 were held at:		
Government Banking Service	8,930	6,721
Commercial banks and cash in hand	7,675	19,039
Balance at 31 March 2020	16,605	25,760

The majority of the Commission's cash and cash equivalent balances are held at commercial banks or as cash in hand apart from **£8,929,892** (£6,721,247 in 2018-19) which is held with the Government Banking Service.

10: Trade and other payables

	2020 £'000s	2019 £'000s
Trade payables	**1,152**	970
Staff cost payables	**950**	879
Other payables	**240**	–
Accruals and deferred income	**11,313**	11,596
Total	**13,655**	13,445

The Commission holds total deferred income balances of **£10,748,490** (**£9,961,081** in 2018-19) included in notes 10 and 11.

These relate to:

Licence fees received, due to be released to income within one year of **£9,954,771** (**£9,133,628** in 2018-19).

Licence fees received, due to be released to income after one year **£793,719** (**£827,453** in 2018-19).

11: Amounts falling due after more than one year

	2020 £'000s	2019 £'000s
Deferred income	**794**	827
	794	827

In accordance with IFRS 15 principles, 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 2021/22 onwards.

12: Pension liability provision

This provision recognises the payments due in respect of a former chairman of OFLOT.

	2019 £'000s
At 1 April 2018	236
Interest cost	6
Actuarial loss/(gain) in the period	(1)
Pensions paid in the year	(15)
At 31 March 2019	226

	2020 £'000s
At 1 April 2019	**226**
Interest cost	**6**
Actuarial loss/(gain) in the period	**1**
Pensions paid in the year	**(15)**
At 31 March 2020	**218**

The pension liability provision of **£217,535** is split between, liability not later than one year **(£15,341)**, and liability greater than one year **(£202,194)**.

Notes to the accounts for the 12 months ended 31st March 2020 continued

13: Consolidated Fund payables

The Commission held the following Consolidated Fund payables at 31 March 2020.

	2020 £'000s	2019 £'000s
At 1 April	9,873	–
Arising in the year	4,544	9,873
Settled in the year	(14,139)	–
At 31 March	**278**	9,873

The payables are in relation to fines recovered due to be surrendered to HMT **(£277,949)**.

14: Effect of pension liability on statement of financial position

	Notes	2020 £'000s	2019 £'000s
General fund excluding pension liability		4,420	4,789
Pension liability	12	(218)	(226)
Income and expenditure reserve		**4,202**	4,563

15: Capital commitments

At 31 March 2020 there were no capital commitments (**£0** in 2018-19).

16: Right-of-use assets

Following the adoption of IFRS 16 in 2019-20 financial accounts, the Commission has categorised all leases are on recognised as lease liabilities, with the exception of those leases which are exempt either by having less than 12 months to run from 31st March 2020 or are considered low value (less than **£5,000**).

The finance lease is recognised as an asset and a corresponding lease liability at the net present value (NPV) of future lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Costs in the statement of comprehensive net expenditure have increased by **£255k** net of operating lease rental as a result of adopting IFRS 16 during 2019-20.

A discount rate of **1.99%** has been applied in the calcuations of interest on lease liabilities.

As at 31st March 2020 the Commission was committed to making the following payments in respect of finance leases:

a) Right-of-use asset

	Victoria Square House Land and Buildings £'000s	Bloomsbury Street Land and Buildings £'000s	Plant & Equipment £'000s	Total £'000s
Cost/valuation				
At 1 April 2019*	1,112	611	6	1,729
Additions to right-of-use assets	3,981	–	–	3,981
Depreciation charge for the year	(736)	(85)	(2)	(823)
Balance as at 31 March 2020	4,357	526	4	4,887
No later than one year	736	204	2	942
Later than one year and not later than five years	3,621	322	2	3,945
Later than five years	–	–	–	–
Balance as at 31 March 2020	4,357	526	4	4,887

b) Lease liability

	Victoria Square House Land and Buildings £'000s	Bloomsbury Street Land and Buildings £'000s	Plant & Equipment £'000s	Total £'000s
2019 – Leases under IFRS 16				
At 1 April 2019	(1,470)	(611)	(6)	(2,087)
Additions to lease liabilities**	(3,981)	–	–	(3,981)
Interest on lease liabilites @ 1.99%***	(109)	(5)	0	(114)
Cash payment****	973	27	2	1,002
Balance as at 31 March 2020	(4,587)	(589)	(4)	(5,180)
Total future lease payments under leases are given in the table below for each of the following periods:				
No later than one year	(518)	(262)	(2)	(782)
Later than one year and not later than five years	(4,069)	(327)	(2)	(4,398)
Later than five years	–	–	–	–
Balance as at 31March 2020	(4,587)	(589)	(4)	(5,180)

* Right-of-use asset value for Victoria Square House as at 1 April 2019 includes an adjustment of **£358k** relating to a brought forward deferred rent release provision. The Commission received a rent-free period during 2015/2016, during this time rental charges were accrued and the cost benefit is being released over the life of the lease.

** Lease at Victoria Square House will continue for an additional 5 years to February 2026

*** Interest on lease liabilities – Finance Cost - amounts recognised in SoCNE.

**** Amount recognised in the statement of cash flow – total cash outflow for leases.

Victoria Square House: Following a successful application to the Government Property Unit, the Commission signed a lease for its existing premises in central Birmingham. The lease was signed in May 2015. The lease is for a period of 10 years (with a 5 year break clause) and commenced with effect from February 2016 when the previous lease expired.

As at 31 March 2020, the lease at Victoria Square House will continue for an additional 5 years to February 2026.

Bloomsbury Street: As part of the National Lottery Competition, the Commission have entered into an Intra-UK government agreement for premises in Bloomsbury Street London. The lease is currently unsigned as at 31 March 2020. The lease is for a period of 3 years and commenced with effect from 8 November 2019.

17: Commitments under operating leases

Following the adoption of IFRS 16 in 2019-20 financial accounts, the Commission has categorised all leases are on recognised as lease liabilities, with the exception of those leases which are exempt either by having less than 12 months to run from 31st March 2020 or are considered low value (less than **£5,000**).

Rentals due under operating leases are charged over the lease term on a straight-line basis, or on the basis of actual rental payable where this fairly reflects usage.

At 31st March 2020 the Commission was committed to making the following payments in respect of operating leases:

Notes to the accounts for the 12 months ended 31st March 2020 continued

	at 31 March 2020		at 31 March 2019*	
	Land and buildings £'000s	Other £'000s	Land and buildings £'000s	Other £'000s
Obligations under operating leases for the following periods comprise:				
Not later than one year	–	11	823	10
Later than one year and not later than five years	–	–	831	10
Later than five years	–	–	–	–
	–	11	1,654	20

* Prior year comparatives includes a Building Lease which is classed as a 'lease liabilities' following the adoption of IFRS 16 for 2019-20 financial accounts.

18: Related party transactions

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

DCMS is regarded as a related party. During the 12 months to 31 March 2020, the Commission has had a small number of material transactions with DCMS, comprising of:

Grant-in-aid for revenue expenditure National Lottery operation	**£2,976,301**
Grant-in-aid for revenue expenditure National Lottery competition	**£13,179,699**
Grant-in-aid for revenue expenditure Gambling Commission	**£864,000**

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

All Commissioners were paid by the Commission, see remuneration report for further details.

19: Financial instruments

IFRS 7 and IFRS 9 (Financial Instruments: Disclosures) establishes principles for the presentation, recognition and measurement, and disclosure of financial instruments as liabilities or equity.

In accordance with IFRS 7 and IFRS 9, the carrying values of short term assets and liabilities (at amortised cost) are not considered different to fair value.

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

Also financial instruments play a 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.

As 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.

The Commission has adopted IFRS 16 Leases during the 2019-20 financial year. The nature of the lease agreements and the resulting cash flows has not changed, and as a result, the impact on liquidity is considered to be negligible.

Financial assets & financial liabilities

Financial assets

	Type of financial asset £'000s	**2019-20 £'000s**	2018-19 £'000s
Cash and cash equivalents	Amortised cost	**16,605**	25,760
Trade and other receivables	Amortised cost	**98**	338
Deposits	Amortised cost	**–**	–
Loans	Amortised cost	**52**	62
Contract assets	Amortised cost	**–**	–
Subtotal – amortised cost	–	**16,755**	26,160
Equity investments – held through OCI inc. Investment Funds and Shares and Equity type Investments	FVOCI*	**–**	–
Investment in subsidiaries	FVOCI*	**–**	–
Subtotal – FVOCI			
Derivative financial instrument assets	FVTPL	**–**	–
FI non Derivatives through PL	FVTPL	**–**	–
Subtotal – FVTPL	–	**–**	–
Total financial assets	–	**16,755**	26,160

Financial liabilities

	Type of financial asset £'000s	**2019-20 £'000s**	2018-19 £'000s
Trade and other payables*	Amortised cost	**(1,678)**	(10,839)
Lease liability	Amortised cost	**(5,180)**	–
Contract liabilities	Amortised cost	**–**	–
Subtotal – amortised cost	–	**(6,858)**	(10,839)
Investment in subsidiaries	FVTPL	**–**	–
Subtotal – FVTPL	–	**–**	–
Total financial assets	–	**(6,858)**	(10,839)
Total	–	**9,897**	15,321

* During a review of IAS 32 (Financial Instruments: Classification), classification updates have been reflected on 2019-20 and prior year comparatives.

Notes to the accounts for the 12 months ended 31st March 2020 continued

Definitions under IFRS 9:

Financial assets measured at amortised cost

Held in a business model whose objective is to hold assets to collect contractual cash flows only (eg a simple debt instrument not classified at fair value).

Financial assets classified and measured at FVOCI

Held in business model whose objective is achieved by collecting contracts and selling financial assets. This category is mandatory for some debt instruments (ie all except those measured at amortised cost (AC) or FVTPL) and irrevocably elected equity instruments (which can also be measured at FVOCI).

Financial assets measured at FVTPL

For all other equity instruments, excluding those elected above, all derivatives and any instruments specifically designated to this category using the fair value option (available on initial recognition as an alternative to measuring at FVOCI to reduce an accounting mismatch).

20: Contingent liabilities disclosed under IAS 37

There are contingent liabilities of **£275,860** as at 31 March 2020 (**£0**, 2018-19).

The contingent liabilities figure is a combination of legal costs **(£146,560)** and tribunal settlements **(£129,300)** which has been calculated under the guidance of IAS 37, based on events existing at the balance sheet date with a high likelyhood of the cost being realised in the following financial year.

21: Post balance sheet events

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

There are no post balance sheet events to report since 31 March 2020.

Appendices

Appendices

Appendix 1

The Executive Group

The Executive Group makes decisions about projects, policy, procedure, issues and cases which cannot be resolved at an operational level as they are novel or contentious, or significantly affect the Commission's finances or staff.

Neil McArthur

Chief Executive

Neil became chief executive of the Gambling Commission in February 2018. He has overall responsibility for developing and delivering the corporate strategy, financial and business plans. As accounting officer he is also responsible for the proper management and financial governance of the organisation.

Neil joined the Commission in October 2006 and has played a leading part in the evolution of its approach to regulating gambling and the National Lottery.

He is a qualified lawyer and graduate of Leicester Polytechnic and Leicester University. He has previously worked for a number of public bodies including the General Teaching Council for England, the Learning and Skills Council and several local authorities.

Sarah Gardner

Executive Director

Sarah joined in 2009 and has held a number of leadership roles across the Commission. She spent her earlier career as a civil servant in various government departments covering a wide range of topics including tax, international policy, consumer protection, competition, regulation, small business and enterprise policy.

Sarah is the executive director responsible for our consumer policy work and the development of our regulatory framework, including the Licence Conditions and Codes of Practice (LCCP).

The scope of the Executive group therefore extends to:

- Strategic leadership of the Gambling Commission
- Collective concentration on strategic issues affecting the Commission
- Scrutiny and challenge of Commission policies and procedures
- Review of business delivery, operational and financial performance

The Executive Group also agrees items for escalation to the Board of Commissioners, setting the agenda for Board meeting and clearing Board papers.

Richard Watson

Executive Director

Richard is executive director of enforcement and intelligence with responsibility for regulatory delivery. His teams are responsible for managing the issue of anti-money laundering, dealing with betting integrity, enforcement of both regulatory and criminal investigations, and the flow of intelligence in and out of the Commission.

Richard has been with the Commission for seven years, having previously worked in a variety of law enforcement roles for 32 years.

Tim Miller

Executive Director

Tim joined in 2016 after a career spanning over 15 years in the regulatory and public sector. Tim was previously head of policy and communications at the Local Government Ombudsman and prior to that was head of public affairs at the Parliamentary and Health Service Ombudsman. These roles followed ten years at the Law Society of England and Wales in a variety of regulatory posts. In his role at the Commission, Tim is responsible for insights and safer gambling.

Helen Venn

Executive Director

Helen is executive director for licensing and compliance and with responsibility for regulatory delivery.

Helen has been with the Commission for nearly six years and a solicitor for nearly 25 years. Her career included roles at the Criminal Cases Review Commission, Serious Fraud Office, Solicitors Regulation Authority and in private practice.

The Executive Group continued

Paul Hope
Executive Director

Paul joined in 2014 to lead work on consumer protection and safer gambling. He previously worked for Ofwat, the economic regulator for the water industry, where he held a number of leadership roles. Paul has also previously worked as an economist at HM Treasury and the Bank of England. At the Commission, he is responsible for consumers, regulatory policy and strategy.

Paul became executive director for Strategic Planning and Performance in April 2019.

John Tanner
Executive Director

John became the Executive Director and Senior Responsible Officer for the 4th National Lottery License Competition (4NLC) in July 2019. John has overall responsibility for the competition including establishing governance, securing funding and engagement with DCMS to ensure the competition is fair, open and robust while maximising innovation, creativity and utilising technological advancements. Before joining the Commission John held a variety of leadership roles with HM Revenue & Customs, the UK Home Office and the National Crime Agency focusing on the delivery of major programmes and transformation projects.

Vic Beaumont
Chief People Officer

Vic joined us in July 2018 building on over 15 years of experience across the regulatory and public sectors. Vic was previously a consultant working with a range of public bodies and prior to that was Director of HR & OD at the Information Commissioner's Office. These roles followed a number of senior HR positions in the housing, health and private sectors. Vic is responsible for Human Resources, Organisational Development and Facilities.

Marie Perry
Chief Financial Officer

Marie joined the Commission in January 2020 from the Consumer Council for Water and is responsible for all aspects of finance and procurement at the Commission. During her career she has held a variety of senior finance roles at NHS Trusts within the West Midlands and also at police forces in South Yorkshire, Derbyshire and Warwickshire. Marie is also a non-executive director and chair of the audit committee for the Sandwell and West Birmingham Hospitals Trust.

Tamsin Morgan
Chief Communications Officer

Before joining the Gambling Commission in 2017, Tamsin was Head of Communications for the BBC across England with responsibility for strategic leadership and delivery of all aspects of communication. Prior to that she was Head of Communications for BBC Radio 1 and Popular Music at the BBC.

As Chief Communications Officer she plays a key role in the development and delivery of the Commission's strategy. Leading a multi-disciplined team, Tamsin oversees media relations, public affairs and stakeholder engagement, consumer engagement, digital communications, internal communications and the Chief Executive's Private Office.

Alistair Quigley
Interim Chief Technology Officer

Alistair has had a 30-year career in IT and started his early career managing a Midlands-based IT training centre, before spending six years with National Express, becoming their IT Director and overseeing the transport firm's rapid online growth. More recently, he was managing director of IVU Traffic Technologies UK, a specialist software developer, before joining the Commission 14 years ago. Alistair leads the Commission's IT and digital functions which includes software and digital service development and provision, with an emphasis on information assurance and compliance and information security.

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