

# **Annual Report and Accounts 2017-18**

# Annual Report and Accounts

**For the period 1 April 2017 to 31 March 2018**

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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**GAMBLING  
COMMISSION**

A photograph of a woman with dark hair tied back, smiling and looking to her right. She is wearing a black and white patterned top. The background is a blurred office environment with white cubicle walls and a purple chair. A white diagonal graphic element separates the image from the text below.

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# ► Performance report

## Overview



### Who we are

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

We do this by placing consumers at the heart of regulation, maintaining the integrity of the gambling industry and being an exemplar of best practice internationally.

We 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 to run the National Lottery.

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

- the Gambling Act 2005 which gives us the authority and duty to regulate commercial gambling in Britain in partnership with licensing authorities
- the Gambling (Licensing and Advertising) Act 2014 which requires any operator wishing to transact with consumers in Britain to obtain an operating licence from the Gambling Commission

- the National Lottery etc. Act 1993 which sets out the framework within which we regulate the National Lottery.

We are an independent non-departmental public body sponsored by the Department for Digital, Culture, Media and Sport.

We have around **300** employees, mostly based at our offices in Birmingham, including around **40** home-based colleagues working across England, Scotland and Wales.



## 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 do our best to make sure that the proceeds of the National Lottery are as great as possible.



## Chairman's message

The past year was one of considerable change, both for the Commission and for the gambling industry. We published a new strategy that made clear that the protection of the public was our main concern. This was underpinned by a more robust approach to enforcement. We have set an ambitious agenda. Our advice to the government on gaming machines and social responsibility measures and on the regulation of online gambling set out wide-ranging and challenging recommendations for the government, the gambling industry and for the Commission to deliver collaboratively. And we began to prepare for the competition to award the 4th National Lottery Licence.



William  
Moyes

### Our new strategy

In 2017 we published a new three-year strategy (Making gambling fairer and safer, 2018 to 2021). It represents a significant step forward in addressing the many issues we, the industry, government and society must tackle effectively and without delay if the UK is to have a gambling culture that treats the consumer more fairly and tackles gambling-related harm more seriously and thus increases confidence in the integrity of the sector.

Our five strategic priorities over the three years are to:

- protect the interests of consumers
- prevent harm to consumers and the public
- raise standards in the gambling market
- optimise returns to good causes from lotteries
- improve the way we regulate.

We've published the first of three [annual business plans](#) that set out in detail how the Commission plans to deliver the strategy. This defines our priorities for 2018-2019 and what we expect to achieve.

### Working to protect the consumer

During the period covered by this three-year strategy we want to improve the confidence consumers have in the gambling industry. Integral to this is operators creating a fair, safe and transparent environment for their customers

– an environment where consumers can make informed choices about how they gamble and feel they are protected against the risks gambling can pose.

Our work in this area includes improving the understanding amongst consumers about the gambling products they use, and when to seek advice if things get out of control. We'll be identifying ways to give more power and control to consumers to manage their gambling in a way that works for them. We'll also continue to review and strengthen the rules to tackle unfair terms and misleading practices, as well as ensuring consumers have access to an effective complaints process.

### Preventing harm

Preventing harm continues to be a priority focus in our work. Gambling-related harm causes damage to individuals, families, communities and society more generally. It is associated with a range of mental health and social problems, including crime. The National Responsible Gambling Strategy sets clear and relevant objectives to tackle these issues, but progress with implementation remains too slow.

Over the next 12 months we will continue to work with partners to improve understanding of the scale and nature of the problems that gambling can cause and of the impact on society. We'll be shaping the future national



strategy for safer gambling and will expect to see operators actively working together to tackle gambling-related harm through the data and technology available to them.

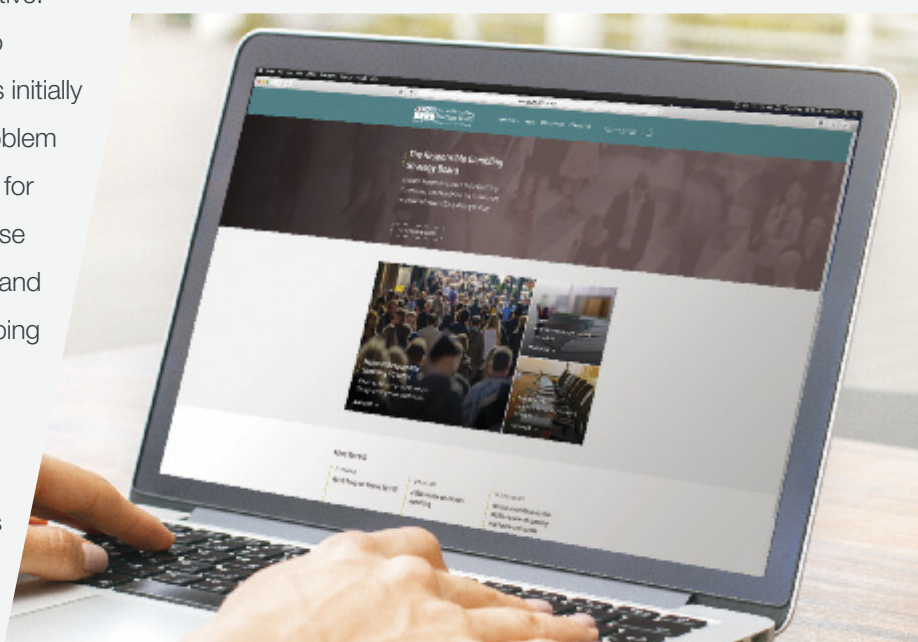
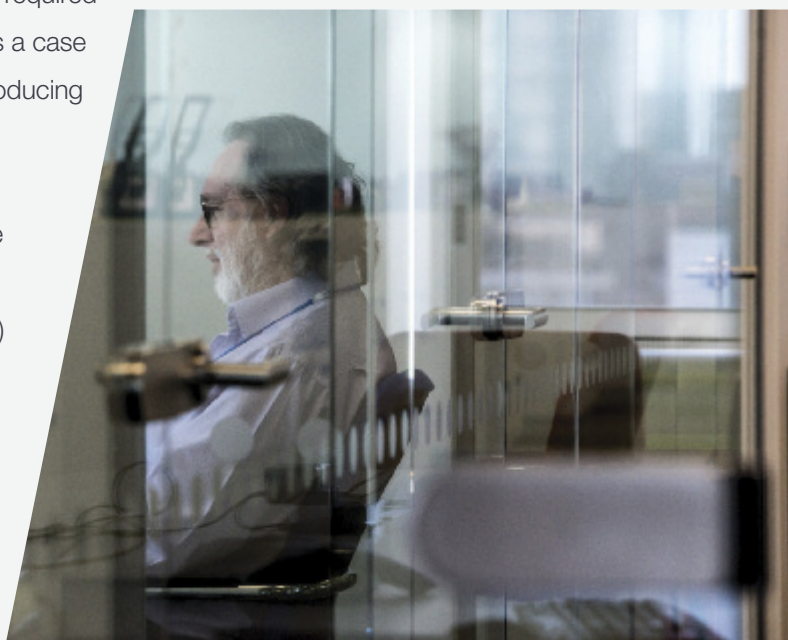
The Responsible Gambling Strategy Board has advised that a large increase in the funding available for research, education and treatment will be necessary in future years to deliver the outcomes required by the Commission's Strategy and the National Responsible Gambling Strategy.

We'll be continually monitoring and assessing the existing model for delivery to see if the present arrangements are delivering the required improvements on the scale required and in an acceptable timescale or whether there is a case for government to take action, for example by introducing a statutory levy in improving the arrangements for research, education and treatment. We will also seek to ensure that the practical arrangements are compatible with an alternative system of funding research, education and treatment (such as a levy) in the event that this is needed in future.

## Raising standards

However, there can be no doubt that it would be much better for the industry, for gamblers and for the country if the prevention of harm were given a higher priority. This is our objective.

Its achievement requires the industry to understand better how gambling that is initially entertainment can become a major problem for individuals and thus for families and for the country. Companies also need to use the extensive data they hold to understand how to identify players who are developing gambling behaviour that is likely to become problematic, and how to help them change before their problem becomes unmanageable. This includes the designers of gambling products as well as the operators.





## Chairman's message continued

The information we get from the assurance statements suggests that these issues are rapidly moving up the agenda of company boards and senior managers. We welcome that. We will continue to develop the assurance statements in ways that will improve the focus of the boards and senior leadership teams of gambling businesses on the delivery of the licensing objectives.

Our recent advice to government made clear that we believe there is a case in principle for tracked play being mandatory for all B1, B2 (known as fixed odds betting terminals) and B3 gaming machines. We welcomed the decisions recently announced by the Government following its review of stakes and prizes. However, we believe other measures are also necessary. We will continue to explore with industry the case for tracked play as a means of supporting efforts to minimise gambling harm. We are also reviewing our regulatory regime to strengthen the protections it offers to children and to those who gamble online.

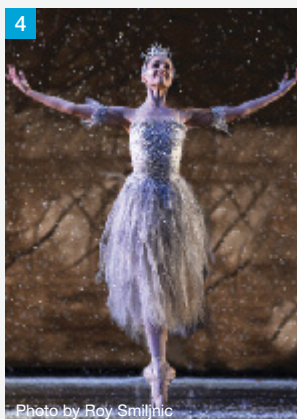
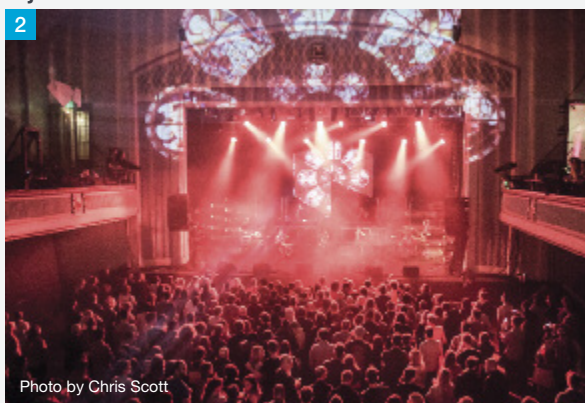
We will continue to support and facilitate collaboration between those charged with raising standards and, crucially, we will hold to account those who do not attempt to understand the risks of gambling or who fail to implement effectively their stated policies to identify and prevent harm.

### Improving regulation

Effective regulation provides a range of important protections and we aim to be a risk-based, evidence-led and outcomes-focused regulator. We believe that regulation can be most effective when the bulk of interventions are delivered by the operators themselves, within a framework of policies, incentives and disincentives set by us. But, when necessary, we will be interventionist.

We are committed to improving the way we regulate through consideration of the whole market, delivering the services we offer effectively and efficiently, attaching a greater premium to the management of data, and evolving the regulatory framework in response to emerging situations.

### National Lottery funded projects



1. The Trebanog Project, It's Art But It's Not, Ideas Peoples Places
2. Hidden Door Festival in Leith, Edinburgh
3. BFI Audiences, Grantchester Meadows
4. Birmingham Royal Ballet's *The Nutcracker* – Jenna Roberts as the Snow Fairy
5. Bravehound was launched in 2016 to match dogs with veterans, helping them return to civilian life. Bravehound won the best charity category in the 2017 National Lottery Awards.

## Lotteries

Lotteries make important contributions to society. We have, therefore, adopted a strategy that will make full use of all our regulatory tools during the remaining period of the Third National Lottery licence (which expires in 2023) to maintain integrity, protect consumers and grow contributions to good causes.

We will shape a robust and effective competition for the 4th National Lottery Licence and examine the impact of market convergence as part of our work preparing for the next licence.

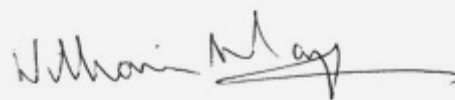
## In conclusion

This year will bring more change for the industry. We have set out ambitious plans for the coming year, and indeed for the life of our three-year strategy. We cannot deliver this work alone. We need continued strong partnerships with other regulators, consumer representatives and government. Most importantly, we need the industry to step up and work to raise standards and reduce the risk of harm.

I want to take this opportunity to record my thanks to our previous Chief Executive, Sarah Harrison, who left in February 2018 and whose commitment to consumer protection made a tremendous impact on our organisation and the industry.

I'd also like to thank our new Chief Executive, Neil McArthur, my fellow commissioners, our decision making committees, executive team and all our staff for their support and hard work across what has been a busy and interesting year.

The challenge now is to support the industry in the raising of standards and in making gambling fairer and safer for all.



**William Moyes** Chairman

## Performance analysis

### Chief Executive's message



Neil  
McArthur

#### Fairer, safer – shaping the future of gambling

This has been a year of change across the gambling sector – a year that has seen increased public scrutiny of the industry and of the Gambling Commission as the regulator of commercial gambling and the National Lottery.

It has also been a year of change for the Commission as we developed, published and prepared to implement our Corporate Strategy (2018 to 2021) and reorganised ourselves to ensure the consumer is at the heart of our work.

Significant progress has been made – which you will find detailed in this annual report – but much more remains to be done as we work to make gambling fairer and safer in Great Britain.

#### Empowering and protecting consumers

Ever-evolving technology, the use of data by those holding it and the way that data now drives behaviour have presented the Commission with some of our biggest challenges during the year. Ensuring we keep pace with these changes is essential and we have been insistent operators must use data they hold to protect consumers responsibly.

As perceptions of, and attitudes towards, gambling shift we must use all our resources, the work we do in advising government and through the organisations with which we partner, to make gambling fairer and safer. We must minimise the risk of gambling being a source of crime and protect young people and the more vulnerable in society from potential harm or exploitation from gambling.

Balancing consumer choice against the risks gambling can create to the individual and wider society raises a



number of hugely important and highly complex issues. The fact public trust and confidence in gambling is declining demonstrates the delicate path we, as regulator, must tread.

Our work looking at unfair terms and practices in the gambling industry seeks to address some of the concerns around fairness and we continue to review how consumers are being treated by firms. We've set clear expectations that operators need to know their customers better, and updated guidance around customer interaction in terms of what firms should look out for and when to intervene.

Over the past year we have conducted a review of the online gambling market, setting out proposals to enhance consumer protection. We strengthened requirements for online gambling sites to improve the information available for consumers so they can make more informed choices about how they gamble.

## Building partnerships, understanding risk

Our evidence shows that **430,000** people in this country are problem gamblers and up to **two million** are at risk of having a gambling problem. Whilst the proportion of problem gamblers and at risk of problem gamblers numbers has remained stable, this proportion needs to start falling.

One of our biggest achievements over the past 12 months has been to raise the profile of the impact of the harm caused by gambling. Significantly, this is now being recognised as a public health concern (something highlighted by *The Lancet* magazine in September 2017). There is now much greater awareness and a realisation that a gambling problem is also a societal one.

*This has been a year of change across the gambling sector – a year that has seen increased public scrutiny of the industry and of the Gambling Commission as the regulator of commercial gambling and the National Lottery.*

A key piece of work for us in the last year was providing comprehensive advice to government as part of its *Review of Gaming Machines and Social Responsibility Measures*.

Protecting consumers and preventing harm is at the heart of our advice, which is based on the best available evidence and is focused on reducing the risk of harm to consumers. Key evidence underpinning our advice is data that we obtained from the industry about how consumers use gaming machines, including fixed odds betting terminals (FOBTs). Data covers nearly **20 billion** plays on machines in betting shops, and over **2 billion** plays on machines in adult gaming centres and bingo venues.



Photo by William Hill

## Chief Executive's message continued



Much of our work over the past year – both as regulator and working in partnership – has been aimed at shifting perceptions of gambling-related harm by raising awareness of how gambling can harm the individual, their families and wider society. This will be an area of continued focus in the coming years.

### The National Lottery – ensuring fair play

The National Lottery brings huge benefits to sporting, community, heritage and cultural groups across the country. It is therefore disappointing returns to good causes have declined over recent years. Returns to good causes stabilised this year, but that was supported by some good fortune such as long EuroMillions rollover sequences, so there is no room for complacency.

Last year we appeared before the Public Accounts Committee, following a National Audit Office report into funding for good causes. It is clear, from both our work and the report, that Camelot needs to improve performance of the National Lottery and we will hold them to account for this. During the remainder of their licence period we will continue to monitor, assess and challenge their performance.

We will make full use of all our tools during the remaining years of the Third National Lottery licence, which expires in 2023, to maintain the integrity of the National Lottery, protect consumers, and ensure that the current National Lottery licensee, Camelot, maximises contributions to good causes.

Over the last 12 months we required Camelot to carry out a review of the effectiveness of its board and we have strengthened our approach to monitoring its performance by developing a new model for providing projections of future levels of returns to good causes.

We will be closely monitoring Camelot's delivery against their new strategic plan, which they implemented in April 2018, and hope to see resulting improvements in performance. And we have commenced work on the competition for the next National Lottery licence, central to which is looking at how we can best maximise those returns to good causes in the years ahead.

### Raising standards

Over the past year we have continued to challenge gambling operators to raise their game in relation to the way they treat their customers and to create a market the public can trust. We have made it clear our approach to enforcement is getting tougher and a new strategy for this work published during the year sets out how we will tackle operators that breach gambling regulations; particularly where we identify systemic failures to protect those consumers most vulnerable to harm from gambling. We issued penalty packages of over **£18million** last year for social responsibility and anti-money laundering failings, as well as a number of advertising and self-exclusion breaches.

We will continue to work closely with the Advertising Standards Authority (ASA) and the Competition and Markets Authority (CMA) to tackle misleading advertising and unfair terms and practices. We will also work with the ICO to clamp down on unsolicited electronic marketing.

We continue to use the full range of enforcement powers to ensure operators put customers first and demonstrate their commitment to raising standards. The industry can be assured that we will use those powers in a targeted way, and consumers and the public can be assured we will take robust and effective action when gambling companies don't meet their obligations.

We have also been working hard to support the industry in meeting the standards we've set. We have worked with our regulatory partners to inform the gambling operators through shared platforms at events and issuing joint guidance, an annual conference for industry leaders, sessions for small gambling operators, and we've been offering guidance on General Data Protection Regulation (GDPR) legislation which comes into force on 25 May 2018.

We will continue to promote best practice and offer forums for sharing the lessons learnt as well addressing ways in which the gambling industry can collaborate and innovate to prevent harm.

## Improving the way we regulate

It is vital we hold ourselves to the same high standards we expect of others, working to raise those standards to further improve regulation. To this end, we've reviewed our key performance indicators and performance reporting processes, further developed our partnerships and identified improvements in our licensing and compliance programmes. We achieved **38** of the **41** milestones we published in our 2017/18 business plan, and our outturn expenditure in 2017/18 has been broadly in line with budget.

## Conclusion

In conclusion, as we reflect on a productive year and anticipate the many challenges ahead. I was delighted to be appointed as the new Chief Executive for the Gambling Commission, and look forward to leading this organisation as we deliver our ambitious strategy. I want to ensure we have the safest, well-regulated gambling market in the world that consumers have confidence in.

I want to thank the Board for its support and our staff for their hard work, dedication and energy. I am proud to lead an organisation full of talented, committed individuals, all of whom really believe in the work we do to create a fairer and safer gambling market for British consumers.

I would also like to record my thanks to my predecessors, Sarah Harrison and Jenny Williams, for the enormous contribution they have made to the Commission's work and for all the advice, support and guidance they offered over the time we worked together.



**Neil McArthur** Chief Executive



## Overview of the gambling sector

This report contains statistics relating to the gambling industry in Great Britain. The information contained in these pages covers betting, bingo, casinos, arcades and gaming machines, lotteries and remote (online and telephone) gambling.

Data is drawn from a wide range of sources, including interviews with more than **16,000** people across Britain.

We collect and analyse data to monitor changes that may have an impact on the regulatory framework, and to make sure we are up-to-date with gambling industry statistics and gambling-related research.



For more gambling statistics visit our website:

**[www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)**



Total gross gambling yield (GGY)  
of the British gambling industry

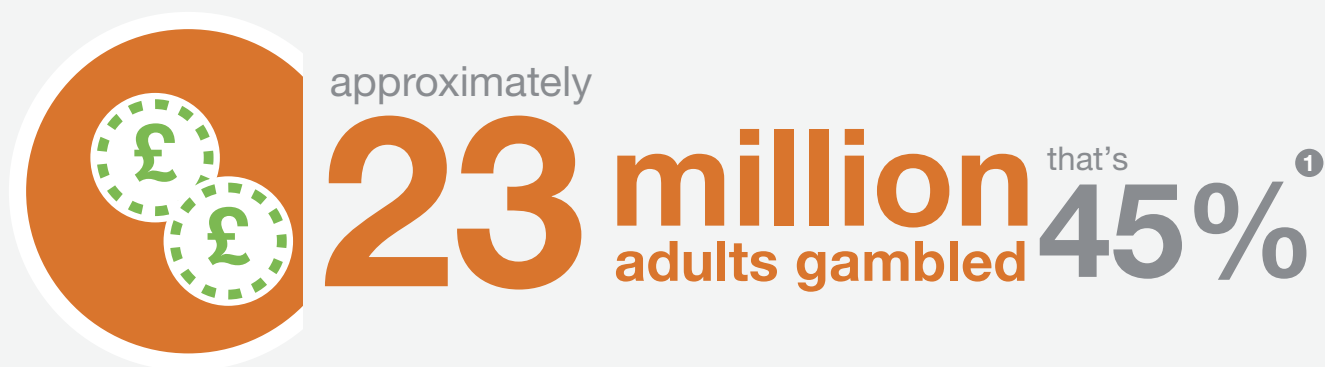
**£13.9bn**



The industry employs  
**106,306**  
people



Taken from Industry Statistics Report published May 2018, with the exception  
of the National Lottery contributions figure (from April 2017-March 2018)



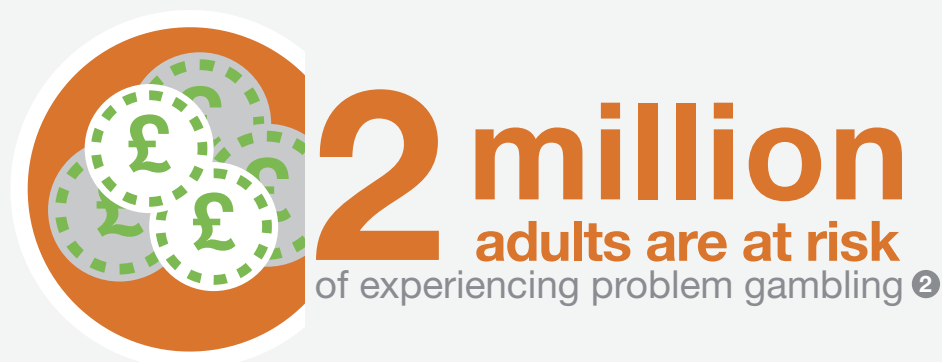
**14m**  
bought a  
ticket for the  
National Lottery <sup>1</sup>



Nearly  
**9.5m**  
had gambled online <sup>1</sup>



Nearly  
**3m**  
had bet on a  
football match <sup>1</sup>



An estimated  
**430,000**  
adults are problem gamblers <sup>2</sup>



**1 in 10**  
online gamblers  
use financial limits to  
manage their gambling <sup>3</sup>



**6%**  
of gamblers  
have self-excluded <sup>3</sup>



<sup>1</sup> Telephone Survey <sup>2</sup> Combined 2015 Health Survey Report\* <sup>3</sup> Online Survey

\* This is a GB level estimate taken from our first combined Health Survey report *Gambling behaviour in Great Britain in 2015*. Care should be taken comparing against previous problem gambling data which is not directly comparable.



## The Government's Review of Gaming Machines and Social Responsibility

This year we provided advice to government as part of their *Review of Gaming Machines and Social Responsibility*.

At the heart of our advice to government was an aim to reduce the risks that consumers, especially those that are vulnerable, face from gambling. We proposed actions that tackle both the risk of harm and provide solutions that are sustainable in the longer term. In May 2018 the government concluded its review, announcing its decision to reduce the maximum stake on Fixed Odds Betting Terminals (FOBT) to £2. This decision is consistent with the advice we provided and we're pleased government has supported a comprehensive package of measures to protect consumers, in addition to the stake cut.

In our judgement, a stake cut for FOBTs alone doesn't go far enough to protect vulnerable people. That is why we recommended a stake cut plus a comprehensive package of other measures to protect consumers including:

- ▶ a strong case in principle to make tracked play mandatory across machines categories (B1, B2, B3)
- ▶ extending to category B1 and B3 machines the kinds of protections, such as player limits, that are in place on FOBT (B2 machines)
- ▶ working with the industry and others on steps to make limit-setting more effective – this could include ending sessions when consumers reach time and money limits.

Our advice was based on the best available evidence, including data that we obtained from the industry about how consumers use gaming machines.

We will continue to act in other ways to reduce those risks – including delivering enhanced consumer protection for online gambling in the areas of customer verification, fairness and interaction, imposing strong penalties for businesses who breach advertising rules, and reviewing gambling product characteristics to identify whether particular features pose greater risk of harm than others.

### The scale of the machines sector

- ▶ **183,928** – total number of gaming machines in Great Britain (excludes those requiring only a local authority permit)
- ▶ **33,611** – total number of category B2 machines in Great Britain
- ▶ **£2.8 billion** – total gross gambling yield (GGY) from gaming machines in Great Britain
- ▶ **20%** – market share of gaming machine GGY within the gambling industry (non-remote)

### Our data

- ▶ **20 billion** plays on machines in betting shops
- ▶ over **2 billion** plays on machines in adult gaming centres and bingo venues

### Public opinion

The figures below show the percentage of respondents who mentioned each impact when asked for their overall opinion of the gambling industry and its impact on society:

- ▶ **1.9%** gaming machines
- ▶ **28%** addictive nature of gambling\*
- ▶ **17%** financial impact\*
- ▶ **14%** accessibility\*.

\*These concerns are not unique to gaming machines.

The statistics provided are extracted from the Gambling Commission's *Industry Statistics* report.

Statistical reports can be found in more detail on our website where more detailed methodological information is also available: [www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)

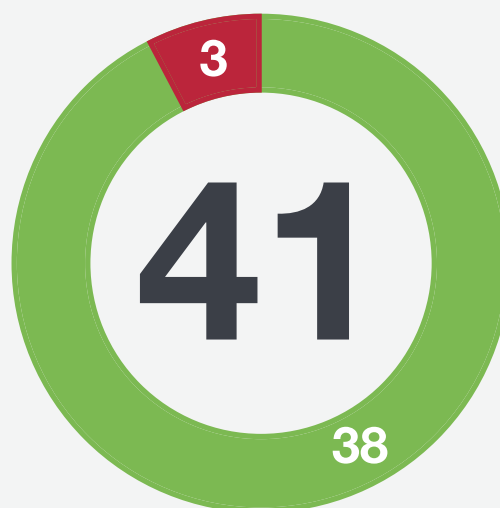
## A year in review – delivery of our business plan

The Gambling Commission's role is to ensure that gambling is fairer and safer for everyone. This section reports on the work that we have undertaken this year and how we have met milestones set out in the 2017-18 business plan across five key focus areas:

- ▶ empower and protect consumers
- ▶ raise standards across all gambling sectors
- ▶ build partnerships and understanding both domestically and internationally
- ▶ ensure fair play on the National Lottery
- ▶ improve regulation.

A summary for 2017-18 corporate business plan milestones:

- ▶ 41 Corporate business plan (CBP) milestones were due
- ▶ 38 were delivered
- ▶ 3 will deliver in 2018/19



## › Empower and protect consumers

Building on progress from last year we continued to put the consumer at the centre of what we do.

We encouraged the gambling industry to put strong protections in place for vulnerable people and to provide information that empowers the public so they can make well informed choices about their gambling. Our work in this area is linked to the National Responsible Gambling Strategy and is consistent with our approach to protecting consumers at risk of harm.

### Some of the key activities that helped us achieve this were:

- ▶ We strengthened the remote technical standards for online gambling firms to improve the information provided to consumers and enable them to make informed choices about how they gamble. The testing strategy was also updated to incorporate the new standards.
- ▶ The findings of our consumer interest assessment have identified and informed further work on consumer research and methods for helping to empower consumers to make informed choices about gambling.
- ▶ We published guidance setting out the key principles to guide effective evaluation of the impact of the Multi-Operator Self-Exclusion Scheme (MOSES), working with the Responsible Gambling Strategy Board (RGSB), GambleAware and the industry. This work was used as a basis for a specification which GambleAware will use to commission a central evaluation of the impact of the multi-operator self-exclusion scheme.
- ▶ We reviewed the online gambling sector, setting out proposals to enhance the protections for online consumers. Our review also identified areas for further work including protection of customer funds, gambling management tools, game features that have the potential to cause harm and risks associated with gambling on credit.
- ▶ We completed a review of how the industry identifies, and intervenes to assist, players that are at risk of being harmed by gambling. We published new guidance for online operators, which defines our expectations around customer interaction, shares the findings of our review of current practice and offers ways operators could review and adapt their policies to meet our expectations.
- ▶ We reviewed the way we engage and consult with a variety of stakeholders by making improvements to our consultation processes and making them more easily accessible online. Improving the way we engage with stakeholders is an ongoing commitment.
- ▶ We reviewed the way our consumer contact centre works, implemented processes to improve the quality of work and increase the validity of data collected in that area and we have started work to fully integrate it with our Consumer Programme. This will help ensure relevant guidance is provided and insights from consumers help to support our regulatory work.
- ▶ Learning from the first year of operation of the alternative dispute resolution (ADR) regulations. We worked with the team at Resolver, the online consumer complaints handling tool, to make the tool available to gambling consumers. In addition, following research commissioned by us, we improved the information on our website about how to complain.
- ▶ We consulted on changes to our *Licence conditions* and *codes of practice*. The proposed changes make clearer our requirements that operators are fair and open with consumers. Proposed changes relate to complaints and disputes; marketing and advertising; and unfair terms. We will publish our response and implement any changes later in the year.



## ► Raise standards across all gambling sectors

Raising standards in the industry is not simply about ensuring that operators comply with regulatory obligations. It is also about encouraging a culture in the industry of going the extra mile to treat consumers fairly, tackle gambling-related harm and maintain public confidence in the integrity of gambling.

### Some of the key activities that helped us achieve this were:

- Strengthening our enforcement strategy, setting out how we will use the full range of our powers to ensure operators are putting consumers first. This year, we demonstrated our willingness to take swift action against those firms that fail to effectively protect consumers.
- Following a thematic review of the online casino sector, we began investigations into **22** operators due to concerns about the sector's approach to anti-money laundering and social responsibility.
- Continued communication with operators to improve understanding of existing requirements, as well as new responsibilities under the 4th Anti-money Laundering Directive. We published our assessment of the money laundering and terrorist financing risk within the British gambling market and updated our guidance for operators.
- We held our second Raising Standards conference in November, for industry leaders, to improve and speed up how they are protecting consumers from gambling-related harm and creating a market that the public can trust. We also delivered workshops across the country for small operators – including Grimsby, Taunton and Borehamwood – which were designed to raise standards and improve understanding of anti-money laundering and social responsibilities.
- Completion of the second round of annual assurance statements, which seek to demonstrate that the industry is not just *meeting* the standards we require, but *raising* them. We held assurance statement workshops for operators, trade bodies and industry lawyers to share best practice, information and guidance on how to develop content further.
- We continue to work closely with our local authority partners to support regulation of gambling on a local and national level. We participated in National Licensing Action Week, hosting a reception at the Welsh Assembly, and continue to work with Citizens Advice, such as participating in their annual conference.

## ➤ Build partnerships and understanding

We do not work in isolation to keep gambling fair, safe and crime free. We are just one part of an effective regulatory framework that includes both central and local government.

This year we have continued to build on those partnerships, providing advice to government as part of the gambling review and supporting local authorities as they regulate gambling in our local communities. The effectiveness of this tripartite regulatory system is key to ensuring that local concerns inform national policy and that, in turn, national policy is locally implemented. This collaborative approach extends to working with other expert regulators such as the Competition and Markets Authority (CMA), Advertising Standards Authority (ASA) and the Information Commissioner's Office, as well as strong engagement with international regulators where we share evidence and best practice.

### Some of the key activities that helped us achieve this were:

- ▶ We provided and published our advice to the Department for Digital, Culture, Media and Sport (DCMS) as part of their *Review of Gaming Machines and Social Responsibility Measures*. Our advice drew on a broad evidence base and we recommended a package of measures including: a stake cut for B2 gaming machines (FOBTs); increasing the availability of information about machine play, with a possible trial of tracked play on category B1, B2 and B3 machines; banning the facility for B2 machines to allow different categories of games to be played in a single session; extending to category B1 and B3 machines the kinds of protections, such as player limits, that are in place on B2 machines, and working with the industry and others on steps to make limit-setting on time and money more effective.
- ▶ We also advised DCMS on the arrangements for research, education and treatment to address gambling-related harm. As part of the government's review, above, we identified a number of actions that we will pursue to make the current, voluntary arrangements more effective. We also concluded that there would be a strong case for a statutory levy to fund research, education and treatment if industry efforts to meet funding needs reliably and in full fall short.
- ▶ We worked closely with the ASA to raise standards in gambling advertising by ensuring that marketing offers, such as free bets and bonuses, do not mislead. Along with the ASA and the Remote Gambling Association we required online gambling operators to take immediate steps to comply with the UK Advertising Codes by ensuring that they amended or removed any freely accessible adverts likely to be of particular appeal to children. This work has resulted in improved and more socially responsible advertising standards.
- ▶ We have progressed a joint programme of work with the CMA to tackle unfair terms and misleading practices in the remote gambling sector. This work has seen a number of operators commit to change how they offer online bonus promotions and to ensure terms and conditions are upfront and clear.
- ▶ We have implemented the requirements of the Enterprise Act, which is aimed at promoting enterprise and economic growth, through the publication of Business Impact Target (BIT) assessments, all of which have been validated.

## › Ensure fair play on National Lottery

The National Lottery is a valued national asset which has raised over **£38 billion** for good causes since it was launched in 1994. It is essential that the public has trust in its lottery and confidence in the way it is run and regulated. Our role is to make sure that play is fair, that the nation's interest in the lottery is protected and that the current National Lottery licensee, Camelot, is motivated to maximise the enjoyment and benefits that the Lottery brings, both to players and to good causes.

### Some of the key activities that helped us achieve this were:

- ▶ Undertaken regular compliance work throughout the year to provide assurance to DCMS that good causes receive the correct allocation of funds generated by the National Lottery. We have also further enhanced our insight into, and monitoring of, Camelot's performance. A new model providing projections of future levels of returns to good causes has been developed, with two outputs being provided to distributing bodies this year in order to support ongoing funding considerations.
- ▶ We reviewed our evaluation framework, defining a new set of metrics aligned specifically to Camelot's new strategic plan in order to ensure more robust measurement of Camelot's delivery against this plan, commencing from April 2018.
- ▶ We began shaping the competition for the Fourth National Lottery licence. This included creating the initial project team and undertaking the thorough work to ensure that the competition for the new licence is separately run from the existing third licence. A clear governance framework has been set up and the project operates from a separate office in London. Other activity throughout the year included commissioning reports to inform early thinking around the global lottery bidding landscape and competition design considerations, and establishing an expert advisory group.
- ▶ We have introduced greater consistency between the regulation of the National Lottery and wider gambling industry, such as a new enforcement policy for the National Lottery which brings it closer to our approach for the wider industry.
- ▶ In January we provided evidence to the Public Accounts Committee, following a decline in returns to good causes. The National Audit Office report restated concerns and trends we were already aware of and working to address with Camelot. Actions we are taking include robust assessment of new game proposals, the implementation of our new evaluation framework and the further development of our projections model.
- ▶ We commissioned an independent review of the effectiveness of Camelot's Board and governance arrangements. In response to the findings and recommendations, Camelot has taken steps to make new appointments to its Board, and to introduce revised policies and procedures in line with industry best practice to support improved oversight and management of risks.



## ➤ Improve regulation

As a regulator it is important that we hold ourselves to the same high standards that we expect of others. This means constantly reviewing our performance in priority and core areas such as licensing, compliance and enforcement; and then taking significant steps to further improve, maximise our impact and provide continued value for money. Where we can, we also look to reduce the regulatory burden to operators. As we work to raise standards in the industry it is important that we turn the mirror on ourselves and work to raise standards in our own organisation to further improve regulation.

### Some of the key activities that helped us achieve this were:

- ▶ Working with DCMS we implemented a fairer fee structure based on GGY rather than number of premises. This means lower fees for the majority of licensees, particularly smaller businesses. It also makes growing businesses easier, as some fees to vary a licence have been significantly reduced. We will continue to ensure future fees reviews are reflective of the industry.
- ▶ We consulted on and published an ambitious three-year strategy, which presents our vision for a fairer and safer gambling market for consumers. It aims to create an environment for the industry to demonstrate professionalism and innovation in approaches to regulation and compliance.
- ▶ We have improved the way we collect regulatory data, focusing primarily on regulatory returns from operators. We've made it easier for operators to submit timely and accurate returns data.
- ▶ Providing guidance to DCMS as part of the consultation for the proposed transfer of the collection of reformed horserace betting levy to the Gambling Commission. Preparing for a smooth transition ahead of planned legislative changes due to take effect in April 2019.
- ▶ Understanding risk is a key component of our strategy for 2018-2021 and this has been reflected in several operating model changes. These include the creation of a more robust *Insight* team to horizon-scan and to identify risks in the gambling market.
- ▶ We reviewed our internal key performance indicators (KPIs) with Commissioners which resulted in a new *Board Performance Report* bringing together a suite of external outcome indicators, strategic risk management, milestone progress and internal indicators. The first iteration of the report was reviewed and approved by Board in January 2018 and we are now working on improving the internal KPIs to reliably demonstrate progress against the strategy. This year we also undertook a complete refresh of our risk management framework.
- ▶ We have improved compliance processes, which will enable a better understanding of how our compliance activity is having an impact and where future efforts need to be focused. This has been in addition to embedding a refined risk assessment process to ensure the targeting of the highest risk issues.
- ▶ We introduced Office 365, including a cloud-based document and record management system with enhanced smarter working capabilities to the organisation. In addition a newly-created programme has been designed to optimise how we manage data, including being clearer about the data we want from licensees, making our internal systems more efficient and developing our analytical capability to gain more insights from the data we hold.
- ▶ Completion of the second year of our internal change programme saw improved employee survey scores. They demonstrate that our staff recognise the improvements we have made in building their capabilities and confidence. They also believe that we gain strength from having a diverse workforce and through innovation.

## Delivery of core functions

### Licensing

We ensure that those offering facilities for gambling are suitable to do so and that the activities they carry out are conducted in a manner which minimises the risks to the licensing objectives.



The Licensing department manages the accounts of over **2,800** operators, and over **20,000** individuals. We assess the ongoing suitability of our licensees by using a variety of tools, such as regulatory data and interaction with stakeholders to ensure they remain suitable to continue to be licensed.

In the past year we have processed over **240** licence applications from prospective operators, and just over **2,000** individuals applied for a licence.

We have invested in our eServices system so that operators can better manage their own accounts online. Over the next year, we will continue to improve this service. We also continue to ensure our processes are robust, so that only those that are suitable to be licensed receive and retain licences, providing reassurance to the industry and consumers.



### Compliance

As part of our compliance activity with larger operators, we undertake regular planned assessments of the governance arrangements, known as corporate evaluations. In the last year our compliance team have completed **10** corporate evaluations with ongoing engagement with a further **6** operators as part of a rolling programme of evaluations. As part of this work we have also undertaken a number of premises assessments and website reviews with these operators.

We are engaged in an Assurance Statement pilot with **39** of the largest operators by gross gambling yield. This requires board level assurance on the action taken by businesses to minimise gambling related harm and sets out the learning and best practice that will be taken forward.



We also conduct regular assessments of smaller operators. In the last year our compliance team has assessed **676** smaller operators consisting of **1,030** assessments, this includes follow up work to **131** operators to ensure compliance with the Licence conditions and code of practice (LCCP). As part of a regular programme of work we have also delivered a series of nationwide operator workshops reaching out to **167** attendees across **87** smaller operators to provide advice and raise standards in the gambling industry.

We also work in partnership with local authorities and other regulatory agencies to support delivery of the licensing objectives. We do this by carrying out joint assessments, enforcement activity and providing regular advice and guidance. Additionally, the compliance team have carried out **39** personal licence reviews as part of their regulatory review work.

## Enforcement

Enforcement is one of our core functions. It may not be the first place we go to ensure the needs of consumers are met but, when necessary, it is the sharp end of our regulatory approach and we want to use it to best effect.

**£7.8 million**  
landmark penalty against  
888 following serious social  
responsibility failings



Our new enforcement strategy, launched in July 2017, has underpinned our approach to handling the complexity of the breaches we have investigated in the last year. Many of the cases over the year have involved well known operators, with instances of multiple, serious failings. We have carried out **75** regulatory and criminal investigations in the last year, including a penalty of **£7.8 million** with 888 following serious social responsibility failings, and action against other firms such as Gala Interactive (**£2.3 million**) and William Hill (**£6.2 million**).



Our intelligence team  
logged more than  
**2,200**  
intelligence reports

## Intelligence

Our intelligence team and Sports Betting Intelligence Unit (SBIU) provide a confidential ear to the industry and public, as well as being our main gateway to partner agencies, such as the National Crime Agency, other public bodies, international law enforcement organisations, and sports governing bodies.

This year, our intelligence team logged over **2,200** intelligence reports. Crucial to this are the **318** calls to our confidential telephone line, daily interaction with police forces across the UK, and our work with overseas regulators.

The SBIU receives reports from a number of sources including betting operators, sports governing bodies and tip offs through the confidential intelligence line. These reports have related to over **20** sports across **67** countries outside of Great Britain, relating to issues such as suspicious betting activity, sports rules breaches, misuse of inside information, Gambling Act offences or other criminality such as fraud or bribery.

Volumes have increased year on year by over **50%**, with football and tennis accounting for the majority of reports although raised awareness of the issues means we are seeing an increasing number of reports from other sports that aren't traditionally associated with betting integrity.





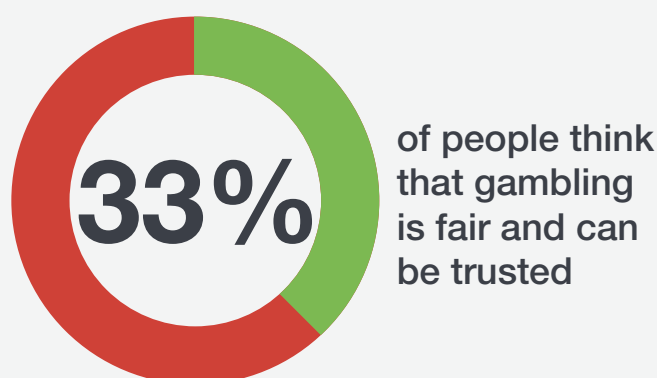
## Delivery of core functions continued

### The National Lottery

Our National Lottery team monitors the performance of the operator and leads a programme of work designed to ensure that we achieve our objectives in respect of the National Lottery; to protect player interests including preventing harm to consumers, to ensure it is run with all due propriety, and to optimise returns to good causes.

During the year, the National Lottery team has reviewed **5** significant proposals from Camelot, including game proposals such as a new EuroMillions Hotpicks game and Thunderball Tuesday draw which launched in January. EuroMillions Hotpicks and Thunderball Tuesday were supported by a joint marketing investment between Camelot and good causes which stands to benefit good causes during the remainder of the Licence until 2023.

We have carried out detailed reviews to improve our understanding in various areas including game design, player behaviour and risk factors involved in problem play, and have worked with Camelot to improve the online tools available for players to monitor and control how they play the National Lottery. In addition we have carried out a programme of compliance activity to ensure the National Lottery is run with integrity.



### Evidence

Our regulatory approach is evidence led. Our team has continued to develop its research programme to better inform our work and enable us to provide advice to the government, including as part of their *Review of Gaming Machines and Social Responsibility Measures*, about gambling behaviour in Great Britain.

Protecting young people from gambling-related harm has again been high on our agenda. In December 2017, we published a report exploring the gambling behaviours of young people and finding that **12%** of 11-16 year olds in Great Britain had gambled in the last week, and **0.9%** of 11-16 year olds were defined as problem gamblers. We worked with national broadcast media to highlight to parents the dangers of under-age gambling.

Other highlights in our research work have included our gambling participation annual report, which provided commentary around behaviours, awareness and attitudes to gambling – including important insight into online gambling trends and the impact of social media. It also reported the continued decline in public perceptions and attitudes to the sector, showing that only **33%** of people think that gambling is fair and can be trusted.

We also published our bi-annual industry statistics report, showing a growing sector powered by remote and for the first time we published statistics on the levels of problem gambling across all of Great Britain using Health Survey methodology.

## Consumer Programme & Consumer Contact Centre

Our commitment to consumers is a priority and this year we set up a new consumer programme which focuses on empowering and protecting consumers and works with the industry and our partners to improve the information available to players, fairness and transparency and general consumer experience, including working with partners to address issues around advertising and unfair terms and practices.

Our Consumer Contact Centre is a key part of this programme and provides the main point of contact for members of the public and consumers for all types of regulated gambling activity in Great Britain. Many contacts are from consumers who are unhappy with the service they have received from a gambling business. For these enquiries, we provide guidance on where to send their complaint. The team will also deal with other queries, such as self-exclusion and individuals wanting to know if they need a licence. The information received is used to support our approach to regulation.

On average, the team receives **3,600** contacts per month. This figure has reduced since last year, as the focus of the Consumer Contact Centre has shifted to consumer queries. Licence holder contacts are responded to by dedicated account managers. In 2018-19 we will continue to reflect on the service we provide, identifying ways to improve our service and continue to put consumers at the heart of everything we do.



## Safer Gambling Programme

Gambling-related harm poses a risk to individuals, families, communities and society more generally. This year we have set up a safer gambling team to enable us to make greater progress in this area and who will continue the work of the Commission and Responsible Gambling Strategy Board, to understand the full impact of gambling, and find new ways to properly manage and minimise those impacts.









## 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).

### Income

Our total income from fees and other sources was **£19.93 million** for the year (2016-17: **£19.65 million**). This does not include the grant-in-aid funding in respect of National Lottery functions which is transferred directly to reserves.

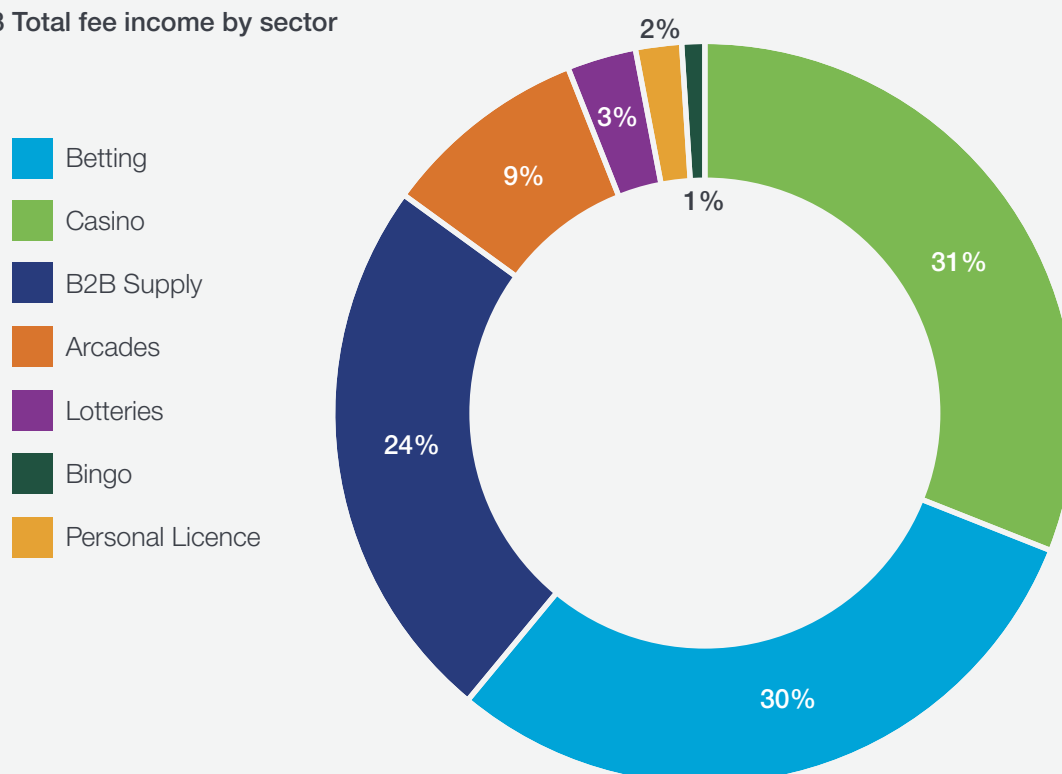
Operator application fee income for the year amounted to **£1.79 million** (2016-17: **£0.94 million**). In accordance with our accounting policies, fees for the current year have been recognised amounting to **£0.86 million** (2016-17: **£0.75 million**) for personal licences and **£17.06 million** (2016-17: **£17.64 million**) for operator

annual licence fees (see page 78). Licence fees and other charges can be found on our website at [www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk).

The Commission also received **£0.22 million** in miscellaneous income (2016-17: **£0.32 million**). 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.

### 17-18 Total fee income by sector



## Expenditure

During the year, total expenditure on operational costs including depreciation was **£23.19 million** (2016-17: **£20.88 million**), an increase of **£2.31 million** on the prior financial year (**11%**). The majority of this additional expenditure (**£1.52 million**) relates to increased regulatory activity in respect of gambling, with a further **£0.75 million** for National Lottery regulation.

Expenditure on gambling regulation totalled **£19.53 million** (2016-17: **£18.01 million**)

National Lottery functions accounted for **£3.62 million** (2016-17: **£2.87 million**). This included **£0.64 million** on initial scoping activity for the forthcoming National Lottery 4th licence competition.

During the year, the Commission was asked by DCMS to contribute towards a consultation on the future of the Horserace Betting Levy. The costs of undertaking this

activity have been identified and total **£0.04 million** (2016-17: **£0**). This is funded entirely from levy funds, via the Horseracing Betting Levy Board, and is not funded by licence fees.

Employee costs for the year were **£15.70 million** (2016-17 **£14.31 million**), an increase of **£1.39 million**.

This increase is mainly due to additional staff within National Lottery regulation, in part for the National Lottery 4th licence competition. Employee costs for gambling regulation were **£13.59 million** (2016-17: **£13.34 million**) and National Lottery regulation **£2.05 million** (2016-17: **£0.97 million**). Employee costs for Horserace Betting Levy activity was **£0.03 million**, funded entirely by levy funds.

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

### Year-on-year comparison for gambling and National Lottery regulation expenditure, and the costs of Horserace Betting Levy activity.

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
National Lottery regulation	5.0**	2.8**	2.2*	2.5***	2.7	2.87	<b>3.62</b>
Gambling regulation	13.3	13.8	14.4	15.8	16.9	18.01	<b>19.53</b>
Horserace Betting Levy activity	–	–	–	–	–	–	<b>0.04</b>
<b>Total costs of operation</b>	<b>18.3</b>	<b>16.6</b>	<b>16.6</b>	<b>18.3</b>	<b>19.6</b>	<b>20.88</b>	<b>23.19</b>

\* 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.

### Net expenditure for the year

During the year, the regulation of gambling under the 2005 Gambling Act, as amended and updated by the *Gambling (Licensing and Advertising) Act 2014* produced an income and expenditure surplus of **£0.4 million**.

This surplus largely arose from an excess of fee income collectable as a result of the continuing expansion of the gambling industry, particularly within the remote sector. The Commission has addressed this imbalance in part through reductions in licence fees from 6 April 2017, and through an increase in regulatory activity over future years to reflect our risk based approach. The total income and expenditure deficit arising for the year is **£3.21 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 2018 the book value of non-current assets was **£1.74 million** (2016-17: **£1.57 million**). Assets less liabilities at 31 March 2018 amounted to **£6.4 million** (2016-17: **£5.97 million**).

The year-end closing cash balance at 31 March 2018 was **£17.15 million** (2016-17: **£17.08 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 expenditure.

### Payment performance

The Commission's policy is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the year to 31 March 2018, **95%** (target **95%**) of invoices totalling **£7.06 million** were paid within 30 days of receipt.



## Sustainability report

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

### Greenhouse gas (GHG) emissions

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

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

Non-financial indicators	2017/18 tonnes CO <sub>2</sub> e	2016/17 tonnes CO <sub>2</sub> e
Total Gross Emissions for Scopes 1 & 2 (procured electricity, gas and fleet vehicles inc. pool cars)	159.45	181.7
Gross emissions attributable to Scope 3 (indirect emissions and official business travel)	142.99	120.9
Related energy consumption	thousand kWh	thousand kWh
Electricity	266.50	366.69
Gas	24.72	25.49
Financial indicators	£'000s	£'000s
Expenditure on energy	37.29	45.60
Expenditure on accredited offsets		
Expenditure on official business travel	303.34	305.90

### Waste minimisation and management

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

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

Non-financial indicators	2017/18 tonnes	2016/17 tonnes
Total waste arising	10.29	19.57
▶ Hazardous waste	–	–
▶ Non-hazardous waste		
▶ Landfill	0.00	2.71
▶ Reused/recycled	10.29	16.86
▶ Waste composted	–	–
▶ Incinerated with energy recovery	–	–
▶ Incinerated without energy recovery	–	–

## Use of finite resources

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

Water sources are classified by:

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

Non-financial indicators	2017/18 m³	2016/17 m³
Water consumption (office estate), scope 2		
▶ Supplied	1,617.00	2,349.00
▶ Per FTE	5.10	7.80
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 the Crown Commercial Services (CCS). This allows us to take advantage of the CCS active sustainable procurement policy to ensure that environmental obligations are properly reflected.

CCS has also implemented the DEFRA<sup>2</sup> sustainable procurement prioritisation tool to support decision making and, where appropriate, sustainability obligations are included within contracts let by CCS to ensure that:

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

The use of small and medium sized enterprises (SMEs) for the supply of goods and services across the Commission exceeds the Government's **25%** target.

During 2017-18 **47%** of our procurement expenditure was sourced from SMEs (**55%** 2016-17).



**Neil McArthur**

Chief Executive and Accounting Officer  
Gambling Commission  
4 July 2018

# ► 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 in five national regulators. Having completed a PhD in theoretical chemistry at the University of Edinburgh, Bill entered the fast-stream of the UK Civil Service in 1974 and his 20-year career in the Civil Service was spent mainly in policy-making roles in Whitehall and in the Scottish Office. Bill is currently Chair of the General Dental Council, which regulates the dental team to protect the public and secure the delivery of high standards of education and training and professional practice. Other key elements of Bill's career include: seven years in banking, funding the construction of hospitals; being the Director-General of the British Retail Consortium; and Executive Chairman of 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, and of the regulation of industries and professional groups.



#### **John Baillie**

John Baillie is a Chartered Accountant and a former partner of KPMG in Scotland and London. He is past chair of the Accounts Commission for Scotland, the Scottish local authority watchdog, and served two three-year terms. He was also a member of the Reporting Panel of the Competition and Markets Authority for nine years. John is a visiting professor of accountancy at the University of Edinburgh and has previously held similar appointments at other Scottish universities.



### **Carol Brady MBE**

Carol Brady is a former senior ombudsman for Legal Complaints and Chair of the Chartered Trading Standards Institute and is now Managing Director of a consumer protection consultancy. Carol was awarded an MBE in June 2016 in recognition of her services to consumers and better regulation. She is also a Fellow of the Chartered Trading Standards Institute, an honour bestowed on her by her peers in 2009 and which recognises 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 in the UK.



### **Stephen Cohen**

Stephen Cohen has over 38 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 the JPMorgan Japan Investment Trust plc. His recent roles included being the CEO of an Activist fund manager and the Chair of a Fintech software business. Stephen brings a global business perspective, deep experience of finance and financial services regulation as well as corporate governance.



### **Alison Hastings (Chair of Remuneration Committee)**

Alison Hastings is a non-executive Director and Vice President of the British Board of Film Classification, a non-executive Director of Clatterbridge Cancer Centre, a non-executive Director of Archant, a privately-owned media company, a Board Member of Durham University, a Board Member of the Press Association Trust and a member of the Sharing Economy Expert Advisory Panel. Until recently she was the BBC Trustee for England and was formerly a Press Complaints Commissioner.

Continued over ►



## Directors' report, Board of Commissioners continued



### **Sarika Patel** (Chair of Audit and Risk Committee)

Sarika Patel is a chartered accountant with over 25 years' experience in both the public and private sector. She started her earlier career at Pricewaterhouse Cooper and then moved to industry, focusing on innovation and technology. Sarika is also on the board and Chair of the remuneration committee of Imperial Healthcare NHS Trust, trustee and chair of the audit committee of the Royal Institution of Great Britain and a board member and chair of the audit committee of the Office For Nuclear Regulation. She continues to work part-time on advisory transactions in a global setting. Sarika brings a wealth of experience in financial and strategic management.



### **Trevor Pearce CBE QPM**

Trevor Pearce spent 40 years in law enforcement. Starting at Kent County Constabulary, he moved on to work in national agencies becoming Director General at both the National Crime Squad and Serious Organised Crime Agency. Since then, Trevor has focused on regulatory roles and risk management.

Trevor is Chairman of UK Anti-Doping, a Trustee of Canterbury Oast Trust, a charity providing residential and other services to adults with learning difficulties, where he also chairs the Care committee, and a trustee of Stop the Trafik, 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.



### **Simone Pennie**

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 became Finance Director of BBC World News in 2005. Since 2011 Simone has maintained a portfolio career including Chair of the Audit Committee and non-executive director for Wye Valley NHS Trust, Independent Risk & 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 currently Finance Director at Kyloe Partners, a global software company servicing the recruitment sector.



**Jonathan Scott**  
(Chair of National Lottery Committee)

Jonathan Scott retired as Senior Partner and Chair of Herbert Smith Freehills, a leading global law firm, in 2015. He has extensive high level experience of competition law including in the gambling sector, having advised on mergers within the industry, and on governance and regulation. He is a non-executive director of the Competition and Markets Authority, a member of both the Audit and Regulatory Committees of the Press and Assessment Board of Cambridge University and a trustee of two charities.



**Catharine Seddon**  
(Senior Independent Director)

Catharine Seddon spent many years as a documentary film maker for BBC TV and then as an independent producer for Channel 4. She began working for the judiciary in 2002 and now sits on tribunals in the jurisdictions of employment and mental health. She is a presiding magistrate in Central London and she sits as a lay assessor under the Equality Act in county court cases. Her current national public appointments include the Determinations Panel of The Pensions Regulator and the Legal Services Board. Previously, she chaired the Audit and Risk Assurance Committee of the Human Tissue Authority and sat on appeals for the Human Fertilisation and Embryology Authority. She is also a trustee of the London Centre for Children with Cerebral Palsy.

## 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 has delivered, through the 2017 fees review, a reduction in licence fees from 2017-18.

Current application and licence fees range from **£200** to **£474,187** dependent on operator size and licence type. The Commission's total income from fees and other sources was **£19.93 million** for the year (2017-18: **£19.66 million**). Further analysis of fees and charges is provided in the Performance Analysis section (page 31).



**Neil McArthur**

Chief Executive and Accounting Officer  
Gambling Commission  
4 July 2018

## Statement of the 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 accruals basis and must give a true and fair view of the state of affairs of the Commission and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

- ▶ observe the Accounts Direction issued by the Secretary of State for 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.

The Accounting Officer of DCMS has designated me as the Commission's Chief Executive Officer to act as Accounting Officer from 28 February 2018. 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 Treasury.

The Accounting Officer signing off these accounts has gained assurance in the following ways:

- ▶ a meeting with the Chief Operating Officer and Head of Finance to go through the financial controls
- ▶ reports and recommendations from the internal audit programme

- ▶ scrutiny and advice provided by the Audit and Risk Committee through the year
- ▶ a meeting with the internal auditors to discuss the annual audit opinion
- ▶ a meeting with the National Audit Office to discuss the process and findings of the external audit
- ▶ discussing the annual review and accounts at an Executive Board meeting attended as General Counsel for the full financial year.

The Accounting Officer confirms that as far as he is aware, there is no relevant audit information of which the Commission's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.



**Neil McArthur**  
Chief Executive and Accounting Officer  
Gambling Commission  
4 July 2018



## Governance Statement for the year ended 31 March 2018

I became Accounting Officer on 28 February 2018, having joined the Commission in October 2006. This governance statement describes how I have carried out these duties and the structure that supported us in the financial year 2017-18. This statement explains the key features of the Commission's governance structure.

### The Gambling Commission Board

The board has complied with government guidance for corporate governance in arm's length bodies.

The composition of the board has changed recently, with the arrival of a new commissioner on 1 February 2018, and the appointment of an Acting Chief Executive and Accounting Officer in February 2018.

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 Chairman, 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.

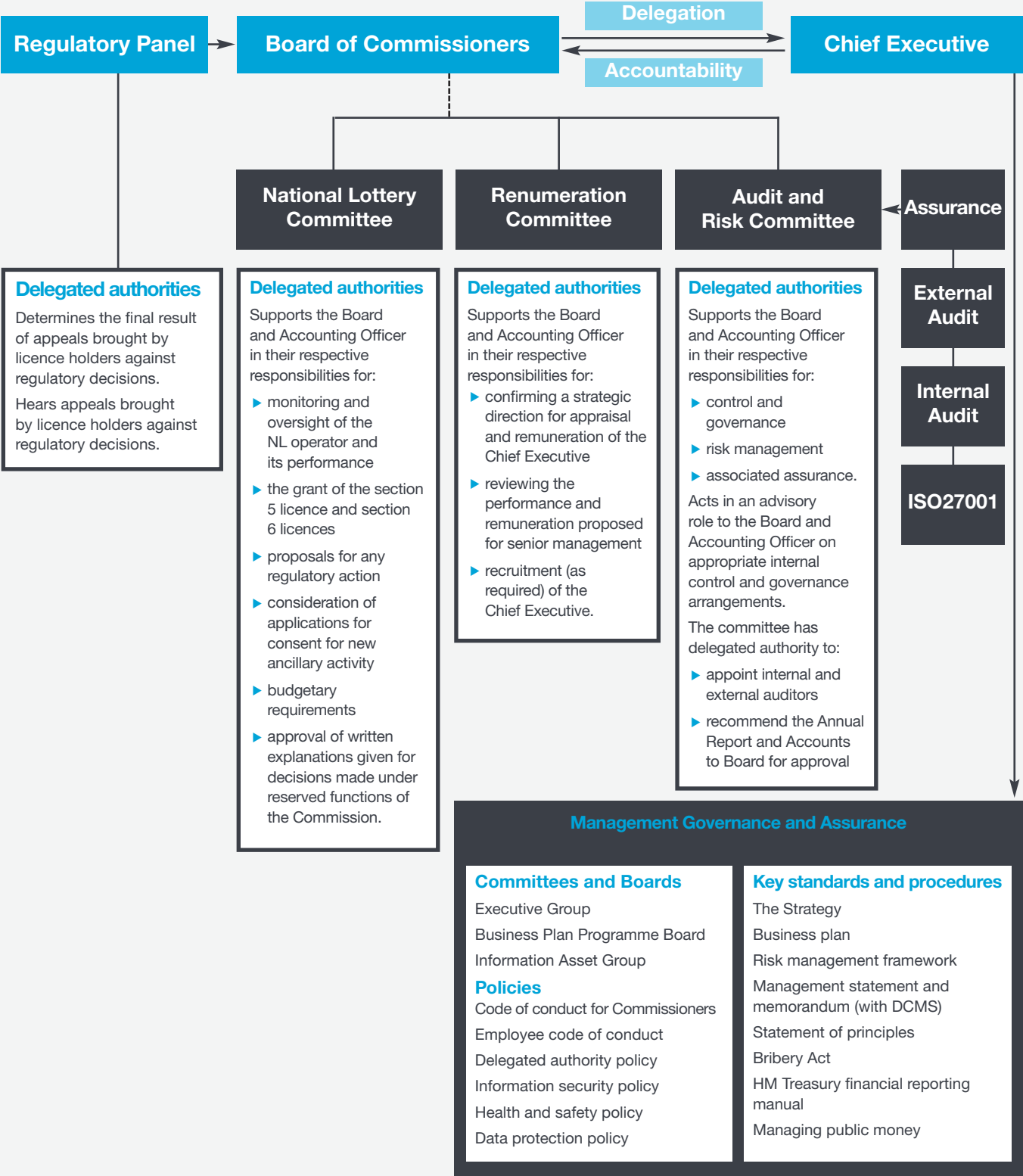
The Accounting Officer has personal responsibility for stewardship of the organisation's resources, consistent with the duties and requirements set out in *Managing Public Money*.

The 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. Each month the board receives an update on the Commission's performance covering operational management and delivery, stakeholder satisfaction and a range of strategic measures.

The Executive has overall accountability for delivery of the Commission's strategic objectives. It is supported by the Operations 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



## 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 and National Lottery Committees.

Meeting attendance by Commissioners is given below:

Commissioner	Board	Audit and Risk Committee	Remuneration Committee	National Lottery Committee
Bill Moyes (Chairman)	10/10	N/A	N/A	N/A
Sarah Harrison MBE (CEO) (until 27 February 2018)	9/10	3/4	3/3	N/A
John Baillie	10/10	N/A	N/A	8/12
Carol Brady <sup>2</sup> MBE (from 1 February 2018)	1/2	N/A	N/A	N/A
Stephen Cohen	9/10	N/A	N/A	12/12
Alison Hastings (Chair of Remuneration Committee)	10/10	N/A	3/3	11/12
Walter Merricks <sup>1</sup> CBE (until 31 December 2017)	6/7	N/A	2/3	N/A
Sarika Patel (Chair of Audit and Risk Committee)	9/10	4/4	N/A	N/A
Trevor Pearce CBE QPM	9/10	3/3	1/1	N/A
Simone Pennie <sup>3</sup>	8/10	3/4	2/3	N/A
Jonathan Scott (Chair of National Lottery Committee)	10/10	N/A	N/A	12/12
Catharine Seddon (Senior Independent Director)	10/10	4/4	N/A	N/A
<b>Number of meetings in year</b>	<b>10</b>	<b>4</b>	<b>3</b>	<b>12</b>

1. Walter Merricks CBE left the Commission during the year
2. Carol Brady MBE joined the Commission during the year
3. By prior agreement with the Chairman, Simone Pennie was absent on business for eight weeks in February and March. During this time, she read and commented on papers and other materials, and remained engaged with Board business.

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 development of the Commission's Corporate Strategy and on formulation of the Commission's contribution to the DCMS Gambling Review. The board also had substantial discussion of

issues around consumer empowerment and protection, and work to raise standards across all gambling sectors.

Much of the Commission's work on the National Lottery, including a range of delegated decision making, is undertaken by the National Lottery Committee. The board receives an update on the National Lottery Committee's work at each meeting.

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. Catharine Seddon was appointed as SID in June 2017.

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 also deputises for the Chair from time to time when he is unavailable to attend external meetings.

## Audit and Risk Committee

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

The remit and responsibilities of the Audit and Risk Committee are set out in the Committee's Terms of Reference, which are on our website.

In the year, the Committee received and reviewed all internal and external audit reports, together with the recommendations arising, and monitored implementation of agreed actions. This work on the internal audit programme forms the core of the Audit and Risk Committee's business, with significant time also directed to work with the external auditors. In addition, the Committee provides scrutiny and challenge of the Commission's approach to risk management.

Consistent with good practice, during the year the Committee undertook a survey to test its effectiveness. The survey provided assurance, with effective delivery of the Committee's core functions. Areas for further development were around training in sector knowledge and accountancy for non-accountants.

## Remuneration Committee

The Remuneration Committee supports the Board in its responsibilities for:

- ▶ confirming a strategic direction for appraisal and remuneration policies and systems, and other significant terms and conditions of employment
- ▶ reviewing the performance and remuneration of the Chief Executive
- ▶ reviewing the remuneration proposed for the senior management team
- ▶ the remuneration aspects of the recruitment or termination of employment of the Chief Executive.

Details of the Committee members and their attendance can be found in the table on the opposite page.

The remit and responsibilities of the Remuneration Committee are set out in the Committee's terms of reference, which are on our website.

Much of the Committee's business is focused on providing advice on reviews of the Commission's People policies, and on consideration of staff benefits arrangements.



## National Lottery Committee

The National Lottery Committee advises the board and the Chief Executive in relation to the exercise of the Commission's 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.

Details of the Committee members and their attendance can be found in the table above.

Since April 2017, the Committee has received a range of proposals from Camelot and approved, or recommended to the board for approval, a number of these, described on [p28] of this report.

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

## Regulatory Panel

The Regulatory Panel determines some licence applications and deals with significant regulatory decisions including the revocation of licences.

The procedure rules for the Regulatory Panel are on our website.

The Regulatory Panel sat on five occasions during 2017-18, four meetings to determine licence applications and one to conclude a licence review.

## Risk and internal control framework

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

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

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

The Board and Executive also identify corporate risks that are likely to impact or change the environment within which the Commission operates. In doing so, it uses a number of 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 BPPB and Executive.

Review of corporate risks is a standing item on each Audit and Risk Committee agenda, and are reviewed by Board twice a year.

The risk and internal control framework accords with Treasury guidance.

## 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's Audit and Risk Committee is responsible for reviewing the risk management approach. The Audit and Risk Committee also reviews internal control strategies and advises upon arrangements for internal audit including whether internal audit has the necessary resources and access to information to perform its role.

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

**The Board and Audit and Risk Committee** – oversee the arrangements in place for the risk management function which operates within the Commission (see page 50 for further details). This includes Board risk sessions at least bi-annually with Audit and Risk Committee reviewing risks and the wider framework four times a year.

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

**Leadership Team** – own and manage risk. The Leadership Team 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.

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

- ▶ financial
- ▶ legal
- ▶ operational
- ▶ organisational
- ▶ reputational.

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. This is reviewed at least annually. The most recent changes were made by the Board in May 2017.

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

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

- ▶ Procurement (including an extended follow up)
- ▶ National Lottery Compliance
- ▶ Corporate evaluations
- ▶ Annual assurance statements
- ▶ Board Assurance Framework
- ▶ New Data Protection regulations (GDPR)
- ▶ National Lottery 4th licence competition.

"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. An internal audit review was undertaken during the year within this area which provided substantial assurance on the effectiveness of internal controls. Further, a review of the Commission's fee structure was undertaken during the year. Through consultation with the industry and stakeholders, revised fees were introduced from April 2017.

Whilst we forecast prudently, in the event of losing a further significant proportion of our income, there remains a risk that we may not be able to reduce our expenditure (which is largely employee-based) as swiftly as needed to avoid an in-year deficit resulting from redundancy costs.

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

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; provide for foreseeable but not yet certain liabilities such as dilapidations. At present the Commission calculates that reserves of £4.0 million meet this requirement. Reserves in excess of this amount represent fluctuations in the timing of expenditure and will be spent in the medium term. A medium term financial plan was approved by the Board in March that will deliver the Corporate Strategy whilst addressing the long term reserves position. As an arms-length body the Commission does not hold reserves to cover terminal 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. Through a central contracts database ensure that all renewed contracts are brought in line with central frameworks where applicable.

There have been no reported actual or attempted frauds at the Commission during 2017-18.

However given the high profile of the gambling industry and the Commission within the public domain, it is important that the Commission remains proactive in identifying instances where there is potential for fraud and corruption. The quality assurance mechanisms which have been developed for the compliance and enforcement processes depend in their turn on accurate, timely and complete information, to help safeguard the Commission's professional integrity and improve operational efficiency.

## Internal control framework

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

### Organisational structure and delegation of authority

The Commission is currently organised into 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 programme. The delegation of authority in the corporate governance framework is noted by Audit and Risk Committee on an annual basis, and reviewed and approved by Board.

### Policies and procedures

Comprehensive policies and supporting procedures are in place across the Commission at a corporate and operational level. Policies are reviewed regularly and – where appropriate – presented to Audit and Risk Committee for consideration and advice. The appropriateness of Commission policies and procedures

is periodically reviewed by internal audit as part of the audit plan. Adherence to policies and procedures is reported to management and the Audit and Risk Committee as part of internal audit review.

### **Operational and financial reporting**

The Commission reviews and updates its business plan on an annual basis, and prepares an annual budget to support the delivery of the plan.

The budget also considers long-term implications to ensure that risks and uncertainties can be mitigated where possible. Both of these elements are reviewed and approved by the Board, 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, which are reviewed and approved by the Board.

### **Review and sign-off of actions**

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

### **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 on the intranet for all employees to refer to. Reminders on the requirements of this policy, together with all aspects of the code of conduct are communicated regularly. As

part of their induction programme all new Commission employees are required to confirm in writing that they have read the Code of Conduct, including the public interest disclosure policy.

### **Personal data incidents**

There have been no substantive security incidents during 2017-18.

### **Effectiveness of internal controls**

The Commissioner'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:

"On the basis of our audit work, we consider that the Commission's governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit work, none of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports."

As part of our compliance within the Regulation of Investigatory Powers Act 2000 (RIPA) and our work with communications data, the Commission successfully completed the inspection by the Inception of Communications Commissioner's Office (IOCCO) in June 2017 where our use of the current legislation was addressed.

The findings were positive, with no major recommendations being made.



## 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.

Risks and uncertainties	Existing and Planned Mitigations
1. We fail to run the National Lottery 4th Licence Competition in a way which: demonstrates the highest levels of integrity and transparency in the competition process; attracts a diversity of bidders globally; delivers a healthy lottery for the future in terms of integrity and public confidence; and delivers in terms of good consumer outcomes such as contributions to good causes at a reasonable cost.	<p><b>Existing</b></p> <ul style="list-style-type: none"> <li>► A separate, specialised team has been formed with a clear project plan conforming to Infrastructure and Project Authority's guidelines.</li> <li>► Special advisors recruited to ensure best practice and specific programme requirements are resourced.</li> </ul> <p><b>Planned</b></p> <ul style="list-style-type: none"> <li>► Engage stakeholders and run a consultation on potential scenarios for the next National Lottery.</li> <li>► We will establish a Board sub-committee to oversee the National Lottery 4th Licence Competition.</li> </ul>
2. We fail to keep pace with the scale of changes in industry, technologies, products, business models and risk management approaches which weakens our ability to regulate effectively.	<p><b>Existing</b></p> <ul style="list-style-type: none"> <li>► Research into market, technology, product and consumer trends, issues and innovations.</li> <li>► Engagement and liaison with key stakeholders including UK agencies and international regulators and political bodies.</li> </ul> <p><b>Planned</b></p> <ul style="list-style-type: none"> <li>► Establish a panel to advise the Commission on digital technology developments.</li> <li>► Develop our approach to operational risk assessment and create a data analytics tool to grade operators by risk.</li> </ul>
3. Failure of the Research, Education and Treatment (RET) arrangements undermines progress with addressing gambling-related harm.	<p><b>Existing</b></p> <ul style="list-style-type: none"> <li>► Work closely with Responsible Gambling Strategy Board, GambleAware and industry.</li> <li>► Facilitate industry efforts to develop and promote effective social responsibility tools.</li> </ul> <p><b>Planned</b></p> <ul style="list-style-type: none"> <li>► Deliver enhanced consumer protection for online gambling in the areas of customer verification, fairness and interaction.</li> <li>► Work with our partners to develop a framework to quantify and cost the impact on society of harm related to gambling.</li> </ul>
4. We fail to discharge our statutory duties for the National Lottery 3rd Licence resulting in players not being protected, the integrity of the National Lottery not being maintained or returns to good causes not being maximised.	<p><b>Existing</b></p> <ul style="list-style-type: none"> <li>► Monitoring controls including weekly sales monitoring, monthly returns performance update and risk assessment tool.</li> <li>► Close liaison with DCMS on policy and legal matters and their implications for maximisation of returns for good causes (reflecting a duty shared by the Secretary of State).</li> </ul> <p><b>Planned</b></p> <ul style="list-style-type: none"> <li>► Respond to Camelot's strategy to increase the money raised for good causes by taking informed decisions about regulation.</li> <li>► Develop our National Lottery Good Cause Returns model to better inform our approach and measure performance.</li> </ul>
5. Changes in the public policy agenda for gambling and lotteries affect issues which are part of our statutory remit, adversely affecting our impact and effectiveness.	<p><b>Existing</b></p> <ul style="list-style-type: none"> <li>► Maintain strong governmental, parliamentary and media relations by consistent and regular stakeholder communications.</li> <li>► Board sub-committee in place to oversee regulation of National Lottery at strategic level.</li> </ul> <p><b>Planned</b></p> <ul style="list-style-type: none"> <li>► Advise DCMS regarding timely ministerial decision on society lotteries policy.</li> <li>► Engage with DCMS regarding the Government position following our advice on the Gambling Review.</li> </ul>

Risks and uncertainties	Existing and Planned Mitigations
<p>6. Our regulatory framework and approach does not result in licensed operators managing the risks to the licensing objectives effectively, which results in consumer detriment or undermines consumer confidence in the gambling market, with the result that a more prescriptive and intrusive approach to regulation is required.</p>	<p><b>Existing</b></p> <ul style="list-style-type: none"> <li>▶ Ensure that the balance of short and medium term compliance, assurance and enforcement activity is focused at areas of greatest risk to the Licensing Objectives.</li> <li>▶ Increased external partnership engagement, including Raising Standards Conferences, targeted engagement and small operator workshops.</li> </ul> <p><b>Planned</b></p> <ul style="list-style-type: none"> <li>▶ Publish an annual enforcement report focused on raising standards in the gambling market, and a strategic assessment on gambling-related crime.</li> <li>▶ Proactive compliance work on promotions and consumer protection law following joint work with the Competition and Markets Authority.</li> </ul>
<p>7. Our information and intelligence management capabilities are ineffective, meaning we fail to integrate all the information we hold into a complete picture. This could undermine our ability to identify critical risk, support evidence based decisions and inform external stakeholders.</p>	<p><b>Existing</b></p> <ul style="list-style-type: none"> <li>▶ We have engaged with DCMS, the Information Commissioners Office and the industry, and we have provided help to licensed operators so that they can implement GDPR without loss of information needed to make gambling fairer and safer.</li> <li>▶ We have established a data management function to manage current data collection and improve future processes.</li> </ul> <p><b>Planned</b></p> <ul style="list-style-type: none"> <li>▶ Develop assessment of operator data use to reduce harm and prevent crime, promote best practice, and inform regulation.</li> <li>▶ Move most of our data processing to the Cloud, improving resilience and flexibility and reducing long-term costs.</li> </ul>
<p>8. Systems of governance, risk management, and income and expenditure planning and control are weak and unsustainable, undermining effective decision making and regulation and increases the risk of not delivering the Corporate Strategy.</p>	<p><b>Existing</b></p> <ul style="list-style-type: none"> <li>▶ Corporate Strategy 2018-21 published, organisational structure, business plan and budget aligned to the Strategy.</li> <li>▶ Monthly reporting and reforecast of financial outturn position to monitor income and expenditure trends, inform expenditure plans and take remedial action as necessary.</li> </ul> <p><b>Planned</b></p> <ul style="list-style-type: none"> <li>▶ Board effectiveness review and succession planning.</li> <li>▶ Adopt HM Treasury risk appetite framework.</li> </ul>

# Remuneration and Staff Report

## Remuneration report

This report covers the 12 months ending 31 March 2018 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 – 5/10 (**50%**) Female board members – 5/10 (**50%**) BAME board members – 1/10 (**10%**) Board members **0%** declared disability.

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

### Independent member of Audit and Risk Committee

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

### Senior managers

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

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

Details of all executive directors serving during the year are provided at Appendix 1 on page 86, including the duration of their service.

### Remuneration (including salary) and pension entitlements

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

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

	2017-18					2016-17				
	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Expenses as BiK** (to nearest £100)	Pension Benefits (in bands of £5k)	Total (in bands of £5k)	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Expenses as BiK** (to nearest £100)	Pension Benefits (in bands of £5k)	Total (in bands of £5k)
<b>Sarah Gardner</b> Executive Director – Planning and performance	100-105	–	–	25-30	130-135	100-105	0-5	–	45-50	150-155
<b>Sue Harley</b> Executive Director (until 29 September 2017)	50-55 (100-105 fye*)	–	16,500	15-20	85-90	100-105	–	25,600	40-45	170-175
<b>Sarah Harrison</b> Chief Executive (until 27 February 2018)	125-130 (140-145 fye*)	10-15	–	45-50	185-190	140-145	5-10	–	35-40	185-190
<b>James Mackay</b> Executive Director 4th National Lottery Licence Competition (from 1 December 2017)	35-40 (105-110 fye*)	–	–	10-15	45-50	–	–	–	–	–
<b>Neil McArthur</b> Chief Executive (from 28 February 2018) General Counsel (until 27 February 2018)	110-115 (140-145 fye*)	–	–	45-50	160-165	105-110	0-5	–	40-45	155-160
<b>Tim Miller</b> Executive Director – Corporate affairs and research (from 30 August 2016)	95-100	–	–	35-40	135-140	50-55 (95-100 fye*)	–	–	20-25	70-75
<b>David Pemberton</b> Chief Operating Officer (from 19 June 2017)	80-85 (105-110 fye*)	–	–	30-35	110-115	–	–	–	–	–
<b>Nick Tofiluk</b> Executive Director – Regulatory operations (until 13 October 2017)	60-65 (105-110 fye*)	–	–	20-25	80-85	105-110	0-5	–	40-45	150-155
<b>Helen Venn</b> Acting Executive Director – Licensing and Compliance (from 28 February 2018)	05-10 (95-100 fye*)	–	–	25-30	35-40	–	–	–	–	–
<b>Richard Watson</b> Acting Executive Director – Enforcement, AML (from 28 February 2018)	05-10 (95-100 fye*)	–	–	30-35	40-45	–	–	–	–	–
Band of highest paid directors total remuneration (£'000)	150-155					145-150				
Median total remuneration	34,142					31,173				
Ratio	4.47:1					4.74:1				
Range of staff remuneration (£'000)	16 to 150-155					16 to 145-150				

\* fye – full year equivalent. \*\* BiK – Benefits in Kind.



## i) Remuneration of Commissioners (salary, expenses and payments in kind)

– audited information continued

	2017-18					2016-17				
	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Expenses as BiK** (to nearest £100)	Pension Benefits (in bands of £5k)	Total (in bands of £5k)	Salary (in bands of £5k)	Bonus Payments (in bands of £5k)	Expenses as BiK** (to nearest £100)	Pension Benefits (in bands of £5k)	Total (in bands of £5k)
<b>John Ballie</b> (from 11 April 2016)	10-15	–	10,100	–	20-25	10-15	–	12,300	–	25-30
<b>Carol Brady</b> (from 1 February 2018)	0-5 (10-15 fye*)	–	–	–	0-5	–	–	–	–	–
<b>Stephen Cohen</b> (from 11 April 2016)	10-15	–	1,200	–	15-20	10-15	–	3,600	–	15-20
<b>Robin Dahlberg</b> (until 31 December 2016)	–	–	–	–	–	10-15	–	1,400	–	10-15
<b>Philip Graf</b> Chairman (until 2 September 2016)	–	–	–	–	–	25-30 (50-55 fye*)	–	3,400	–	30-35
<b>Ann Harris</b> Independent Audit and Risk Committee Member (from October 2015)	0-5	–	200	–	0-5	0-5	–	1,300	–	0-5
<b>Alison Hastings</b>	10-15	–	2,400	–	15-20	10-15	–	5,400	–	20-25
<b>Walter Merricks</b> (until 31 December 2017)	10-15	–	1,800	–	10-15	10-15	–	2,800	–	15-20
<b>Bill Moyes</b> Chairman (from 5 September 2016)	50-55	–	9,600	–	60-65	30-35 (50-55 fye*)	–	8,000	–	35-40
<b>Sarika Patel</b> (from 11 April 2016)	10-15	–	1,300	–	15-20	10-15	–	3,600	–	15-20
<b>Trevor Pearce</b>	10-15	–	3,200	–	15-20	10-15	–	6,100	–	15-20
<b>Simone Pennie</b> (from 11 April 2016)	10-15	–	2,000	–	15-20	10-15	–	3,100	–	15-20
<b>Jonathan Scott</b>	10-15	–	4,900	–	15-20	10-15	–	6,100	–	15-20
<b>Catharine Seddon</b> (from 11 April 2016)	10-15	–	3,300	–	15-20	10-15	–	3,700	–	15-20
<b>Peter Teague</b> (until 30 June 2016)	–	–	–	–	–	0-5 (10-15 fye*)	–	1,100	–	0-5

\* 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 1 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:** A bonus was paid to Sarah Harrison based upon performance levels attained and was made as

part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual.

**Pension benefits:** The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

## ii) Pension benefits 2017-18 – audited information

	Accrued pension at age 60 as at 31/03/18 (in bands of £5,000)	Accrued Lump Sum pension at pension age as at 31/03/18 (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 31/03/18 £'000s	* CETV at 31/03/17 £'000s	Real increase in CETV £'000s	Employer contribution to partnership pension account (nearest £100)
<b>Sarah Gardner</b> Director – Planning and Performance	25-30	60-65	0-2.5	–	369	336	8	–
<b>Sue Harley</b> Director (until 29 September 2017)	5-10	–	0-2.5	–	129	106	15	–
<b>Sarah Harrison</b> Chief Executive (to 28 February 2018)	45-50	–	2.5-5	–	769	697	24	–
<b>James MacKay</b> Executive Director 4th National Lottery Licence Competition (from 1 December 2017)	0-5	–	0-2.5	–	13	5	5	–
<b>Neil McArthur</b> Chief Executive (from 28 February 2018)	35-40	90-95	2.5-5	0-2.5	653	590	23	–
<b>Tim Miller</b> Director – Corporate Affairs and Research	0-5	–	0-2.5	–	28	10	11	–
<b>David Pemberton</b> Chief Operating Officer (from 19 June 2017)	0-5	–	0-2.5	–	21	0	15	–
<b>Nick Tofiluk</b> Director of Regulatory operations (until 31 October 2017)	20-25	–	0-2.5	–	453	413	20	–
<b>Helen Venn</b> Acting Director – Licensing and Compliance (from 28 February 2018)	30-35	–	25-27.5	–	341	36	8	–
<b>Richard Watson</b> Acting Director – Enforcement, AML (from 28 February 2018)	5-10	–	0-2.5	–	127	99	19	–

## 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.

## Remuneration Committee

The members of the Remuneration Committee are Alison Hastings (Chair), Trevor Pearce and Simone Pennie (see Appendix 2 for details).

## Compensation for loss of office

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

## Civil Service pensions

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

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

accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website:

[www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

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



## Staff Report

### a) Analysis of Commissioners and employee costs – audited information

	2017-18 Permanent £'000s	2017-18 Short term £'000s	2017-18 Total £'000s	2016-17 Total £'000s
Salaries and wages	11,144	936	12,080	11,008
Social security costs	1,157	103	1,260	1,145
Other pension costs	2,190	167	2,357	2,155
<b>Total Commissioners and staff costs</b>	<b>14,491</b>	<b>1,206</b>	<b>15,697</b>	<b>14,308</b>

### b) Retirement benefits

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

#### (i) Employees

The Commission provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions).

For 2017-18, employers' contributions of **£2,294,454** were payable to the PCSPS (2016-17 **£2,117,505**) at one of four rates in the range **20.0%** to **24.5%** of pensionable pay, based on salary bands.

In addition to this an amount of **£nil**, (2016-17 **£15,050**) was invoiced directly from other Government departments for employees on secondment at the Commission.

The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2018-19, the rates will be in the range **20.0%** to **24.5%**. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of **£59,863** were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from **8%** to **14.75%** of pensionable pay.

Employers also match employee contributions up to **3%** of pensionable pay. In addition, employer contributions of **£2,390 (0.5%)** of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the Statement of Financial Position date were **£255,254**. No contributions were prepaid.

#### (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](http://www.civilservice.gov.uk/pensions)) and is paid directly from the Commission's own funds. In 2001, upon the recipient reaching retirement age, pension payments commenced.

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2018 and the present value of the liability at 31 March 2018 is **£236,000**.

### Sensitivity analysis

1. Increasing the discount rate by **0.5%** would result in a corresponding decrease in liabilities of approximately **£11,000** or **5%**.
2. Increasing the CPI inflation assumption by **0.5%** would result in a corresponding increase in liabilities of approximately **£12,000** or **5%**.
3. Increasing assumed life expectancies in retirement by around 1 year would result in a corresponding increase in liabilities of approximately **£8,000** 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 2018		As at 31 March 2017	
	men (years)	women (years)	men (years)	women (years)
Exact Age				
60	27.5	29.2	29.0	30.8
65	22.6	24.2	24.0	25.8
75	Not provided	Not provided	14.8	16.4

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

	2017-2018	2016-2017
Permanent staff	292	280
Other staff	30	27
<b>Total</b>	<b>322</b>	<b>307</b>

## d) Off-payroll appointments

i For all off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months	
No of existing engagements as of 31 March 2018	2
of which...	
No. that have existed for less than one year at time of reporting.	nil
No. that have existed for between one and two years at time of reporting.	2
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
<b>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.</b>	<b>2</b>
ii For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, 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 2017 and 31 March 2018.	6
of which...	
No. assessed as caught by IR35.	nil
No. assessed as not caught by IR35.	6
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 2017 and 31 March 2018	
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", during the financial year.	18
In any cases where individuals are included within the first row of this table the department should set out:	n/a
► Details of the exceptional circumstances that led to each of these engagements.	
► Details of the length of time each of these exceptional engagements lasted.	

## Exit packages agreed in 2017-18 – audited information

Exit package cost band (including any special payment element)	2017-18			2016-17		
	Compulsory redundancies Number	Other departures agreed Number	Total exit packages by cost band Number	Compulsory redundancies Number	Other departures agreed Number	Total exit packages by cost band Number
Less than £10,000	–	–	–	–	–	–
£10,001 – £25,000	–	–	–	–	–	–
£25,001 – £50,000	–	1	1	–	1	1
£50,001 – £100,00	–	–	–	–	–	–
£100,001 – £150,000	–	–	–	–	–	–
£150,001 – £200,000	–	–	–	–	–	–
>£200,000	–	–	–	–	–	–
<b>Total number of exit packages</b>	–	1	1	–	1	1
<b>Total cost (£)</b>	–	27,246	27,246	–	34,551	34,551

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

## Consultancy costs

As per Note 3(b) of the Annual Accounts, the Commission spent **£81,230** on consultancy assignments during 2017-18 (**£135,418** in 2016-17). This related to four main areas of professional advice as detailed below:

- ▶ **£39,600** re. an evaluation of the data that we hold
- ▶ **£18,360** re. strategic advice for the corporate strategy development, including the National Lottery 4th licence competition
- ▶ **£14,870** re. strategic professional advice on land-based and remote gambling activity, and overseas betting markets
- ▶ **£8,400** re. media advice in respect of NL regulatory advice



## Employment Statistics for 2017-18 (as at 31 March 2018)

Total Employment by contract type	
Fixed Term Employees	14
Permanent Employees	309
<b>Total</b>	<b>323</b>
Department split	
Change Programme	4
Compliance	48
Consumers and Partners	18
Corporate Affairs	10
Data and Risk	9
Enforcement and Intelligence	38
Executive Directors	4
Executive Support	2
Finance	10
Governance	3
Human Resources	11
Industry, Shared Regulation and Partners	19
IT, Facilities and Smarter Working	34
Legal	5
Licensing	59
Lotteries (NL and Society Lotteries)	29
NL 4th Licence Competition	5
Programme Management Office (inc PAs)	13
Regulatory Strategy	2
<b>Total</b>	<b>323</b>

Diversity – disability	
Employees with a disability as defined under the Equality Act 2010	10
Employees without a disability as defined under the Equality Act 2010	265
Not disclosed	48
<b>Total</b>	<b>323</b>

Diversity – ethnic origin	
Asian or Asian British – Indian	20
Asian or Asian British – Other	1
Asian or Asian British – Pakistani	5
Black or Black British – African	2
Black or Black British – Caribbean	7
Mixed – White and Asian	3
Mixed – White & Black Caribbean	4
Not Disclosed	12
Other Ethnic Background	1
Other Mixed Background	4
Other White Background	4
White British	254
White Irish	6
<b>Total</b>	<b>323</b>

Diversity – age	
24 and under	9
25-34	68
35-44	113
45-54	87
55-64	42
65-74	4
<b>Total</b>	<b>323</b>

Diversity – gender	
Female	160
Male	163
<b>Total</b>	<b>323</b>

Sickness absence rates	
1 April 2017 to 31 March 2018	% of working days lost
Quarter 1	2.91
Quarter 2	3.45
Quarter 3	3.56
Quarter 4	4.53
<b>Total</b>	<b>3.61</b>

## Sickness rates

During the year, the average proportion of working days lost to sickness was **3.6%** (3.6% for 2016-17) which includes long term absence and sickness related to disability or underlying health condition. We continue to work with our Occupational Health provider and a review of the service provision will see us continue to build on the support we provide to colleagues in the upcoming year. We externally benchmark our sickness absence rates which currently indicates that we are slightly higher than average for comparable public sector organisations (**2.9%**), as reported in the May 2018 Chartered Institute of Personnel Development Health and Wellbeing at work report.

## Trade Union facility time

Relevant union officials	
Number of employees who were relevant union officials during 2017-18	<b>8</b>
Full time equivalent employees who were relevant union officials during 2017-18	<b>7.65</b>

Percentage of time spent on facility time	
%	Number of employees
0	–
1-50	<b>8</b>
51-90	–
100	–

Percentage of pay bill spent on facility time	£'000s
Total cost of facility time	<b>77</b>
Total pay bill	<b>15,697</b>
<b>Percentage of the total pay bill spent on facility time</b>	<b>0.5%</b>

Paid trade union activities	
Time spent on paid trade union activities as a percentage of total paid facility time	<b>23%</b>



**Neil McArthur**  
Chief Executive and Accounting Officer  
Gambling Commission  
4 July 2018

# Parliamentary accountability and audit report

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

### Opinion on financial statements

I certify that I have audited the financial statements of the Gambling Commission for the year ended 31 March 2018 under the Gambling Act 2005. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the 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 2018 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.

### Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive, as the Accounting Officer, is 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, certify 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 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, I exercise professional judgement 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.
- ▶ conclude on the appropriateness of management'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 auditor's 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 auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- ▶ 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.

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 Accounting Officer is responsible for the other information. The other information comprises information included in the Performance Report and Accountability 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 Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament continued

### 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 the 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 the 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.

**Sir Amyas C E Morse**

**9 July 2018**

**Comptroller and Auditor General**

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





# > Financial statements

## Statement of comprehensive net expenditure for the year ended 31 March 2018

	Notes	31 March 2018 £'000s	31 March 2017 £'000s
<b>Expenditure</b>			
Employee costs	3a	(15,697)	(14,308)
Depreciation and amortisation	6 & 7	(772)	(459)
Other expenditure	3b	(6,719)	(6,114)
<b>Total Operating Expenditure</b>		<b>(23,188)</b>	<b>(20,881)</b>
Income			
Licence fee income	4b	19,709	19,330
Other income	5	222	317
<b>Total Operating Income</b>		<b>19,931</b>	<b>19,647</b>
<b>Net expenditure</b>		<b>(3,257)</b>	<b>(1,234)</b>
Finance income	4b	43	46
Finance expense		(8)	(9)
Interest cost on pensions liability	3a	(7)	(9)
<b>Net expenditure for the year</b>		<b>(3,229)</b>	<b>(1,206)</b>

	Notes	31 March 2018 £'000	31 March 2017 £'000
<b>Other comprehensive expenditure</b>			
Net gain/(loss) on pension liability	3a	15	(23)
<b>Total comprehensive expenditure for the year</b>		<b>(3,214)</b>	<b>(1,229)</b>

The notes on pages 72 to 85 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 financing rather than revenue and is taken directly to reserves.

## Statement of financial position

as at 31 March 2018

	Notes	31 March 2018 £'000s	31 March 2017 £'000s
<b>Non current assets</b>			
Property, plant and equipment	6	986	513
Intangible assets	7	757	1,055
<b>Total non-current assets</b>		<b>1,743</b>	<b>1,568</b>
<b>Current assets</b>			
Trade and other receivables	8	1,653	1,713
Cash and cash equivalents	18	17,147	17,081
<b>Total current assets</b>		<b>18,800</b>	<b>18,794</b>
<b>Total assets</b>		<b>20,543</b>	<b>20,362</b>
<b>Current liabilities</b>			
Trade and other payables	10	(13,210)	(13,507)
Pension Liability and Provisions	12	(25)	(15)
<b>Total current liabilities</b>		<b>(13,235)</b>	<b>(13,522)</b>
<b>Total assets less current liabilities</b>		<b>7,308</b>	<b>6,840</b>
<b>Non-current liabilities</b>			
Other payables	11	(730)	(623)
Pension liability	12	(221)	(244)
<b>Total non-current liabilities</b>		<b>(951)</b>	<b>(867)</b>
<b>Total assets less total liabilities</b>		<b>6,357</b>	<b>5,973</b>
<b>Taxpayers' equity</b>			
General Fund		6,357	5,973
<b>Total equity</b>		<b>6,357</b>	<b>5,973</b>

The notes on pages 72 to 85 form part of these accounts

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



**Neil McArthur**

Chief Executive and Accounting Officer

Gambling Commission

4 July 2018

## Statement of cash flow

### for the year ended 31 March 2018

	Notes	31 March 2018 £'000s	31 March 2017 £'000s
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(3,265)	(1,243)
Adjustments for non-cash transactions			
Depreciation and amortisation charge	6 & 7	772	459
(Increase)/Decrease in trade and other receivables	8	60	(861)
Increase in trade and other payables	10 & 11	(190)	953
Use of provisions	12	(13)	12
<b>Net cash inflow from operating activities</b>		<b>(2,636)</b>	<b>(680)</b>
<b>Cash flows from investing activities</b>			
Interest received		43	46
Interest costs arising from pension liability	12	(7)	(9)
Purchase of property, plant and equipment	6	(716)	(153)
Purchase of intangible assets	7	(231)	(571)
<b>Net cash outflow from investing activities</b>		<b>(911)</b>	<b>(687)</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid for revenue expenditure		3,598	2,655
Actuarial loss arising from pension liability	12	15	(23)
<b>Net cash inflow from financing activities</b>		<b>3,613</b>	<b>2,632</b>
<b>Net increase in cash and cash equivalents in the period</b>	9	<b>66</b>	<b>1,265</b>

Cash and cash equivalents at 31 March 2017

17,081

Cash and cash equivalents at 31 March 2018

17,147

The notes on pages 72 to 85 form part of these accounts

# Statement of changes in taxpayers' equity

## for the year ended 31 March 2018

	Income & Expenditure Reserve £'000s
<b>Balance at 1 April 2016</b>	<b>4,547</b>
<b>Changes in reserves</b>	
Comprehensive net expenditure for the year	(1,206)
Actuarial loss arising on pension scheme	(23)
Grant-in-aid for capital and revenue expenditure	2,655
<b>Total recognised comprehensive net expenditure for 2016-17</b>	<b>1,426</b>
<b>Balance at 31 March 2017</b>	<b>5,973</b>
<b>Balance at 1 April 2017</b>	<b>5,973</b>
<b>Changes in reserves</b>	
Comprehensive net expenditure for the year	(3,229)
Actuarial gain arising on pension scheme	15
Grant-in-aid for capital and revenue expenditure	3,598
<b>Total recognised comprehensive net income for 2017-18</b>	<b>384</b>
<b>Balance at 31 March 2018</b>	<b>6,357</b>

The notes on pages 72 to 85 form part of these accounts



# Notes to the accounts for the 12 months ended 31st March 2018

## 1: Statement of accounting policies

The policies adopted are in accordance with IFRS, to the extent it is meaningful and appropriate in the public sector context, as adopted and interpreted by the 2017-18 Financial Reporting Manual (FRM) issued by HM Treasury.

### a) Accounting conventions

These are the accounts for the Commission covering the twelve months from 1 April 2017 to 31 March 2018. They have been prepared in a form directed by the Secretary of State for Digital, Culture, Media, and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Gambling Act 2005 (the 2005 Act). A copy of the accounts direction can be obtained from the Commission.

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

### b) Non current assets

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

#### Depreciation/amortisation

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

#### Anticipated life of assets

Asset	Anticipated life
IT Hardware	4 years
IT Software Licences	Over the life of the licence
IT Developed Software	5 years (from 7 years in 2016-17)
Fixtures & Fittings	10 years
Furniture	10 years
Equipment	7 years
Telecoms	7 years
Motor Vehicles	4 years

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

#### Property, plant & equipment

Property, plant and equipment is stated at depreciated historic cost as a proxy for fair value. All of the Commission's assets are short life assets and therefore depreciated historic cost is 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.

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

#### Intangible assets

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

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

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

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

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

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

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

### Revaluation

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

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

### c) Pension costs

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

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

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

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

Upon the merger between the Gambling Commission and the National Lottery Commission the Commission inherited a pension liability for the former Director General of OFLOT from 1993 to 1998. This pension is an unfunded defined benefit scheme which has benefits by analogy to the PCSPS and is paid directly from the Commission's own funds. In 2001, upon the recipient reaching retirement age, pension payments commenced. This was calculated using actuarially assessed assumptions at 31 March 2018.

### d) Operating leases

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

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

# Notes to the accounts for the 12 months ended 31st March 2018

## e) Employee costs

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

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

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

## f) Value added tax

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

## g) Licence fee receipts and fee income recognition

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

### Operator licence application fees

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

### Operator licence annual fees

Income is recognised equally over the duration of the licence.

### Personal licence fees

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

## h) Financing grant-in-aid

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

## i) Financial instruments

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

## j) Presentational/functional currency

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

## k) Corporation tax

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

## l) Segmental reporting

During the year, the Commission was asked by DCMS to contribute towards a consultation on the future of the Horserace Betting Levy, and as such, the Commission's Board as 'Chief Operating Decision Maker' has determined that the Commission now operates in three distinct material segments; to regulate commercial gambling, to regulate the National Lottery and to undertake preparatory work on the potential transfer of levy collection responsibilities from the Horseracing Betting Levy Board to the Commission. 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 levy funds, via the Horseracing Betting Levy Board, for Horserace Betting Levy activity. The segmental reporting format in note 2 reflects the Commission's management and internal reporting structure.

### m) Cash and cash equivalents

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

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

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

### n) Treatment of penalty packages

Where the Commission has issued penalty packages in respect of regulatory failings or breaches, in the majority of cases, the penalty is paid directly to the benefactor or to nominated responsible gambling charities such as Gamcare. Only the direct costs to the Commission and a reasonable share of expenditure incurred which is indirectly referable to the investigation or the imposition and enforcement of the penalty can be retained by the Commission, and this is shown within the financial statements as Other Income.

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

With the exception of Other Income in respect of cost recovery, or amounts due to be passed over to the Consolidated Fund at the year end shown as Other Creditors, penalty packages are not included within the Commission's financial statements.

### o) Going concern

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

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

A number of new standards, amendments to standards and interpretations are not yet effective for the 12 months ended 31 March 2018 and have not been applied in preparing these financial statements. The following are those standards, amendments and interpretations that may be adopted in subsequent periods:

- ▶ IFRS 15 will replace the current financial reporting standards for revenue recognition (IAS 18) and introduces a change to the timing and recognition of some revenues. The new standard will clarify the distinction of where a body might be acting as an agent opposed to the principal. The impact for the Commission is anticipated to be minimal. The changes will be made to the FReM in the 2018-19 financial year.
- ▶ IFRS 9 will replace the current financial reporting standard for the recognition and measurement of financial instruments (IAS 39). The principal change arising from the new standard is that the categories for financial instruments have been reduced down to two categories. In addition, management will be required to assess financial instruments for impairment arising from future losses. The changes will be made to the FReM in the 2018-19 financial year, and it is not expected to have a significant impact upon the Commission.
- ▶ IFRS 16 was published in 2016 to be applied from 2019-20 in the public sector. The standard is expected to introduce a simpler approach to lease accounting by requiring all leases longer than 12 months, including operating leases for land and buildings, to have a 'right of use' assets and liability for the future lease payments recognised in the Statement of Financial Position.

## 2: Statement of Operating Costs by operating segment

### a) Statement of Comprehensive Net Expenditure by operating segment

	31 March 2018				31 March 2017			
	Gambling operations	National Lottery operations	HBLB operations	Total as per SOCNE	Gambling operations	National Lottery operations	HBLB operations	Total as per SOCNE
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Expenditure	(19,532)	(3,620)	(36)	(23,188)	(18,008)	(2,873)	–	(20,881)
Income	19,895	–	36	19,931	19,647	–	–	19,647
<b>Net income/(expenditure)</b>	<b>363</b>	<b>(3,620)</b>	<b>–</b>	<b>(3,257)</b>	<b>1,639</b>	<b>(2,873)</b>	<b>–</b>	<b>(1,234)</b>
<b>Net income/(expenditure) after interest and finance costs</b>	<b>398</b>	<b>(3,627)</b>	<b>–</b>	<b>(3,229)</b>	<b>1,676</b>	<b>(2,882)</b>	<b>–</b>	<b>(1,206)</b>
<b>Other Comprehensive Expenditure</b>								
Net gain/(loss) on pension liability	–	15	–	15	–	(23)	–	(23)
<b>Total comprehensive expenditure the year ended 31 March 2018</b>	<b>398</b>	<b>(3,612)</b>	<b>–</b>	<b>(3,214)</b>	<b>1,676</b>	<b>(2,905)</b>	<b>–</b>	<b>(1,229)</b>

### b) Statement of Financial Position by operating segment

	31 March 2018				31 March 2017			
	Gambling operations	National Lottery operations	HBLB operations	Total as per SOFP	Gambling operations	National Lottery operations	HBLB operations	Total as per SOFP
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Non-current assets	1,636	107	–	1,743	1,422	146	–	1,568
Current assets	18,797	3	–	18,800	18,674	120	–	18,794
<b>Total assets</b>	<b>20,433</b>	<b>110</b>	<b>–</b>	<b>20,543</b>	<b>20,096</b>	<b>266</b>	<b>–</b>	<b>20,362</b>
Current liabilities	(13,192)	(43)	–	(13,235)	(13,424)	(83)	–	(13,507)
<b>Non Current Assets less Net Current Liabilities</b>	<b>7,241</b>	<b>67</b>	<b>–</b>	<b>7,308</b>	<b>6,672</b>	<b>183</b>	<b>–</b>	<b>6,855</b>
Non-current liabilities	(730)	(221)	–	(951)	(657)	(225)	–	(882)
<b>Total liabilities</b>	<b>(13,922)</b>	<b>(264)</b>	<b>–</b>	<b>(14,186)</b>	<b>(14,081)</b>	<b>(308)</b>	<b>–</b>	<b>(14,389)</b>
<b>Assets less liabilities</b>	<b>6,511</b>	<b>(154)</b>	<b>–</b>	<b>6,357</b>	<b>6,015</b>	<b>(42)</b>	<b>–</b>	<b>5,973</b>



### 3: Staff costs

#### a) Staff costs

	2018 £'000s	2017 £'000s
Employee costs	15,697	14,308
Interest costs on pension scheme liability	7	9
Actuarial adjustments to pension scheme liability	(15)	23
<b>Total</b>	<b>15,689</b>	<b>14,340</b>

#### b) Other operating costs

	2018 £'000s	2017 £'000s
Accommodation	1,227	1,293
Professional and accountancy fees*	1,417	917
Travelling and subsistence	516	521
Contingent labour costs	146	514
Other staff costs	218	186
Recruitment, training and development	805	578
Hospitality	20	22
Office services	1,145	1,077
External audit fee**	45	51
Internal audit costs	40	44
Amounts payable to Criminal Records Bureau	82	62
Research costs***	778	652
Other	280	197
<b>Total Operating Costs</b>	<b>6,719</b>	<b>6,114</b>

\* Professional and accountancy fees include consultancy costs totalling £81,230 (2016-17 £135,418).

\*\* The external audit fee represents the cost of the audit of the financial statements carried out by KPMG LLP on behalf of NAO. No non audit work was undertaken by KPMG LLP, or NAO during the year. The external audit fee for both 2016-17 and 2017-18 is £47,500. An over accrual of £3,000 for external audit fees was accounted for in 2016-17, which has been corrected in 2017-18.

\*\*\* Other costs includes costs associated with prevalence studies into gambling. This totalled £778,357 in 2017-18 (2016-17 £651,634). This also includes National Lottery research costs totalling £426,578 in 2016-17 (2016-17 £283,147).

Included within operating costs are payments made by the Commission during the year under operating leases.

These may be analysed as follows:

	2018 £'000s	2017 £'000s
Land and buildings	808	811
Other	10	7
<b>Total</b>	<b>818</b>	<b>818</b>

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

	2018 £'000s	2017 £'000s
Depreciation	243	224
Amortisation	529	235
<b>Total</b>	<b>772</b>	<b>459</b>

## 4: Fee receipts

### a) Gambling Act 2005 fee receipts

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

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

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

	2018 £'000s	2017 £'000s
Operator licence applications		
Application fees	1,235	943
Annual fees	16,784	17,300
Personal licence applications	865	854
<b>Total fee income received</b>	<b>18,884</b>	<b>19,097</b>
Interest on fee income	43	46
<b>Total</b>	<b>18,927</b>	<b>19,143</b>

### b) Gambling Act 2005 income recognised

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

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

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

	2018 £'000s	2017 £'000s
Operator licence applications		
Application fees	1,794	943
Annual fees	17,055	17,637
Personal licence applications	860	750
<b>Total fee income</b>	<b>19,709</b>	<b>19,330</b>
Interest on fee income	43	46
<b>Total</b>	<b>19,752</b>	<b>19,376</b>

## 5: Other income

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

	2018 £'000s	2017 £'000s
Miscellaneous income	222	317
<b>Total other income</b>	<b>222</b>	<b>317</b>

## 6: Property, plant & equipment

	IT hardware £'000s	Furniture & fittings £'000s	Plant & machinery £'000s	Transport equipment £'000s	Total £'000s
<b>Cost/valuation</b>					
At 1 April 2016	1,707	2,099	185	10	4,001
Additions	125	28	–	–	153
At 31 March 2017	1,832	2,127	185	10	4,154
<b>Accumulated depreciation</b>					
At 1 April 2016	1,336	1,891	180	10	3,417
Provided in year	167	56	1	–	224
At 31 March 2017	1,503	1,947	181	10	3,641
<b>Net book value at 31 March 2017</b>	329	180	4	–	513
<b>Net book value at 31 March 2016</b>	371	208	5	–	584

	IT hardware £'000s	Furniture & fittings £'000s	Plant & machinery £'000s	Transport equipment £'000s	Total £'000s
<b>Cost/valuation</b>					
At 1 April 2017	1,832	2,127	185	10	4,154
Disposals				(10)	(10)
Additions	626	90	–	–	716
At 31 March 2018	2,458	2,217	185	–	4,860
<b>Accumulated depreciation</b>					
At 1 April 2017	1,503	1,947	181	10	3,641
Disposals				(10)	(10)
Provided in year	171	72	–	–	243
At 31 March 2018	1,674	2,019	181	–	3,874
<b>Net book value at 31 March 2018</b>	784	198	4	–	986
<b>Net book value at 31 March 2017</b>	329	180	4	–	513

## 7: Intangible assets

	Software £'000s	Software licences £'000s	Websites delivering services £'000s	Total £'000s
<b>Cost/valuation</b>				
At 1 April 2016	5,274	318	235	5,827
Additions	571	–	–	571
<b>At 31 March 2017</b>	<b>5,845</b>	<b>318</b>	<b>235</b>	<b>6,398</b>
<b>Accumulated amortisation</b>				
At 1 April 2015	4,599	278	231	5,108
Provided in year	232	3	–	235
<b>At 31 March 2017</b>	<b>4,831</b>	<b>281</b>	<b>231</b>	<b>5,343</b>
<b>Net book value at 31 March 2017</b>	<b>1,014</b>	<b>37</b>	<b>4</b>	<b>1,055</b>
<b>Net book value at 31 March 2016</b>	<b>675</b>	<b>40</b>	<b>4</b>	<b>719</b>

	Software £'000s	Software licences £'000s	Websites delivering services £'000s	Total £'000s
<b>Cost/valuation</b>				
At 1 April 2017	5,845	318	235	6,398
Additions	216	–	15	231
Disposals	–	–	–	–
<b>At 31 March 2018</b>	<b>6,061</b>	<b>318</b>	<b>250</b>	<b>6,629</b>
<b>Accumulated amortisation</b>				
At 1 April 2017	4,831	281	231	5,343
Provided in year	505	(2)	26	529
Disposals	–	–	–	–
<b>At 31 March 2018</b>	<b>5,336</b>	<b>279</b>	<b>257</b>	<b>5,872</b>
<b>Net book value at 31 March 2018</b>	<b>691</b>	<b>0</b>	<b>66</b>	<b>757</b>
<b>Net book value at 31 March 2017</b>	<b>1,014</b>	<b>37</b>	<b>4</b>	<b>1,055</b>

## 8: Trade receivables and other current assets

	2018 £'000s	2017 £'000s
Trade receivables	528	541
Deposits and advances	166	320
Prepayments & accrued income	959	852
<b>Total</b>	<b>1,653</b>	<b>1,713</b>

## 9: Cash and cash equivalents

	2018 £'000s	2017 £'000s
Balance at 1 April 2017	17,081	15,816
Net change in cash and cash equivalent balances	66	1,265
<b>Balance at 31 March 2018</b>	<b>17,147</b>	<b>17,081</b>
The following balances at 31 March 2018 were held at:		
Government Banking Service	1	2
Commercial banks and cash in hand	17,146	17,079
<b>Balance at 31 March 2018</b>	<b>17,147</b>	<b>17,081</b>

The majority of the Commission's cash and cash equivalent balances are held at commercial banks or as cash in hand apart from £975 (£1,653 in 2016-17) which is held with Government Banking Services.

## 10: Trade payables and other current liabilities

	2018 £'000s	2017 £'000s
Trade payables	264	607
Staff cost payables	780	764
Other payables	361	265
Accruals and deferred income	11,804	11,871
<b>Total</b>	<b>13,210</b>	<b>13,507</b>

The Commission holds total deferred income balances of £9,637,793 (£10,513,100 in 2016-17) included in notes 9 and 10.

These relate to:

Licence fees received, due to be released to income within one year of £8,908,148 (£9,891,030 in 2016-17)

Licence fees received, due to be released to income after one year £729,645 (£622,070 in 2016-17)

## 11: Amounts falling due after more than one year

	2018 £'000s	2017 £'000s
Deferred income	730	623
	<b>730</b>	<b>623</b>

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 2019-20 onwards.



## 12: Provisions

### a) Pension liability provision

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

	2017 £'000s
At 1 April 2016	247
Current service cost	–
Staff contribution	–
Interest cost	9
Actuarial loss/(gain) in the period	23
Pensions paid in the year	(20)
<b>At 31 March 2017</b>	<b>259</b>

	2018 £'000s
At 1 April 2017	259
Interest cost	7
Actuarial loss/(gain) in the period	(15)
Pensions paid in the year	(15)
<b>At 31 March 2018</b>	<b>236</b>

The pension liability provision of £235,843 is split between current liabilities (£15,114) and non-current liabilities (£220,727).

### b) Other Provisions

Balance at 1 April 2017	–
Provision in the year	10
<b>At 31 March 2018</b>	<b>10</b>

A provision has been made for legal costs and damages in respect of a personal injury claim arising in the year.

## 13: Third party assets

The Commission held the following assets on behalf of 3rd parties at 31 March 2018

	2018 £'000s	2017 £'000s
At 1 April	16	16
Arising in the year	–	–
Settled in the year	–	–
<b>At 31 March</b>	<b>16</b>	<b>16</b>

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

## 14: Impact of pension liability on income and expenditure reserve

	Notes	2018 £'000s	2017 £'000s
Income and expenditure reserve excluding pension liability		6,593	6,232
Pension liability	12	(236)	(259)
<b>Income and expenditure reserve</b>		<b>6,357</b>	<b>5,973</b>

## 15: Capital commitments

At 31 March 2018 there were no capital commitments (£0 in 2016-17).

## 16: Commitments under operating leases

At 31 March 2017 the Commission was committed to making the following payments in respect of operating leases.

	at 31 March 2018		at 31 March 2017	
	Land and buildings £'000s	Other £'000s	Land and buildings £'000s	Other £'000s
<b>Obligations under operating leases for the following periods comprise:</b>				
Not later than 1 year	808	8	814	7
Later than 1 year and not later than 5 years	1,616	6	3,434	6
Later than 5 years			–	–
	<b>2,424</b>	<b>14</b>	<b>4,248</b>	<b>13</b>

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

## 17: Related party transactions

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

DCMS is regarded as a related party. During the 12 months to 31 March 2018, the Commission has had a small number of material transactions with DCMS, comprising:

Salary costs:

in relation to DCMS staff on secondment	£15,656
grant-in-aid for revenue expenditure	£3,598,045

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

## 18: Financial instruments

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

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

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

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

## Currency risk

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

## Market rate risk

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

## Credit risk

The Commission does not provide credit arrangements for the payment of licence fees by the industry – all fees must

be paid on or before the date prescribed to prevent a breach of the licence, and the licence being revoked.

Because the Commission relies on fees receivable from the gambling industry (payable immediately), and departmental grant-in-aid for specific projects, the Commission has very low exposure to credit risk.

## Liquidity risk

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

## (i) Financial assets & financial liabilities

### Financial assets

	Total £'000s	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Fixed rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
Currency							
<b>At 31 March 2018</b>							
<b>Sterling</b>	<b>17,841</b>	<b>17,147</b>	–	<b>694</b>	<b>0.00</b>	–	–
<b>Gross financial assets</b>	<b>17,841</b>	<b>17,147</b>	–	<b>694</b>	–	–	–
<b>At 31 March 2017</b>							
<b>Sterling</b>	17,942	17,081	–	861	0.00	–	–
<b>Gross financial assets</b>	17,942	17,081	–	861	–	–	–

### Financial liabilities

	Total £'000s	Floating rate £'000s	Fixed rate £'000s	Non-interest bearing £'000s	Fixed rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
Currency							
<b>At 31 March 2018</b>							
<b>Sterling</b>	<b>13,774</b>	–	–	<b>13,774</b>	<b>0.00</b>	–	–
<b>Gross financial liabilities</b>	<b>13,774</b>	–	–	<b>13,774</b>	–	–	–
<b>At 31 March 2017</b>							
<b>Sterling</b>	13,788	–	–	13,788	0.00	–	–
<b>Gross financial liabilities</b>	13,788	–	–	13,788	–	–	–

## (ii) Financial assets &amp; financial liabilities

## Financial assets

	At fair value through profit and loss £'000s	Loans and receivables £'000s	Available for sale £'000s	Total £'000s
Embedded derivatives	-	-	-	-
Debtors	-	694	-	694
Debtors over 1 year	-	-	-	-
Cash at bank and in hand	-	17,147	-	17,147
Other financial assets	-	-	-	-
<b>Total at 31 March 2018</b>	<b>-</b>	<b>17,841</b>	<b>-</b>	<b>17,841</b>
Embedded derivatives	-	-	-	-
Debtors	-	861	-	861
Debtors over 1 year	-	-	-	-
Cash at bank and in hand	-	17,081	-	17,081
Other financial assets	-	-	-	-
<b>Total at 31 March 2017</b>	<b>-</b>	<b>17,942</b>	<b>-</b>	<b>17,942</b>

## Financial liabilities

	At fair value through profit and loss £'000s	Other £'000s	Total £'000s
Embedded derivatives	-	-	-
Creditors	13,044	-	13,044
Creditors over 1 year	730	-	730
Borrowings	-	-	-
Private finance initiative and finance lease obligations	-	-	-
Other financial liabilities	-	-	-
<b>Total at 31 March 2018</b>	<b>13,774</b>	<b>-</b>	<b>13,774</b>
Embedded derivatives	-	-	-
Creditors	13,165	-	13,165
Creditors over 1 year	623	-	623
Borrowings	-	-	-
Private finance initiative and finance lease obligations	-	-	-
Other financial assets	-	-	-
<b>Total at 31 March 2017</b>	<b>13,788</b>	<b>-</b>	<b>13,788</b>

## 19: Contingent liabilities disclosed under IAS 37

There are no contingent liabilities to report as at 31 March 2018 (£0, 2016-17).

## 20: Post balance sheet events

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

There are no post balance sheet events to report since 31 March 2018.

# ► Appendices

## Appendix 1

### The Executive Group



**Neil McArthur**  
Chief Executive

Neil is our senior executive and is responsible for the development and effective delivery of the Commission's strategy. As Accounting Officer he is also responsible for the proper management and financial governance of the organisation. Neil joined us in 2006 and has played a leading role in the evolution of our approach to licensing and regulation. He qualified as a solicitor in 1997 and is a graduate of Leicester Polytechnic and Leicester University and 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 Harrison MBE**  
Former Chief Executive

Sarah was Commission Chief Executive between October 2015 and February 2018. Prior to joining the Commission, Sarah was at the UK energy regulator, Ofgem, where she held a number of senior executive roles: as Senior Partner, Sustainable Development, Managing Director of Corporate Affairs and, before that, Communications Director. Before joining Ofgem in 2000, Sarah was the first Chief Executive of ICSTIS, the UK industry regulator for premium rate telephone services. Her earlier career was in government and public relations consultancy. Sarah was awarded an MBE in 2016 for services to consumer protection.



**David Pemberton**  
Chief Operating Officer

David joined us in 2017. Previously, as a member of Business in the Community's executive team, he was responsible for corporate services, business planning, and the public facing campaigns on workplace diversity. He has also worked for Credit Suisse, PwC, Nissan, and Ford. David is responsible for corporate services including Human Resources, Finance, IT and Planning and Risk.





**Tim Miller**  
Executive Director

Tim joined us in August 2016 building on over 15 years of experience across 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 with the Law Society of England and Wales in a variety of regulatory posts. In his role at the Commission Tim is responsible for Corporate Affairs, Insights, Consumer Protection and Safer Gambling.



**Sarah Gardner**  
Executive Director

Sarah joined us in 2009 and has since held a number of leadership roles across the Commission. She spent most of her earlier career as a civil servant in various government departments covering a wide range of topics including tax, international policy, consumer protection, competition, better regulation, small business and enterprise policy. In her role as Executive Director Sarah is responsible for Regulatory Policy. This includes regulation of the National Lottery under the Third Licence, strategic analysis and the development of the regulatory framework, including the Licence Conditions and Codes of Practice (LCCP).



**Richard Watson**  
Acting Executive Director

Richard Watson is the Director of Enforcement and Intelligence and currently an interim Executive Director with responsibility for regulatory delivery. His teams are responsible for management of 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 five years, having previously worked for the Serious Organised Crime Agency and in a variety of Law Enforcement roles for 32 years.

## The Executive Group



**Helen Venn**  
**Acting Executive Director**

Helen is the Programme Director for Compliance and currently an interim Executive Director with responsibility for regulatory delivery. Her teams are responsible for all aspects of licensing and compliance. Helen has been with the Commission for just over three years and originally qualified as a solicitor 22 years ago, previously working in private practice, at the Criminal Cases Review Commission, Serious Fraud Office and Solicitors Regulation Authority.



**James Mackay**  
**Former Executive Director**

James joined us in 2017 and left in June 2018. Prior to working at the Commission he worked at the Rail Delivery Group and before that he was the Head of Regulatory Policy at Heathrow Airport PLC, overseeing the new licence programme and economic regulation. James had responsibility for the 4th National Lottery Licence Competition with a focus on building a new team, stakeholder engagement, strategic communications and programme development.



**Nick Tofiluk**  
**Former Executive Director**

Nick joined the Commission in 2007 and left in October 2017. Prior to working here he was an Assistant Chief of Police with extensive policy and operational command experience, and held degrees from the Universities of Cambridge and Birmingham as well as an Advanced Diploma in Organisational Management from Manchester University. Nick's focus was on corporate leadership of the Commission and oversaw licensing, compliance, anti-money laundering, and intelligence. He also had responsibility for sports betting integrity matters in GB and internationally.



## Sue Harley

### Former Chief Operating Officer

Sue joined the Commission in April 2014 and left in September 2017. Prior to joining the Commission Sue spent nearly 18 years with Ladbrokes plc during which time she held a variety of positions. Her last role was as Customer Services Director where she held operational responsibility for Ladbrokes' customer support departments in Gibraltar and in the UK. Prior to that she was the company's first Compliance Director, a role she held for more than ten years. Sue's primary responsibility at the Commission was ensuring the delivery of the Commission's business plan.

## Executive Group

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

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

## Business Plan Programme Board (BPPB)

### The role of BPPB is to:

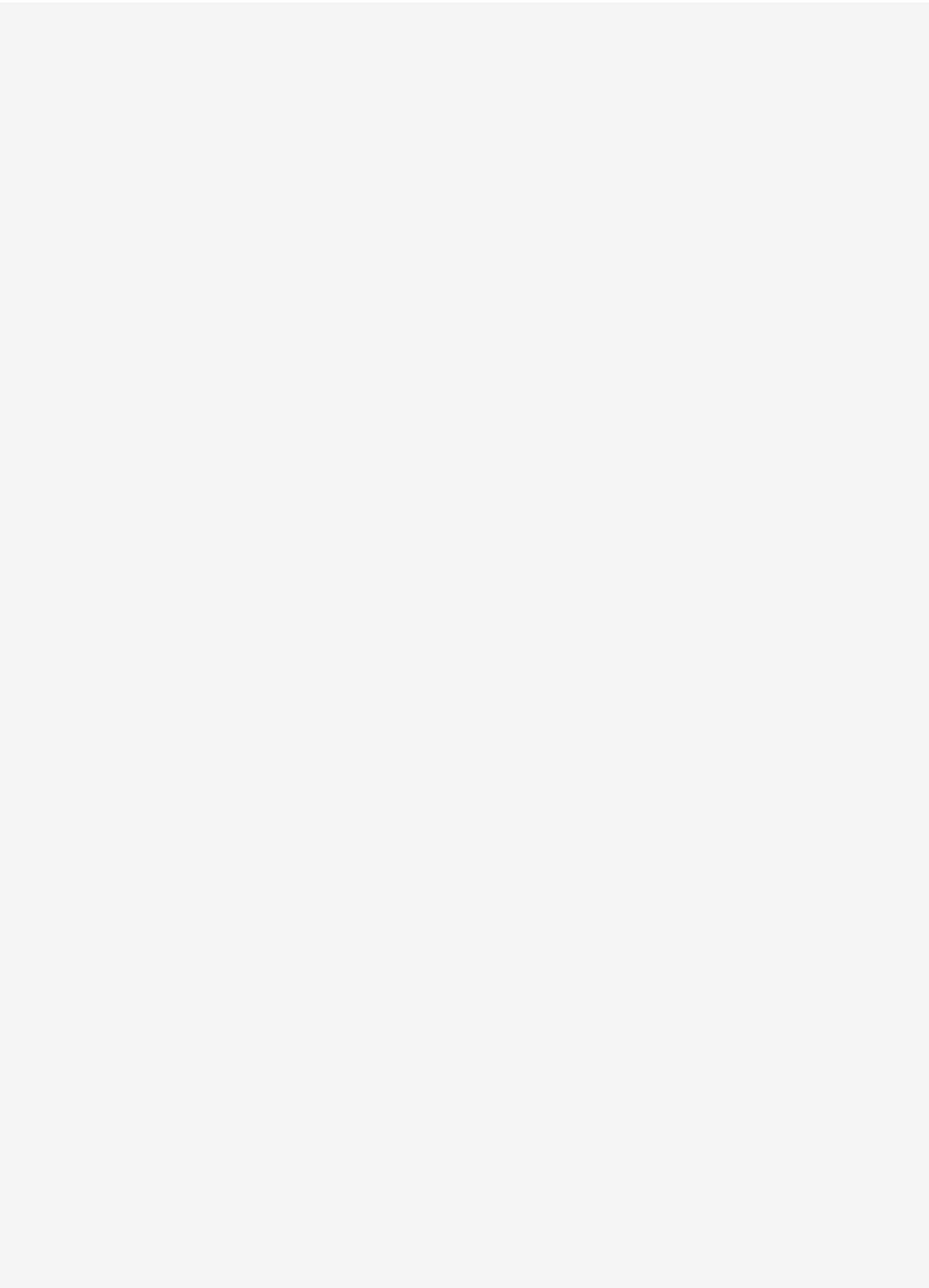
- ▶ develop and maintain the Commission's business plan through its oversight of the main operational workstream programmes and support function workstreams
- ▶ monitor and ensure effective delivery of the business plan
- ▶ oversee/lead on biannual stocktake of implications of business plan for budgeting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

## Appendix 2

### Management Boards – remit and membership

#### Management boards – membership

Name	Role	Executive Group	Business Plan Programme Board
Sarah Harrison (up to 27/02/2018)	Chief Executive	Chair	
Neil McArthur (wef 28/02/2018)	Chief Executive (wef 28/02/2018)	Chair	
Neil McArthur (up to 27/02/2018)	General Counsel	✓	
Sarah Gardner	Executive Director	✓	
David Pemberton (wef 19/06/2018)	Chief Operating Officer	✓	Chair (wef 01/07/2017)
Sue Harley (up to 29/09/2017)	Chief Operating Officer	✓	Chair (up to 30/06/2017)
Tim Miller	Executive Director	✓	
Nick Tofiluk (up to 23/10/2017)	Executive Director	✓	
James Mackay (wef 01/12/2017)	Executive Director	✓	
James Green	Programme Director		✓
Ben Haden	Programme Director		✓
Paul Hope	Programme Director		✓
Alistair Quigley	Programme Director		✓
Helen Rhodes	Programme Director		✓
Helen Venn	Programme Director		✓
Richard Watson	Programme Director		✓
Anna Howe	Programme Director		✓
James Holdaway (wef 19/06/2017)	Programme Director		✓
Sharon McNair (up to 07/09/2017)	Programme Director		✓
Simon Knee	Functional Lead		✓
Nick Moore	Functional Lead		✓
Tamsin Morgan	Functional Lead		✓
Oliver Sweeney	Functional Lead		✓
Mark Wagstaff	Functional Lead		✓
Michelle Wenham	Functional Lead		✓





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