Corporate business plan

April 2016 – March 2017

GAMBLING COMMISSION

Corporate business plan

1 Chairman's foreword by **Philip Graf**

I am delighted to write the foreword to our corporate business plan for the period April 2016 – March 2017.

We all recognise that the gambling industry is undergoing significant change – a phase of consolidation across the supply chain; the launch of national sector-specific self-exclusion schemes; a focus on the 4th Money-Laundering Directive and its implications; the forthcoming fees review, and technological advances that bring increasingly sophisticated products to market.

Meanwhile fixed odds betting terminals (FOBTs) remain the subject of much public attention, as do issues linked to the presence of betting shops on the British high street and the prevalence of advertising both on TV and online. Concerns over match-fixing and sports betting integrity contribute further issues to what is already a fast-moving and ever complex landscape.

Within the Commission, we have some changes of our own. In the coming year I will be succeeded by a new Chair and we have a number of new commissioners joining to succeed those whose terms have come to an end, or will do so during the rest of 2016. At Executive level, we have recently introduced some portfolio changes and begun a change programme to strengthen the skills, ways of working, communications and culture of the Commission, to ensure it is fit for purpose for the future.

In our corporate business plan, themes that will provide direction to our work include:

- building on vital work to protect the most vulnerable, and set standards for responsible and safe gambling. In this context it will be critical to deliver the objectives of the new National Responsible Gambling Strategy, produced by the Responsible Gambling Strategy Board (RGSB)
- ensuring markets are fair and open for consumers by tackling problems with online marketing, terms and conditions, and unsolicited texts
- giving consumers confidence that markets are not rigged, or subject to fixing, and otherwise are kept free from crime

We will also work to improve regulation:

- later this year we will begin work on a new forward strategy, this will provide an opportunity to restate our approach to being a risk-based, outcome-focused, evidence-led regulator
- we will work to be efficient and, as part of the current fees review, ensure that the costs of regulation fall fairly on operators, as far as we possibly can
- finally, we will also look at the way we engage with operators, and in particular with smaller and independent operators

Ensuring fair play on the National Lottery remains a key priority for us, as does maximising returns to good causes. Our corporate business plan will include:

- consideration of any proposals to change specific game formats, as well as overall development of the National Lottery operator's portfolio in line with our statutory requirements
- work to monitor and challenge the development of Camelot's five-year forward strategy up to the next competition. This period will see further innovations in games and the way that they are promoted and played, to grow returns and benefit good causes.

Challenging times lie ahead. But what we will not lose sight of is our continuing focus on putting consumers at the heart of everything we do.

Philip Graf Chairman

2 Who we are, what we do, and who we regulate

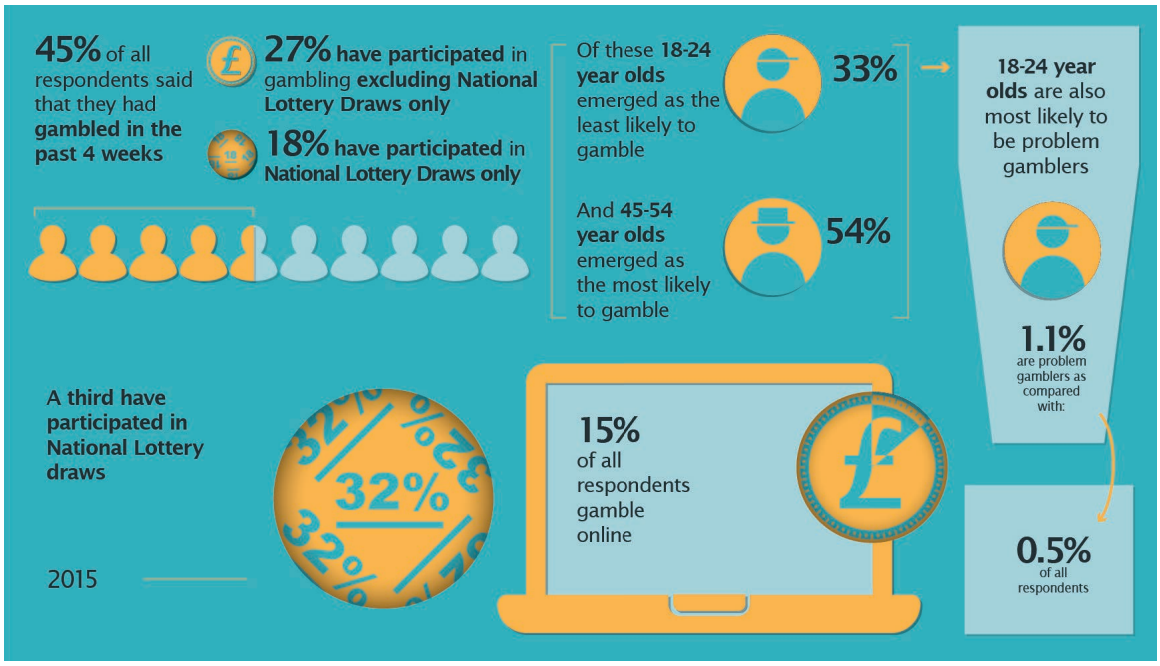
The Gambling Commission was set up under the Gambling Act 2005 to regulate commercial gambling in Great Britain in partnership with licensing authorities. We also regulate the National Lottery under the National Lottery Act 1993. Any gambling operator with equipment in Britain, or wishing to transact with, or advertise to, consumers in Britain must obtain an operating licence.

Government policy in Britain permits a wide range of gambling services, from betting to bingo, in shops and online. Government policy views gambling as a mainstream leisure activity subject to effective regulation. Our principal duty in law is to aim to permit gambling as long as it is crime free, fair and open, and children and vulnerable people are protected. The statutory framework is broad, and enables us to put the interests of consumers, in particular vulnerable consumers, right at the centre of regulatory outcomes that we seek to achieve, by aiming to permit gambling subject to meeting the licence objectives.

We are co-regulators with local authorities who have duties at community level, including to license gambling premises. In relation to the National Lottery, our main duties are to ensure it is run fairly and openly and that players' interests are protected. Subject to this, we also work to ensure that the lottery operator, Camelot, maximises returns to good causes – currently around £1.9bn a year goes to sport, community, art, and heritage projects throughout the UK.

In addition to our statutory responsibilities to license and regulate the industry, we also gather and publish data on how the market is developing and on consumer attitudes and participation. This forms part of our key statutory duty to provide advice to the Secretary of State on gambling and its regulation. We also use this data to shape our policy and actions. We make sure that the gambling industry is held to account and that operators meet our licensing standards. We will take action against those that do not. Our powers range from imposing further conditions on licences, fining operators for licence failures and ultimately withdrawing licences either from operators or from senior individuals within those organisations who are required to hold personal licences.

Britain's gambling market is highly diverse with around 3000 licensed operators. Britain has the largest market for online gambling in the world[1] and the National Lottery continues to attract more than 90p in every £1 spent on lottery games in the UK.[2] From our regular research, we know that around 45% of people say they have gambled in the last month and 0.5% of those surveyed were classified as problem gamblers.[3]

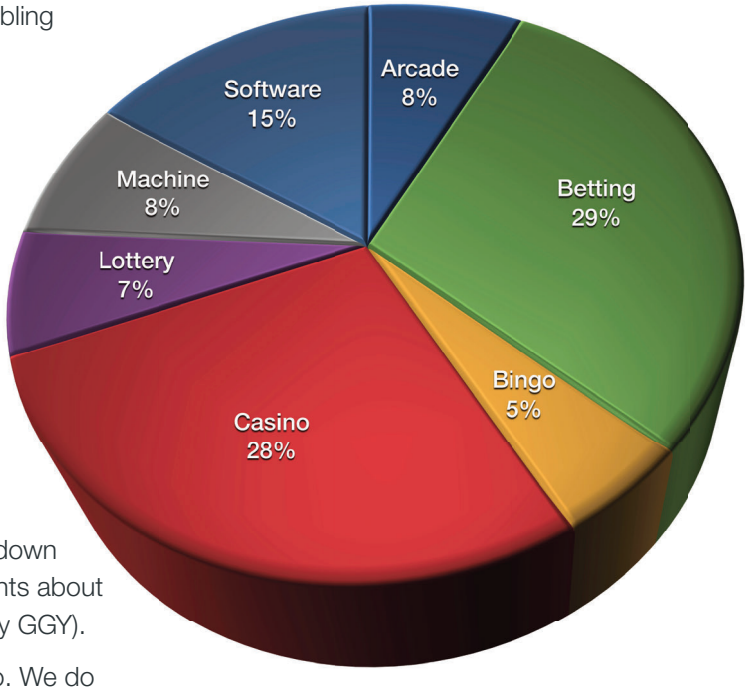


1. Source: PWC (http://www.pwc.com/gr/en/publications/assets/global-gaming-outlook-2011-2015.pdf)
2. Source: Mintel (http://store.mintel.com/lotteries-uk-february-2016)
3. Changes in player behaviour may account for differences in our own data to that held by Camelot. The Gambling Commission asks players about participation in the previous four weeks. Surveys are conducted by telephone each quarter.

The industry generates £11.2bn Gross Gambling Yield (GGY)[4] a year and we regulate the following gambling sectors:

- betting
- gaming machines
- bingo
- lotteries, including the National Lottery
- casinos
- remote gambling (including online and by telephone)
- gambling software.

2016/17 Income



Our forecast fee income[5] for 2016/17 is broken down and shown in the diagram opposite and represents about 0.17% of the total industry revenue (measured by GGY).

There are some things that we are not able to do. We do not directly resolve individual customer disputes, but we supervise a number of dispute resolution bodies whose role is to take an independent view of disputes which customers have been unable to resolve with the operator.

We do not give legal advice to help develop business models or ideas but we do provide general information and advice on the regulatory requirements.

We are a non-departmental public body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS) and we work independent of, but in partnership with, DCMS.

We have over 300 employees, most based at our offices in Birmingham but with around 40 home-based colleagues working across England, Scotland and Wales.

Our work is funded by fees set by DCMS and paid by those we license, and, in respect of National Lottery functions, by grant from the National Lottery Distribution Fund.

3 Our regulatory approach

We regulate in an outcomes, risk and evidence-based way, working to be transparent, accountable and proportionate consistent with the Hampton regulatory principles. Data analytics and technology are increasingly driving parts of the gambling market and we want to ensure these are also used to good effect to meet the core consumer outcomes which concern us, to keep gambling safe, fair and free from crime.

We work to meet our statutory duties and improve the impact of our regulation by working with, and through, many partners. We work closely with our local licensing authority partners. Whilst we regulate operators, licensing authorities regulate gambling premises and are responsible for the compliance and enforcement of the Gambling Act locally.

We work with other agencies such as the police, the National Crime Agency (NCA) and HM Revenue and Customs to combat illegal gambling activities, tackle crime, and eradicate corruption in sports-related betting. To protect consumers, we work with dispute resolution bodies, advertising regulators and the Competition and Markets Authority (CMA) which is a key enforcer of consumer protection legislation.

We work to be transparent in our decisions, proportionate in the way we set regulation and, wherever possible, efficient, to ensure regulation is effective but with the least burden and cost to business.

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

5 Excluding the National Lottery.

4 Our strategic objectives and outcomes

We support the delivery of our statutory responsibilities by way of five strategic objectives. Our strategic objectives, and the outcomes they aim to achieve, are set out below.

GAMBLING COMMISSION

Licensing Objectives

Keeping gambling fair and safe for all by:
- Keeping crime out of gambling
- Ensuring gambling is conducted fairly and openly
- Protecting children and other vulnerable people

We do this by:

Strategic Objectives

Empower and protect consumers
Empowering consumers to make informed choices; manage the risks of gambling; and resolve disputes when things go wrong – recognising that gambling is a mainstream leisure activity.

Raise standards across all gambling sectors
Ensuring the gambling industry puts the licensing objectives at the heart of everything it does and helps to raise industry standards. This ensures safe and fair play for consumers and wider public confidence in the integrity of gambling markets.

Build partnerships and understanding, both domestically and internationally
Driving effective and productive working relationships with Government and other partners on gambling and its regulation. Gambling is a global business and we work with regulatory partners in other jurisdictions.

Ensure fair play on the National Lottery
Working to maintain fair play on the Lottery is our primary role and we also ensure the Lottery operator maximises contributions to good causes. Our work also covers society and other lotteries.

Improve regulation
We will promote excellence by supporting delivery of the Commission's objectives through an engaged and efficient workforce, and using soft and hard powers to achieve good consumer outcomes while allowing operators to innovate and compete.

Strategic Outcomes

- Reasonable precautions taken to identify vulnerable individuals if they attempt to gamble
- Reasonable precautions taken to prevent self-excluded individuals from gambling, if they attempt to do so
- Consumers have a positive perception of gambling as fair and trusted
- Consumers are better able to make informed decisions.

- Reduced levels of children and young people gaining access to age-restricted gambling products
- An industry that puts the licensing objectives at the heart of everything it does.

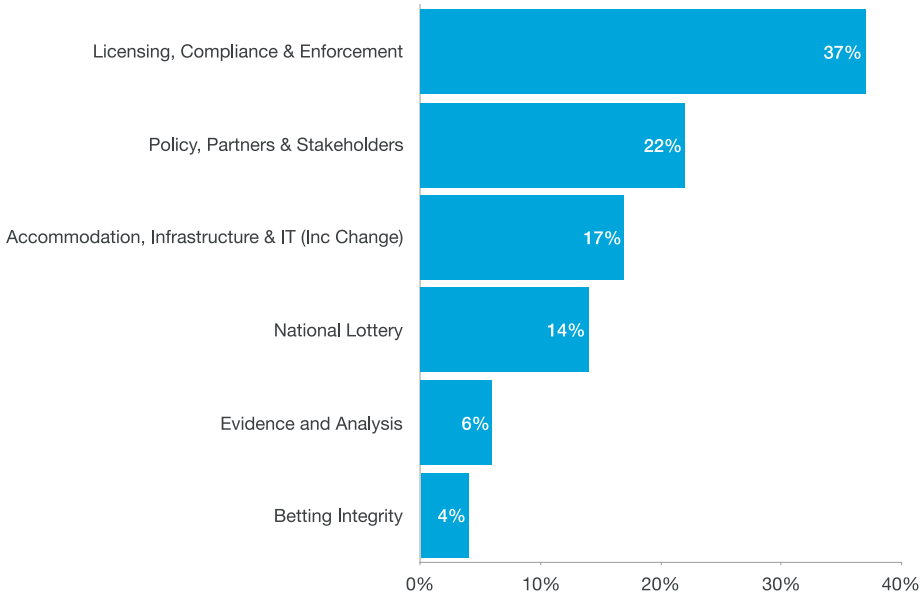
- Stakeholders are confident in the way gambling is regulated.

- A National Lottery operated in a fair way
- Maximised National Lottery returns to good causes.

- An efficient and engaged workforce
- A fair and proportionate fee structure
- We are considered internationally as an example of regulatory excellence
- A regulatory framework that allows for innovation and growth.

We monitor the progress of these strategic objectives by assessing our performance against the outcomes through quarterly reporting to our Board of Commissioners; a summary of our performance is provided in our annual report.

Our forecast expenditure for 2016/17 is £20,202,000 which includes additional investment of £624,000 to support a two-year change management programme. Excluding this investment, on a like for like basis, this budget represents a 1% reduction in total expenditure compared with 2015/16. Our forecast expenditure by business area is set out as follows:



5 Our priorities for 2016/17

We will:

- Increase our focus on putting consumers at the heart of regulation. We are concerned particularly for vulnerable consumers and will have a sharp focus on progress to deliver the new three-year National Responsible Gambling Strategy,[6] and on the role of the Responsible Gambling Trust (RGT) in implementing this strategy. We will advise Government as part of any future Triennial review and work to improve compliance on marketing and on the promotion of clear and fair consumer terms
- Through strengthening the licence conditions and codes of practice (LCCP) on crime, advising on anti-money laundering requirements, and reviewing the work of the Sports Betting Intelligence Unit, we will work to give consumers further confidence that betting is crime-free and markets are not rigged
- Review the Commission's enforcement policies and practices to promote credible deterrence
- Protect the interests of National Lottery players while maximising contributions to good causes, as changes to the portfolio of games are proposed. Advise and support DCMS on changes to the regulation of society and other lotteries
- Develop a three-year corporate strategy for the Commission to reflect developments in markets, technology, consumer behaviours and regulatory approaches. Begin implementation of a two-year internal change programme to ensure skills, capabilities, structure and ways of working are fit for the future. Support significant change at board level with the appointment of a new Chairman and commissioners, and a new licence fee structure which ensures our effectiveness while maintaining a proportionate share of costs across sectors.

6 The arrangements for prioritising, commissioning, funding and evaluating research, education and treatment were set out in 2012.

6 Our activity

This corporate business plan sets out the way in which we will deliver our strategic objectives during the year April 2016 – March 2017. Delivery of the objectives described in the business plan is closely monitored by our Business Plan Programme Board, the Leadership Team and overseen by the Board of commissioners.

The corporate business plan is a live document and is regularly reviewed to reflect changing priorities, new challenges and demands as they arise.

Programmatic activity

Our programmatic (or business as usual) activity represents a substantial part of what we do. We seek to ensure that those offering facilities for gambling are suitable to do so and that the activities they plan to carry out will be conducted in a manner which minimises the risks to the licensing objectives. We assess the likely impact of risk to the licensing objectives, based primarily on the size and market scope of an operator (or several operators that form a group). As part of our routine compliance activity with larger operators, we undertake regular planned assessments of the management arrangements, known as corporate evaluations. We also conduct regular assessments of smaller operators, provide support to local authorities in their area, and gather and disseminate intelligence from regular research and from key stakeholders to support delivery of the licensing objectives.

Most of our licensing and compliance activity is therefore conducted and monitored by way of its impact on our strategic objectives (such as raising compliance standards) and through key performance indicators aligned to operational efficiency, productivity and stakeholder engagement.

This is also true of our work concerning the National Lottery, where we have programmatic work concerning licensing, enforcement, vetting, consumer protection and performance monitoring, as well as a programme of compliance activity, supporting our statutory duties in respect of the National Lottery.

Project activity

We have set out some of our key project-based activity below and aligned it to our strategic objectives. Time scales are given in fiscal quarters (April 2016 – March 2017).

Empower and protect consumers

Implement a trial phase of the new customer funds reporting system for remote gambling operators.	**Quarter 1**
Publish a plan for engaging more effectively with consumers – improving the way that we provide information to assist consumers, and gaining a better understanding of the consumer perspective to inform our policy development.	**Quarter 2**
Work with operators and other parties to develop trials and initiatives to test general social responsibility messaging.	**Quarter 3**
Collect information from Alternative Dispute Resolution (ADR) entities about the dispute resolution process.	**Quarter 3**
Conduct a review of the first year of operation under the ADR regulations and evaluate the impact on industry standards.	**Quarter 4**
Focus on improving and enforcing industry development and application of fair terms and conditions, working with relevant partners.	**Ongoing**
Work with the Remote Gambling Association (RGA) and online operators towards implementing a remote self-exclusion scheme in 2017.	**Ongoing***

Raise standards across all gambling sectors

Complete advice to HM Treasury on the Fourth EU Anti-Money Laundering Directive risk assessment and relevant guidance to industry.	**Quarter 1***
Host a workshop with operators to review the outcome of the first year of Annual Assurance Statements and lessons for Year 2.	**Quarter 2**
Implement changes to the LCCP to raise operator standards on crime detection and prevention.	**Quarter 2**
Implement the online gambling software testing strategy.	**Quarter 2**
Evaluate and publish a revised enforcement policy and strategy.	**Quarter 3**
Publish new LCCP requirements relating to the siting of machines in appropriate licensed premises.	**Quarter 3**
Deliver phase two (games testing) and phase three (information security) of the multi-jurisdictional testing framework. The framework standardises and streamlines external gambling product testing across jurisdictions.	**Quarter 4***
Monitor delivery of the new three-year National Responsible Gambling Strategy. Support RGSB to increase the profile of the responsible gambling (RG) tripartite, which sees RG strategy set by RGSB and a programme to deliver against it commissioned and implemented by RGT.	**Ongoing***

*Delivery may be partially or entirely dependent on a third party.

Build partnerships and understanding, both domestically and internationally

Support operating licensees who provide facilities for gambling from licensed premises (or who propose to) to have local risk assessments in place to mitigate risks to the licensing objectives. This LCCP requirement was implemented in April 2016.	**Quarter 1**
Initiate a review of how we gather data, and the industry data requirements of the regulatory returns, to ensure our information requirements meet our regulatory needs and present the minimum possible burden to the industry.	**Quarter 3**
Review our social media policy and redesign our website to provide better access to information and resources for consumers, gambling operators, key partners, other stakeholders and the public.	**Quarter 3**
Review the Sports Betting Intelligence Unit's terms of reference and map out our strategy for the next two – three years to ensure we are prepared for future challenges and focussed on achieving the most effective risk reduction outcomes.	**Quarter 4**
Provide advice to DCMS as part of any Triennial review.	**Ongoing***
Contribute to Government regulatory reviews to meet the requirements of the Enterprise Bill and work to foster innovation subject to the licensing objectives being met.	**Ongoing***

Ensure fair play on the National Lottery

Provide the Secretary of State with assurance that payments from the National Lottery operator to good causes from 2015/16 are correct in all material respects.	**Quarter 1**
Initiate a review with Camelot on aspects of the regulatory relationship to lead to enhanced ways of working, and our approach to monitoring and benchmarking National Lottery performance.	**Quarter 3**
Publish research on underage play.	**Quarter 3**
Assess issues in relation to game changes and innovations in the context of Camelot's new five-year strategy and in the run up to the next licence competition.	**Ongoing**

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Improve regulation

Undertake stakeholder communications research.	**Quarter 1**
Review consultation and engagement strategies, in particular with small and independent operators.	**Quarter 2**
Implement year one of the two-year internal change programme to ensure skills, capabilities, structure and ways of working are fit for purpose for future.	**Ongoing**
Develop a forward strategy for the Commission reflecting developments in market, technology, consumer behaviours and regulatory approaches.	**Quarter 4**
Work with DCMS to implement new fees arrangements in 2017 which support strong and effective regulation while ensuring costs are applied proportionately to industry sectors.	**Ongoing***

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