

# **Reviewing the research, education and treatment (RET) arrangements**

**February 2018**

## Our advice

- The current RET arrangements, which rely on a voluntary funding model, have fallen short of their objectives, so we think they will struggle against more demanding future challenges.
- In particular, work is underway to identify appropriate treatment models and scope, and this is likely to lead to a significant increase in the budget required for treatment. The very small budget currently allocated to education is also likely to have to increase, and the research budget is increasingly stretched.
- We are pursuing a number of areas to improve the current arrangements, working in collaboration with the Responsible Gambling Strategy Board (RGSB) and GambleAware. In particular, we will take action to:
  - Improve voluntary funding levels
  - Bring greater clarity to the RET arrangements, especially over the role, responsibilities, and remit of each of the organisations in the tripartite structure
  - Work with partners to strengthen governance arrangements around RET and
  - assess the pros and cons of different commissioning models
  - Drive increased industry participation in the delivery of any strategy, and explore fundamental changes to how such a strategy is produced and monitored, and which organisations could own it and be accountable for its delivery
  - Continually monitor and assess the ability of the tripartite system, and the capability of the bodies within it, to deliver the outcomes required by the Commission's Corporate Strategy and the NRGS.
- Ultimately the industry needs to make significant progress in meeting the expectations set out in the NRGS. It needs to meet GambleAware's funding targets in full and on a sustainable and guaranteed basis. There is a strong case for implementing a statutory levy if the industry cannot provide what is needed voluntarily.

## Introduction

1. Currently, licensed operators are required to make an annual financial contribution to one or more organisation(s) which between them:
  - undertake research into the prevention and treatment of gambling-related harm
  - develop harm prevention approaches
  - and identify and fund treatment for those harmed by gambling.
2. We do not specify the amount of this contribution, or its recipient. However, we have indicated that contributing to GambleAware (formerly the Responsible Gambling Trust), is an effective way for operators to fulfil this requirement. The vast majority of operators donate to GambleAware (formerly the Responsible Gambling Trust) which recommends a contribution of 0.1% of an operator's GGY.
3. We acknowledge the valuable contributions that licensees make to organisations other than GambleAware. However, much of the focus in this review is on funding for GambleAware, with good reason. GambleAware is the only organisation with a formal commitment to commission research, education and treatment in accordance with the National Responsible Gambling Strategy. It is part of a tri-partite arrangement with the Commission and its advisers, RGSB, which the Government has acknowledged as being key to the success of the voluntary system. This central role means that it is ideally positioned to ensure that activities are funded according to clear priorities.
4. A [Statement of intent](#) describes how the tri-partite should work. In summary:
  - the Commission essentially oversees the arrangements, making sure that they are effective
  - RGSB recommends to the Commission a National Responsible Gambling Strategy (NRGS), which sets the agenda for minimising gambling related harm
  - GambleAware raises funds and commissions work to meet the requirements of the Strategy.
5. The Government launched a 'review of gaming machines and social responsibility measures' (commonly referred to as the gambling review) in October 2016 with a call for evidence. This did not explicitly identify the RET arrangements as part of the review, but the subsequent [consultation](#) included a section on this topic.
6. Since the launch of the gambling review, the Commission has laid out its [roadmap for fairer and safer gambling](#), highlighting the prevention of harm to consumers and the public as one of our five priority areas. Consistent with this, we have fulfilled a Corporate Business Plan commitment to:

*'Review the arrangements for Research, Education and Treatment, considering ways to make these arrangements more robust to meet future challenges.'*
7. We have now completed the review. We report our findings in this document, which provides a high-level summary of what has been a wide-ranging analysis. It is not our final word on RET. This is a dynamic issue, and we will revisit (and if necessary revise) our position on RET in light of the outcomes of the Gambling Review, and any other developments. In formulating this advice we have taken account of input from RGSB, GambleAware and DCMS.

## Our assessment of the RET arrangements

8. In conducting a review of the current arrangements for RET, we have asked ourselves the following questions:

- i. *What are we trying to achieve through the RET arrangements?*
- ii. *How well do the current arrangements perform against our aims?*
- iii. *What more could be done to improve the voluntary arrangements?*
- iv. *What is an appropriate way for the National Lottery to support RET given its distinct regulatory regime?*
- v. *What benefits might result from a levy, and what costs would it incur?*
- vi. *What is our assessment of the relative merits of the options above?*

9. This paper is structured around the questions above.

### What are we trying to achieve through the RET arrangements?

#### Scale of the problem

10. The purpose of the RET arrangements is to secure appropriate funding from industry, and to commission research, education and treatment according to a coherent strategy to minimise gambling-related harm.
11. At the simplest level, the RET arrangements are intended to provide a focal point for efforts to address gambling-related harm in Great Britain. They are not and cannot be the sole source of such efforts, which must include action by individual operators, government, public health bodies and other stakeholders. Despite encouraging signs of progress in relation to public health organisations, there has generally been a lack of attention on these bodies as relevant stakeholders.
12. Knowing the scale of the ultimate problem – the value of all gambling-related harm in Great Britain – would help us to determine an appropriate level of contribution from the industry. No such figure exists at present, but, consistent with our Corporate Strategy, work is underway to advance our knowledge to a world-leading level. This will take time, and we do not expect this work to start generating estimates until 2020, at the earliest.
13. A greater understanding of gambling-related harm will be important in informing future considerations around both the quantum of funding required for RET, and the model for how it is delivered. However, it will not provide a simple answer. The cost of the impact is not a measure of the cost required to mitigate that impact. We will still need to form a judgement of the RET activities that we think will make sufficient contribution to addressing gambling-related harm to justify their cost.
14. In addition, arriving at a better understanding of the cost required to address gambling-related harm does not necessarily tell us *where* such funds should come from. Health-related funding can come from a variety of sources, including private companies, charities, and the NHS/general taxation. Ultimately, decisions over how much should come from each of these sources is a matter for Ministers. In January 2017, RGSB published its view of the sums required to deliver GambleAware's contribution to the National Responsible Gambling Strategy (NRGS). RGSB's figures were heavily qualified. They largely took as given the present funding levels for education and treatment, noting that there was insufficient evidence at that stage to say with confidence what appropriate funding levels should be for those activities. But RGSB highlighted that, in all likelihood, funding levels would need to increase significantly. Work in hand as part of RGSB's research strategy will help to establish what treatment models and levels of provision would be appropriate in future. Nevertheless, in advance of that work, it is possible to illustrate the scale of funding needs under some plausible scenarios.

15. The tables below show potential funding requirements according to different scenarios, split by the constituent elements of research, education (and prevention) and treatment. These scenarios, which draw on input from GambleAware and RGSB, suggest that a plausible sum would be in the range £21.5m-£67m.<sup>1</sup> While the current RGSB Strategy runs until 2019, we expect that any future strategies will be no less ambitious. In fact, given our continually improving understanding of harm minimisation (particularly the scale and nature of harm, the effectiveness of education programmes, and treatment need), the long-term funding requirement for RET is only likely to increase.

**Table 1: Research scenarios**

	<b>RGSB (short-term):</b> Delivery of the projects in the Research Programme (estimated in Jan 2017)	<b>Scenario:</b> Delivery of Research Programme (experience from the first year suggests closer to £3m/year will be required to deliver projects). Additional funding (£1.5m) for capacity building, dissemination and broader initiatives such as a data repository.	<b>Scenario:</b> Establishment of a world class gambling research centre/network/consortium. Would include all activities in previous box, including delivery of research programme.
<b>Estimated annual cost (£m)</b>	1.5	4.5	20

**Table 2: Education and prevention scenarios**

	<b>RGSB (short-term):</b> Research into, and small-scale piloting of, public awareness campaigns	<b>Scenario:</b> Prevention initiatives for specific vulnerable groups (eg the homeless)	<b>Scenario:</b> Prevention initiatives for specific vulnerable groups, and an annual national awareness campaign.
<b>Estimated annual cost (£m)</b>	2	5	12

**Table 3: Treatment scenarios**

	<b>RGSB (short-term):</b> Cost of existing treatment programme (at current rates of help-seeking)	<b>Scenario:</b> 10% of problem gamblers seeking treatment, and some affected others support. Assumes up uptake is concentrated in low-cost services (helpline, self-help).	<b>Scenario:</b> 10% of problem gamblers seeking treatment, and some affected others support. Estimate scales up costs assuming current split between services and no scale economies.
<b>Estimated annual cost (£m)</b>	6	11	30

16. We can compare these calculations with funding levels in other jurisdictions. Based on figures from 2016, GambleAware's RET expenditure in Great Britain amounted to £19 per problem gambler. The table below shows how that compares with centralised, gambling-specific funding in other jurisdictions. We have focused on territories in Canada, Australia, USA and New Zealand because we have more reliable data for those.

<sup>1</sup> When fundraising and administration costs are factored in.

This analysis acts a 'sense check'. It does not indicate what the correct level of central RET funding should be. It does, however, support our scenario analysis, which shows it is not unusual to see funding per problem gambler several times the level in Great Britain.

17. Clearly there are differences in how these jurisdictions are regulated, how funding requirements are calculated, and the sources of these funds. However, we think these figures provide a useful illustration of what other large jurisdictions consider to be an appropriate amount of money to allocate to addressing problem gambling, and how this compares with Great Britain.
18. We acknowledge that the NHS will be spending large amounts of money on issues relating to problem gambling, but so will healthcare delivery organisations in other jurisdictions. The spend figures in the table below are restricted to money allocated to specific gambling harm-minimisation activities, and do not include wider healthcare spend.
19. With some exceptions in the United States, Great Britain lags behind on this measure. Even if we were to include Gambling Commission-licensed operator contributions to organisations other than GambleAware, which we estimate to be around £3m per year, GB spend per problem gambler would still only be £26. By contrast, if GB funding was at the upper end of the range in paragraph 16 above, spend per problem gambler would be £156.

**Table 4: RET spend per problem gambler in various jurisdictions**

Jurisdiction	RET Spend (£m) <sup>2</sup>	Number of PGs	RET Spend per PG (£) <sup>3</sup>
<b>Great Britain<sup>4</sup></b>	8.26	430,000	19
<b>Canada<sup>5</sup></b>			
British Columbia	3.40	26,974	126
Manitoba	1.93	2,006	964
New Brunswick	0.43	6,201	70
Nova Scotia	1.97	5,462	361
Ontario	22.27	66,703	334
Prince Edward Island	0.13	1,068	125
Quebec	11.32	26,935	420
Saskatchewan	2.49	10,498	237
<b>USA<sup>6</sup></b>			
California	6.33	511,781	12
New York	2.17	186,475	12
Nevada	1.02	61,044	17
Florida	0.69	180,709	4
Pennsylvania	4.71	222,190	21
<b>Australia</b>			
NSW	10.55 <sup>7</sup>	39,840 <sup>8</sup>	265
Queensland	3.40 <sup>9</sup>	16,698 <sup>10</sup>	204
Victoria	22.63 <sup>11</sup>	35,600 <sup>12</sup>	636
<b>New Zealand</b>	9.70 <sup>13</sup>	23,500 <sup>14</sup>	413

**Criteria for success**

20. The RET arrangements require more than just a sufficient quantum of funding in order to be successful. We think that a more complete list of criteria is as follows:
- i) Sufficient quantum of funding to meet strategy needs
  - ii) Appropriate prioritisation and coordination of efforts to minimise gambling-related harm
  - iii) Demonstrable independence and rigour of the research process
  - iv) Constructive stakeholder engagement (especially from industry, where RET responsibilities must go beyond writing a cheque)
  - v) Clear roles for the organisation(s) leading the RET arrangements, and a high level of efficiency and capability in all aspects of their work.

<sup>2</sup> Rounded figures provided for ease of interpretation. Currency conversions conducted on 16 February 2018.

<sup>3</sup> Figures calculated using exact RET spend, not rounded figures.

<sup>4</sup> GambleAware [spend in the 12 months to 31 March 2017](#).

<sup>5</sup> [Canadian Partnership for Responsible Gambling Digest, 2015-2016](#). Data provided for provinces for which data is available. Note: for Saskatchewan, New Brunswick and Nova Scotia, prevalence surveys are 19+, but PG population estimates are calculated using the adult (18+) population.

<sup>6</sup> Marotta, Hynes, Rugle, Whyte, Scanlan & Dukart (2017) Survey of problem gambling services in the United States. Note: this only includes problem gambling services explicitly referenced in state agency budgets.

<sup>7</sup> Administered revenue from Responsible Gambling Levy in 2016. [NSW Department of Justice Annual Report 2015-16](#).

<sup>8</sup> [Prevalence of Gambling and Problem Gambling in New South Wales \(2012\)](#)

<sup>9</sup> [Queensland Government media statement, July 2017](#)

<sup>10</sup> [Queensland House Gambling Survey 2011-12](#) and [Australian Demographic Statistics 2017](#)

<sup>11</sup> [Victorian Responsible Gambling Foundation Annual Report 2016-17](#)

<sup>12</sup> [Study of gambling and health in Victoria: Gambling problems in Victoria \(factsheet\)](#)

<sup>13</sup> Average annual spend 2016/17-2018/19. [Strategy to prevent and minimise gambling harm. NZ Ministry of Health, 2016](#)

<sup>14</sup> Midpoint estimate from [New Zealand 2012 National Gambling Study: Gambling Harm and Problem Gambling \(report 2\)](#)

## How well do the current arrangements perform against our aims?

21. Past performance against the above criteria can be summarised as follows:
- Industry has consistently failed to meet GA's modest funding aspiration (0.1% of GGY), by a significant margin.
  - There has been an imbalance between the elements of R, E and T, with a tiny proportion of the budget going to education and prevention. GambleAware has committed to redressing this imbalance, but to do so adequately is likely to require increasing the overall amount of funding available.
  - A failure in the past to coordinate efforts to treat gambling-related harm as a public health issue.
  - Persistent challenges around the perceived independence of the research that GambleAware commissions – GambleAware spends a significant amount of time defending itself. There are, however, encouraging developments, with a broader range of organisations bidding for GambleAware funding.
  - A mixed picture on industry engagement, with some significant battles to secure the data we have had and a constant struggle to raise standards – [RGSB's report on progress with the National Responsible Gambling Strategy](#) is not an encouraging read.
  - Similarly, a mixed picture on the efficiency and capability of the tri-partite organisations – for example, challenges in ensuring GambleAware is adequately staffed to deliver an ambitious strategy.
22. Against this past performance, we need to acknowledge significant improvements over the past two years against many of the criteria – including the points above. Our most significant outstanding concerns are around funding, stakeholder engagement, and perceptions of independence, although there is room for improvement across the board.

## What more could be done to improve the voluntary arrangements?

23. This section considers how we might be able to build on the status quo to best meet the criteria we would like fulfilled in any RET system. The starting point of this analysis is how we address the shortcomings identified above.
24. In making improvements to the status quo, we need to be aware of the constraints inherent in the voluntary arrangements. The Gambling Act 2005 contains a provision for the enactment of a levy to fund RET. Parliament opted to make this a reserved power, which government has yet to decide to implement. Consequently, we must not frustrate Parliament's intentions by seeking to impose a levy 'by the backdoor'. This rules out what might initially seem some obvious courses of action, for example mandating a minimum RET contribution from all licensed operators. The nature of a voluntary system means that we are unable to do much more than encourage operators to meet GambleAware's requested donation. Even those operators who make a contribution of £1 are technically compliant with the LCCP requirement, even though they are clearly not acting in the spirit of that requirement or their wider social obligations.
25. We have identified various options for improving the voluntary arrangements and conducted an assessment of whether these may have merit. This paper describes the options that we think are worth pursuing. We have considered options that are both minor in nature and those that involve more substantial changes, such as redefining existing roles and structures.
26. We present the options under the particular objective they are mainly intended to address (although some changes are likely to have benefits across several objectives). Some of these options will need further consideration and discussion with tripartite partners, DCMS, and other stakeholders.



**i) Sufficient quantum of funding to meet strategy needs**

We want to see a fully funded National Responsible Gambling Strategy, which requires the industry to meet the funding targets set by RGSB and GambleAware. This funding needs to be guaranteed and sustainable to allow GambleAware to make more long-term funding decisions.

**We will...**

- Work with GambleAware to improve the data we collect on RET contributions, and the mechanisms for sharing this between us.
- Enhance the visibility and transparency of details of operator RET contributions, either by operator or sector.
- Support industry efforts to adopt a self-assurance approach and code of practice on RET contributions.
- Consult on changing the LCCP requirement on RET contributions, to make it clear that they must be made to an organisation signed up to delivering the National Responsible Gambling Strategy (NRGS), under an agreed governance framework.

**(ii) Appropriate prioritisation and coordination of efforts to minimise gambling-related harm**

We want all the bodies within the RET arrangements to be working in an efficient and coordinated matter. There should be effective coordination of efforts in areas of shared interest (of which there will be many). Funds should be allocated appropriately to the elements of R, E and T (and to projects within those strands) to ensure delivery of the objectives of the NRGS.

**We will...**

- Bring greater clarity to the RET arrangements, especially over the role, responsibilities, and remit of each of the organisations in the tripartite structure.
- Increase transparency around how funding allocation decisions are reached, and explore how the Commission can better support GambleAware in reaching decisions which support the NRGS.

**(iii) Demonstrable independence and rigour of the research process**

Evidence-based policy making requires research that is not only independent, but is also perceived to be so. A research process which is demonstrably independent (and perceived to be so) generates research which is trusted by policy-makers and stakeholders, and broadens and strengthens the research field<sup>15</sup>.

**We will...**

- Work with partners to strengthen governance arrangements around RET. Specifically, we will encourage GambleAware to consider and manage the implications of moving to a wholly independent Board.
- Continually review the arrangements for commissioning research, including assessing the pros and cons of different commissioning models and bodies.

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<sup>15</sup> Priority Action 10 of the National Responsible Gambling Strategy.

**(iv) Constructive stakeholder engagement (especially from industry, where RET responsibilities must go beyond writing a cheque)**

We want an industry that is fully engaged with all the elements of the National Responsible Gambling Strategy. Whatever the arrangements for funding and commissioning RET, operators must not see their responsibilities as being discharged by simply making a payment to GambleAware. This approach would be evidenced by demonstrable progress in relation to the industry-led Priority Actions in the NRGs. One tangible example of this would be an industry that provides routine open access to customers and data for research purposes, rather than such activity having to be negotiated on a project-by-project basis.

**We will...**

- Drive increased industry participation in the delivery of any strategy, and explore fundamental changes to how such a strategy is produced and monitored, and which organisations could own it and be accountable for its delivery.
- Work with partners to create a regularised pathway for, and commitment to, sharing industry data and providing access to customers and venues for research purposes.

**(v) Clear roles for the organisation(s) leading the RET arrangements, and a high level of efficiency and capability in all aspects of their work**

We want to ensure the tripartite system, and the bodies within it, are fit for purpose. As the primary delivery body of the NRGs, focus of questions of efficiency and capability will inevitably centre on GambleAware. However we (and RGSB) should not be exempt from this – we should be prepared to continually question and assess our own capability, and whether we can improve our own performance and ways of working. This is not just restricted to individual organisations, it is also about how these organisations work together and whether the system itself is able to deliver against the required objectives. There should also be clarity over each organisation's role, responsibilities and remit.

**We will...**

- Continually monitor and assess the ability of the tripartite system, and the capability of the bodies within it, to deliver the outcomes required by the Commission's Corporate Strategy and the NRGs.
- Establish and articulate clear expectations over how RET monies and voluntary settlements are spent, recognising GambleAware's charitable objects, in order to provide us with assurance that they are being distributed transparently, efficiently and effectively.
- Explore whether, and how, the Commission can take a more proactive role in both the ownership and delivery of the RET agenda.

**What is an appropriate way for the National Lottery to support RET given its distinct regulatory regime?**

- 27.** The National Lottery is not regulated under the Gambling Act 2005, and the operator of it is therefore not required to make a contribution to RET.
- 28.** However, although not obliged under the terms of its licence, Camelot chooses to make an annual contribution to GambleAware. While it operates under a distinct regulatory framework, we think there is no persuasive reason why the operator of the National Lottery, as an organisation which derives benefit from gambling, should not make a contribution to mitigating the harm it generates.

In fact, there are good reasons why it should contribute to RET:

- National Lottery products have a very wide reach, and given participation rates, their customer base will contain more problem gamblers than any other gambling operator.
- As a state-sponsored franchise, the National Lottery should be an exemplar in terms of minimising harm and adopting a public health approach.
- The National Lottery derives a large proportion of its revenue from Interactive Instant Win Games (IIWGs), which share similarities with online casino products.
- National Lottery products (including IIWGs) can be offered to 16-17 year olds, where there is an elevated risk of harm.

29. We therefore think it is entirely right that the National Lottery operator works towards delivering the NRGs, and makes a contribution to RET.

30. We know that Camelot is considering a significant increase in its RET contribution. This would bring more in line with GambleAware’s recommended contribution, which, recognising the unique status of the National Lottery, is not a pure GGY-based calculation. This is a Camelot initiative, but we think it is entirely appropriate and we welcome the development.

31. We have started to consider what requirements are appropriate for the next National Lottery licence<sup>16</sup>, taking into account various complex legal and competition issues.

**We will...**

- Challenge Camelot to improve its efforts in relation to RET, including greater involvement in delivery of the NRGs and increased financial contribution to RET funding, consistent with GambleAware’s recommended donation.
- Explore what requirements might be appropriate to incorporate into the next National Lottery licence, including considering making a RET contribution an explicit obligation.

**What benefits might accrue from a levy, and what costs would it incur?**

32. Our starting point, recognising the preference of successive governments, has been to build on the existing arrangements. But we have also considered whether a levy could meet our objectives. The table below outlines the main pros and cons of a levy, set against the objectives we want any RET system to meet. Clearly, the precise pros and cons of a statutory levy depend on the particular delivery model chosen. As part of the review, we have looked into the practicality and desirability of various delivery models. We do not report that detail here.

**Table 5: Pros and cons of a statutory levy to fund RET**

Objective	Pros	Cons
<i>Sufficient quantum of funding to meet strategy needs</i>	<ul style="list-style-type: none"> <li>+ RET spending levels could be based on need, as opposed to what is achievable.</li> <li>+ A levy would provide guaranteed and predictable income, allowing long-term strategic funding decisions to be made more easily.</li> <li>+ GA2005 provides for the levy to be extended to the NL operator.</li> </ul>	<ul style="list-style-type: none"> <li>- Might hinder efforts to leverage greater involvement from NHS. Could be perceived as a hypothecated harm tax and therefore sufficient on its own.</li> <li>- Could be a degree of inflexibility in revising the quantum when it is set by regulations.</li> </ul>
<i>Appropriate prioritisation and coordination of efforts to minimise gambling-related harm</i>	<ul style="list-style-type: none"> <li>+ Greater overall funding would allow more for prevention.</li> </ul>	<ul style="list-style-type: none"> <li>- Some risk would remain because any change in priorities would need to be based on evidence (which may be incomplete or deficient).</li> </ul>

<sup>16</sup> 4<sup>th</sup> licence, timings.

Objective	Pros	Cons
<i>Demonstrable independence and rigour of the research process</i>	<ul style="list-style-type: none"> <li>+ Could create increased distance between the source of the money (the industry) and commissioned activity.</li> <li>+ Removes perception that industry funding depends on acceptable research questions.</li> </ul>	<ul style="list-style-type: none"> <li>- Could be perceived as swapping one type of influence (industry) for another (Government and regulator).</li> <li>- Independence concerns also surround how money is distributed, not just how it is raised.</li> </ul>
<i>Constructive stakeholder engagement (especially from industry, where RET responsibilities must go beyond writing a cheque)</i>	<ul style="list-style-type: none"> <li>+ Engages all of the regulated industry, potentially increasing buy-in from those who previously had under contributed to RET.</li> <li>+ If extended to NL, would improve NL operator's engagement with the RET agenda.</li> <li>+ The industry is increasingly in favour of a levy, with some trade associations now actively calling for it.</li> </ul>	<ul style="list-style-type: none"> <li>- Prospects for <i>improving</i> engagement could be damaged by an industry perception that a levy payment fully discharges operators' obligations with regards to responsible gambling.</li> </ul>
<i>Clear roles for the organisation(s) leading the RET arrangements, and a high level of efficiency and capability in all aspects of their work</i>	<ul style="list-style-type: none"> <li>+ Sufficient commissioning capability and capacity could be built into the levy scheme from the outset, so that enough money would be collected to cover the costs of its distribution.</li> <li>+ Can be considered a more efficient system, as would not involve a significant amount of money devoted to fundraising every year.</li> </ul>	<ul style="list-style-type: none"> <li>- Could develop and entrench a monopoly approach to RET funding, limiting innovation.</li> </ul>

33. The above analysis shows that a statutory levy is a realistic and credible way of funding RET. It would go a long way to resolving one of the key limitations of the current arrangements – it would guarantee sufficient and predictable income.

### Issues, risks and costs

34. We have explored the risks we would need to address in implementing a statutory levy for RET, categorised according to our established framework for assessing corporate risk. This examines risks in five key domains: reputational, operational delivery, financial, legal, and capacity and effectiveness.
35. While this exercise highlighted the complexity and significant practical challenges in implementing a statutory levy, we do not think any of the risks are insurmountable, or that they could not be adequately managed. However, we should not under-estimate the amount of work this is likely to entail.
36. We have conducted initial scoping work on the costs of implementing and maintaining a statutory levy, using the cost of previous fees consultations, and the annual fee collection process, as a basis for our estimates<sup>17</sup>.
37. These estimates suggest that, although there would be a significant initial upfront investment in establishing a levy, the recurring annual cost would be reasonably low. They would compare favourably with the current system where GambleAware spends approximately £340k per year on fundraising activity (which would no longer be required under a levy approach).

### What is our assessment of the relative merits of the options above?

38. The priority for now should be to improve performance under the voluntary arrangements, and there is undoubtedly scope to do so. We have seen important progress over the past two years, and there is potential to do more. But we remain sceptical that a voluntary system will ever deliver the quantum and certainty of funding that is likely to be needed in the future.

<sup>17</sup> Where appropriate these costs have been revised upwards to reflect the likelihood of a levy being even more controversial than annual fees.

And challenges around the independence of industry-funded research remain despite the more rigorous commissioning process that we put in place in 2016. A wholly independent GambleAware Board would help, but even that is unlikely to satisfy critics.

39. The gambling review consultation painted a mixed picture of welcome progress and tough future challenges. It concluded that the voluntary system would need to prove that it can flex to meet those challenges. If the industry fails to do so, we think it is entirely appropriate that the government considers alternative options, including a statutory levy.

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