

## Appendix 1 - DCMS Funding Agreement



**GAMBLING  
COMMISSION**

# Funding Agreement between the Department for Culture, Media and Sport and the Gambling Commission

## 1 Introduction

This funding agreement is:

- Between the Department for Culture, Media and Sport (DCMS) and the Gambling Commission;
- Signed by the Director, Sport and Leisure and the Chief Executive of the Gambling Commission;
- Valid for the period from 1 April 2008 to 31 March 2011.

It builds on the funding agreement for the 2005/6 to 2007/8 period, which focussed upon the delivery of the implementation of the Gambling Act 2005 ('the 2005 Act') by the 1 September 2007.

This funding agreement also reflects:

- The outcome of the risk assessment process for all DCMS NDPBs that tailors the sponsorship relationship with all NDPBs according to risk. The Gambling Commission has been rated overall as a medium risk, though that is largely due to the environment within which it is operating and the newness of its systems. The number of performance indicators included is consistent with this rating.
- The Gambling Commission's strategic and detailed business objectives, as set out in the Gambling Commission's Corporate Plan for the period from 1 October 2007 to 31 March 2011.

## 2 Licensing objectives and Gambling Commission's strategic objectives

### Context

The 2005 Act introduced a modernised system of gambling regulation fit for the 21st century and repealed earlier legislation, which was no longer effective.

Gambling is a popular leisure activity but brings with it inherent risks of personal and social harm through excessive (or under-age) play. Although research has revealed that only a small proportion of participating adults suffer significant levels of harm, it is the Government's view that customer protection and reduction of harm must take precedence over the maximisation of innovation, consumer choice and economic gains, which are key elements of its strategy in relation to leisure activities that involve no such risks.

The Gambling Commission came into being on 1 October 2005 and assumed its full range of powers under the 2005 Act from 1 September 2007. It is responsible for regulating all commercial gambling sectors in Great Britain, except the National Lottery and spread betting. However, it does not deal directly with premises licensing, although it must give guidance to local authorities, who have that responsibility.

## Licensing objectives and other functions

Both the Gambling Commission and the gambling industry are subject to the new regulatory regime and the Gambling Commission must have regard to the statutory licensing objectives in the 2005 Act. The licensing objectives are:

- Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime;
- Ensuring that gambling is conducted in a fair and open way;
- Protecting children and other vulnerable people from being harmed or exploited by gambling.

The Gambling Commission must aim to pursue these licensing objectives and to permit gambling, in so far as it is reasonably consistent with the pursuit of the licensing objectives. The Gambling Commission is also required to give advice to Ministers on the incidence, effects and regulation of gambling, as well as the manner in which gambling is carried on.

To be lawful, the provision of facilities for gambling (as defined in section 5 of the 2005 Act) must either be authorised by an operating licence from the Gambling Commission or covered by a specific exception. Businesses holding an operating licence, unless very small, need to have one or more personal licence holders, who are authorised to perform specific functions. Where premises are used for gambling, that must be authorised by either an appropriate premises licence issued by the relevant local authority or another permission obtained under the 2005 Act, or be covered by a specific exception provided in the 2005 Act.

The Gambling Commission's approach to exercising its functions under the 2005 Act and pursuing the licensing objectives is guided by its published 'Statement of Principles'<sup>1</sup>, which says that it will:

- Regulate gambling in the public interest and do so vigorously;
- Regulate in a transparent, accountable, proportionate, consistent and targeted manner;
- Take a risk-based approach to regulation;
- Make assessments of risk that are led by the evidence, relevant information and best regulatory practice in the light of international experience;
- Take a cautious approach to permitting gambling where there is no evidence;
- Consult with stakeholders and use its resources effectively.

## Strategic objectives

For this funding agreement period, the Gambling Commission has set four strategic objectives (supported by detailed business objectives), with which DCMS are content. They are set out in the Commission's 2007-2011 Corporate Plan. They are:

- **Regulating gambling in the public interest:** delivering a proportionate regulatory regime which delivers best practice licensing and enforcement and ensures compliance by licensees;

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<sup>1</sup> Statement of Principles on Licensing and Regulation 2006

- **Providing authoritative advice on gambling and its regulation:** building the Commission's knowledge base through knowledge management, intelligence and research;
- **Engaging with stakeholders:** ensuring that the Commission is accountable, properly balanced and informed in its work;
- **Developing its employees and organisation:** delivering professional, responsive, accountable and fair regulation.

### 3 Funding and performance indicators / targets

The Gambling Commission's regulatory work is now fully self-financing through licence fees, and detailed targets / performance indicators are set out in its 2007-2011 Corporate Plan. The level of Government funding for its advisory and research work, the costs of which may not be recovered through licence fees, for the three years 2008/9 to 2010/11 was set out in DCMS's letter of 23 November 2007. That element of the Gambling Commission's budget for this period is:

£ million	Resource Grant-in-Aid	Non-Cash	Capital Grant-in-Aid	Total
2008-09	£0.500	£0.598	-	£1.098
2009-10	£0.500	£0.571	-	£1.071
2010-11	£0.500	£0.653	-	£1.153

Resource funding from Government is to be used to support:

- Research studies, including studies on the prevalence of gambling and the collection and monitoring of information;
- Continued work with the National Lottery Commission, research partners, other Government Departments and Devolved Administrations to facilitate a co-ordinated and effective programme of research into the incidence of gambling, its effects and how problem gambling can best be tackled;
- The Commission in developing its advisory role to the Government;
- Measurement of the Commission's effectiveness in meeting its regulatory objectives.

In terms of its effectiveness and efficiency, the Gambling Commission has been assessed as a medium risk NDPB. The number of performance indicators in the table annexed to, and an integral part of, this document reflects this level of assessed risk. Grant-in-Aid funding during this period will be dependent both upon the Gambling Commission demonstrating successful delivery of its Corporate Plan and especially the particular performance indicators from the plan set out in this funding agreement.

### 4 Performance monitoring

The Gambling Commission's performance against performance indicators in this funding agreement will be monitored through:

- Quarterly Sponsorship Group meetings between DCMS and Gambling Commission officials to review the Commission's performance against both the performance indicators set out in this funding agreement and the Commission's 2007-2011 Corporate Plan, plus other sponsorship issues;
- Half yearly meetings (frequency to be kept under review) of the Prevalence Study Steering Group comprising representatives from DCMS, Gambling Commission, Responsibility in Gambling Trust and Department of Health;

- The Gambling Commission's annual report, which will be produced no later than 31 July for the prior year (ended 31 March);
- An annual meeting (each Autumn) between DCMS Minister(s) and the Chairman and Chief Executive of the Gambling Commission to discuss the Commission's performance, its current and future activities and any relevant policy developments to those activities.

The responsibility for delivery against the targets in this Agreement rests with the Gambling Commission.

Signed by:

Paul Bolt  
Director – Sport and Leisure

Date:

Jenny Williams  
Chief Executive of the Gambling Commission

Date:

## Funding agreement targets and performance indicators

	Target	Performance Indicator 2008/9	Performance Indicator 2009/10	Updated Response for 2009/10
	<b>Gambling Commission Corporate Plan strategic objective 1: Regulating Gambling in the public interest</b>			
1	Develop a comprehensive compliance programme based on an intelligence led assessment of the risks posed by licensed operators and individuals to the regulatory framework	<p>Risk assessments for 80% of operators in place by 31 March 2009</p> <p>Trends showing operators are achieving higher compliance ratings. To be reviewed by end of December 2008.</p> <p>Positive feedback from Better Regulation Executive (BRE) that Commission meets best practice guidance – ongoing.</p>	<p>Risk assessments for all operators in place by September 2009</p> <p>Trends showing operators achieving higher compliance ratings - reviewed quarterly</p> <p>Positive feedback from Better Regulation Executive (BRE) that Commission meets best practice guidance – ongoing.</p>	<p>All operators subject to an assessment (using PAF) as part of a licence application. Thus new operators are risk assessed.</p> <p>All operator licensed activity is now risk rated</p> <p>Risk assessments on existing operators have to a certain extent been base-lined using license category, compliance activity in next 12-18 months will be instrumental in adding value to the results.</p> <p>Test purchasing of betting shops in 2009/10 showed improvement from 2% to 65% level of challenge.</p> <p>Commission contributed to BIS Group revising its Code of Practice on Guidance on Regulation, which includes a good practice example from the Commission.</p> <p>Commission commended orally on the series of open events for small operators.</p> <p>No standard mechanism in place, but agreement from BRE to provide feedback on progress on response to Hampton Implementation Review (HIR) recommendations – awaited.</p> <p>Commission employee selected to act as a peer reviewer for another regulator's HIR.</p>

	Target	Performance Indicator 2008/9	Performance Indicator 2009/10	Updated Response for 2009/10
	<b>Gambling Commission Corporate Plan strategic objective 2: Provide authoritative advice on gambling and its regulation research</b>			
2	Provide advice to Ministers and others on the incidence, effects and regulation of gambling as well as the manner in which gambling is carried on.	<p>Completion of secondary analysis from second prevalence study – May 2008.</p> <p>Preparation for third prevalence study, including commissioned and tendered third prevalence study – December 2008.</p> <p>Deliver programme of smaller more specific research projects by March 2009 including:</p> <ul style="list-style-type: none"> <li>• Gaming machines</li> <li>• Gambling debt and expenditure</li> <li>• Impact of advertising rules</li> </ul> <p>Collect quarterly information on gambling participation.</p> <p>Undertake qualitative follow-up with 2007 Prevalence Survey participants by March 2009.</p>	<p>Fieldwork for third prevalence study to be completed – March 2010.</p> <p>Collect quarterly information on gambling participation through the ICM omnibus survey.</p> <p>Add mini problem gambling screen to above quarterly. surveys after appropriate cognitive testing and piloting by March 2010.</p>	<p>As of 1 March the fieldwork was approximately 70% complete. Given the difficulty with slow response rates the fieldwork deadline has been extended to end of May 2010.</p> <p>Quarterly data has been collected through the ICM omnibus survey on gambling participation, remote gambling participation and perceptions of gambling, its regulation and crime. The participation and perceptions data was published for the first time in January 2010 and will be published quarterly alongside the existing remote gambling data.</p> <p>A pilot of testing problem gambling screens is currently taking place within the quarterly surveys. This will inform options for future data collection on problem gambling prevalence.</p>
3	Complete and advise about / assist with the implementation of the Review of Research, Education and Treatment (RET).	RET Report published – Autumn 2008.	Advise as to best use of funds for RET in the light of latest available research (and, if a statutory levy is required, make necessary administrative arrangements in line with policy and regulation) – as required.	<p>The Strategy Board issued its first set of advice in October 2009.</p> <p>Most transitional issues have been resolved, the secretariat function has transferred successfully from the Commission to the Responsible Gambling Fund (RGF) and a full shared executive is expected to be in place by March 2010.</p>

	Target	Performance Indicator 2008/9	Performance Indicator 2009/10	Updated Response for 2009/10
		<p>Work closely with relevant stakeholders to raise awareness about problem gambling, treatment, prevention and education, and research into problem gambling in Great Britain – ongoing.</p> <p>Invite stakeholders to consultation workshop by end of May 2008.</p>	<p>Work closely with relevant stakeholders to raise awareness about problem gambling, treatment, prevention and education, and research into problem gambling in Great Britain – ongoing.</p>	<p>A new CEO of the RGF is in post.</p> <p>The industry, through the GREaT foundation, have made assurances that £5m will be raised by the industry by March 2010.</p>
<b>Gambling Commission Corporate Plan strategic objective 3: Engaging with stakeholders</b>				
4	<p>Collect comprehensive information on business, individual and social aspects of gambling industry to provide advice to Secretary of State on incidence, effects and regulation of gambling, and to measure the effectiveness of the Commission in meeting its licensing objectives.</p>	<p>Establish information base, drawing on inputs from interested parties such as industry, Responsibility in Gambling Trust and National Lottery Commission – by Autumn 2008.</p>	<p>Maintain information base drawing on inputs from interested parties such as industry, the Responsible Gambling Strategy Board and the National Lottery Commission. Include provision for regular updates and half-yearly summaries of recent developments.</p>	<p>Regular updates established with the DCMS licensing team and bi-annual meetings held with the Minister for Sport.</p> <p>Information provided on a range of topics including remote gambling, betting integrity, RET and gaming machines.</p>
5	<p>Review the impact of the licensing process on the industry, with special reference to small and medium-sized operators.</p>	<p>Assess and determine applications and issue licences with reduced planned target times - operating licences thirty working days, personal functional licences twenty working days and personal management licences twenty working days – ongoing.</p>	<p>Assess and determine applications and issue licences within planned target times: operating licences thirty working days, personal functional licences twenty working days and personal management licences twenty working days – ongoing.</p>	<p>Assess and determine applications and issue licences within planned target times: operating licences thirty working days and personal management licences twenty working days – ongoing.</p>

	Target	Performance Indicator 2008/9	Performance Indicator 2009/10	Updated Response for 2009/10
<b>Gambling Commission Corporate Plan strategic objective 4: Developing its employees and organisation</b>				
6	Drive the development of an organisational culture which ensures that the principles of diversity and the Commission's values are embedded.	<p>Publication of Single Equality Scheme by April 2008.</p> <p>Diversity monitoring indicates improvements in our profile – Gambling Commission monitors race, age, gender and disability and strives to be more representative of local economically active population by March 2009.</p> <p>Achievement of Investors in People (IIP) Award by September 2008.</p>	<p>Review of Single Equality Scheme by September 2009.</p> <p>Diversity monitoring indicates improvements in our profile – Gambling Commission monitors race, age, gender and disability and strives to be more representative of local economically active population by March 2010.</p> <p>Retain Investors in People (IIP) Award – ongoing.</p>	<p>Single Equality Scheme (SES) reviewed and revised scheme to be implemented.</p> <p>Equality and diversity group drawn together and now meet monthly to consider aspects of SES.</p> <p>Regularly monitor workforce profile against local and national profile and take appropriate action if required.</p> <p>Work continues to engage with employees on a number of levels (e.g. employee survey) and to live the principle of IIP.</p>
7	Deliver 3% Value for Money (VFM) efficiency savings (cash + non-cash), for example reduction in staff to steady state, productivity improvements and maintenance savings, through effective delivery of the Corporate Plan.	<p>The Continuous Improvement Team to implement 50% of staff suggestions which seem likely to improve operational efficiency by March 2009.</p> <p>Staff reductions from 250 to 238 at end of March 2009.</p> <p>Continuous review of workforce requirements in terms of right skills mix, training and development plans, flexible and adaptable workforce, to ensure they are fit for purpose and aligned to effective delivery of the</p>	<p>Following on from staff suggestions and improved efficiency in 2008/09, new internal processes implemented to improve operational efficiency by September 2009.</p> <p>Continuous review of workforce requirements in terms of right skills mix, training and development plans, flexible and adaptable workforce, to ensure they are fit for purpose and aligned to effective delivery of the Corporate Plan – ongoing.</p>	<p>Performance and learning and development needs continue to be discussed through performance reviews and those with below acceptable performance are being managed.</p> <p>Training needs identified and delivered to, where appropriate, during 2009/10 and will be again in 2010/11. Skills database to be introduced during 2010/11 business planning year</p>

	Target	Performance Indicator 2008/9	Performance Indicator 2009/10	Updated Response for 2009/10
		Corporate Plan – ongoing. Savings identified match or exceed budget target of 3%.	Savings identified match or exceed budget target of 3%.	Our 2009/10 outturn against our original budget results in savings/efficiencies of 3.8%. Efficiencies of more than 3% are applied in our current projections each year to 2013/14.