

GAMBLING COMMISSION

Review of Research, Education and Treatment

Final report and recommendations

17 October 2008

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1 Executive summary and recommendations

- 1.1** This report sets out the conclusions and recommendations of the Gambling Commission's review of the current voluntary arrangements for the industry's funding of gambling research, public education and treatment. The review, carried out at the Government's request, gathered evidence and views from a wide range of stakeholders.
- 1.2** The terms of reference for the review were to:
- estimate the funding needed for each of research, education and treatment
 - identify the most appropriate organisational arrangements (including governance and management) for:
 - distributing such funding
 - the commissioning of research, education and treatment
 - consider the merits of different methods of raising such funding (including consideration of the statutory levy provided for in the Gambling Act 2005).
- 1.3** Under the current arrangements, the Responsibility in Gambling Trust (RIGT) is responsible for raising funds from the industry, determining the priorities for spending and distributing the money on programmes of research, education and treatment. These arrangements were predicated on the assumption that RIGT would advise and support the Commission in its statutory duty to advise the Secretary of State on all gambling matters and would make a major contribution to the Commission's policy aims in relation to problem gambling. The Commission cannot use its licence fee income to support research (other than in very limited circumstances), education and treatment, since there is legislative provision for a levy for these purposes; nor can the Commission use its resources or influence to enforce compliance with a voluntary system of funding contributions, since that would be a levy by the back door.

Conclusions

- 1.4** We conclude that the current voluntary arrangements are not working effectively and need to be improved. Although RIGT has achieved much since its creation six years ago, in particular in funding the provision of treatment, there are several areas where only limited progress has been made. In particular, we conclude that:
- No effective mechanism has emerged for determining an overall national responsible gambling strategy, within which the research, education and treatment programmes are key components, or for agreeing priorities for spend; there needs to be much more effective collaboration between the industry, the Commission, the Government and other stakeholders in developing a shared approach which reflects the broader public interest.
 - The current arrangements have given insufficient weight to the needs of the Government and its statutory adviser, the Commission.
 - RIGT's processes for distributing funding and its relations with providers have been less than optimal; it is widely felt that there has been insufficient emphasis on proactive funding, evaluation and specifying and measuring outcomes. RIGT has already identified shortcomings in this area and has recently developed a draft commissioning strategy.
 - RIGT has found it difficult to meet its fundraising targets and cash-flow has been uncertain both within year and over the longer term.
 - The lack of a reliable, three year rolling financial commitment by the industry has hindered RIGT in building its capacity to deliver programmes and made business planning for providers very difficult.
 - RIGT's distribution and fundraising operations have been under-resourced; this has been a contributory factor to RIGT not fully achieving its objectives.

- The current arrangements, via RIGT, for determining how money should be spent, particularly in the area of research, are by their nature susceptible to allegations, whether fair or unfair, of lack of independence from the industry; any changes proposed must address this, whilst safeguarding the industry's right to contribute, alongside other stakeholders, to policy formulation.
- The current levels of funding in Britain on gambling research, education and treatment are low by international standards; although the amounts set out over three years in RIGT's business plan (2009/10 to 2011/12) are likely to be conservative in terms of meeting needs, particularly in the areas of research and education, at this stage the evidence for increasing these amounts is insufficiently robust.
- Research and education are under-resourced in comparison to treatment; a strategic framework is lacking in relation to, first, the identification of 'problem-solving' research linked to more effective regulation and to minimising the risks of problem gambling and, secondly, the development of priorities for preventive education programmes and initiatives. There has been little evaluation of existing education initiatives.
- There is an opportunity to address all these problems by developing improved voluntary arrangements which provide clearer accountability and reflect the interests of all parties. Without improved arrangements, whether voluntary or statutory, for funding and commissioning research, education and treatment, the Commission will not be in a position to provide effective advice to the Government on all matters related to gambling and, in particular, to discharge fully its third licensing objective in relation to harm reduction.

1.5 In the light of these emerging conclusions, the Commission has, since the issue of the second consultation document, been discussing with a range of stakeholders how improved voluntary arrangements might best be put in place on a collaborative basis. From these discussions, we have developed detailed proposals, encapsulated in a draft memorandum of understanding (MOU), to which, it was proposed, the Gambling Commission, DCMS, the Department of Health, RIGT, the National Lottery Commission, the Scottish Government and the Welsh Assembly Government would be signatories. Key elements in the MOU are the creation of a Strategy Board, a new fundraising body and a new Distributor and a commitment by the industry to provide funding at agreed levels on a three year rolling basis. A more detailed description of the voluntary arrangements proposed is at Appendix A.

1.6 The draft MOU has been through several iterations with RIGT and the industry, in an attempt to take on board and reflect concerns expressed. The most recent version was agreed between DCMS, the Commission and the Chair and Chief Executive of RIGT. The Chair of RIGT wrote to his Trustees recommending it. Despite this, the trustees of RIGT have not felt able to endorse the draft MOU and soundings across the industry suggest that a majority of industry stakeholders is not ready to support it. In addition, RIGT has so far not succeeded in brokering a voluntary funding commitment by the industry which would meet the terms set out in the draft MOU.

1.7 Currently, the MOU defines the industry's three year funding commitment from 2009/10 using the funding targets set out in RIGT's business plan. We recognise, however, that the funding targets would need to be subject to agreement with the industry; to reflect the fact that discussions about funding are coinciding with a period of wholly exceptional economic uncertainty, one approach might be to agree a substantial proportion of the total amounts over three years to which the industry would make a firm and binding agreement. These commitments from the industry would enable the Distributor to enter into three year contracts with providers, with the additional funding requirements being addressed through fundraising undertaken by the Social Responsibility Council.

- 1.8** The difficulties we and DCMS have had in establishing an effective dialogue with the industry funders reflect the very real challenge the industry has in reaching any agreement on an improved voluntary approach and in committing funds; it has been forcefully put to us by many in the industry that RIGT does not represent it but, unless the industry funders can come together and speak effectively with one voice, agreement on an improved voluntary system is not possible.

Recommendations

- 1.9** Our strongly preferred option remains that stakeholders work together to ensure that improved voluntary arrangements are put in place. However, time is running out and, for a levy to remain a viable option for 2009/10, detailed preparations need to start very soon indeed. Therefore, taking into account the considerations set out above and to avoid further, damaging delays and uncertainty, we recommend that:
- 1.10 Recommendation 1:** Ministers now move immediately to prepare for the introduction of a statutory levy, as provided for in the Gambling Act 2005, with a view to implementation if necessary from April 2009; the transitional arrangements for any levy on individual operators would take into account the voluntary funding contributions made by them this financial year, providing operators with no incentive to continue to defer making such contributions.
- 1.11 Recommendation 2:** In the meantime, the improved voluntary arrangements for funding research, education and treatment encapsulated in the final draft of the MOU and described in appendix A remain on the table should RIGT and the industry wish to take them up, since they represent, in the Commission's view, an effective and collaborative means of achieving the following objectives:
- separation of the three functions of determining strategy and priorities; managing and distributing funding; and fundraising
 - an effective framework for the development and determination of a responsible gambling strategy and associated priorities for research, education and treatment
 - improved distribution arrangements that will deliver cost-effective and evaluated programmes based on the agreed strategy
 - sustainable, three-year rolling funding from the industry.
- 1.12 Recommendation 3:** The Commission puts in hand without delay the creation, of a new Strategy Board, covering England, Scotland and Wales, to develop a strategic framework and priorities for the distribution of funding for research, education and treatment, to advise on the funding needed to deliver them, and to advise the Commission and DCMS on a national responsible gambling strategy; the first step will be the recruitment of a Chair. This is an urgent requirement and stands alone, whatever option is adopted for securing future funding contributions.
- 1.13 Recommendation 4:** The Strategy Board initially focuses its attention on:
- the components of a national responsible gambling strategy and the priorities for research, education and treatment
 - the arguments for and against a longitudinal study and whether it should be a high priority
 - a research gap analysis, with a particular emphasis on what is required to minimise the risks from problem gambling
 - evidence of the value or otherwise of different types of preventive education programmes, including from the evaluation of current initiatives
 - what is required in relation to a national telephone line
 - reviewing the targets for increasing the volume of treatment delivered and the mix of treatments that should be made available
 - the quantum of funding required from 20010/11 onwards to deliver the Board's priorities for programme spend.

1.14 Recommendation 5: If, as we would hope, during the coming weeks RIGT and the industry re-engage with the proposals for improved voluntary arrangements, and agreement is reached along the lines set out in appendix and the industry makes a firm and acceptable funding commitment on a three year rolling basis, the following steps are taken:

- RIGT is succeeded, as proposed by RIGT, by two bodies – the Social Responsibility Council, to carry out fundraising from the industry and elsewhere and to promote the industry’s interest in the promotion of responsible gambling; and a new Distributor whose remit is the commissioning of services and the distribution of funds.
- This new, tripartite structure is put in place by April 2009.
- The interim Secretary to the Strategy Board works with the Chief Executive of RIGT/interim head of the new Distributor with a view to merging the executives of the two bodies and putting in hand the appointment of a Chief Executive by September 2009 to support the Strategy Board and direct the new Distributor.
- The Distributor, taking full account of the priorities recommended by the Strategy Board, develops a proactive funding approach with the emphasis on commissioning, the specification of outcomes and evaluation of impact.
- The target funding amounts for the three years from 2009/10 are agreed with the industry, with a firm commitment to a minimum amount (say, £5m per annum) on which the Distributor could rely and let 3 year contracts; these targets are reviewed annually by DCMS, the Commission and the Social Responsibility Council (on behalf of the industry) in the light of recommendations from the Strategy Board.

2 Introduction

2.1 On 19 September 2007, the Government announced that the Department for Culture, Media and Sport (DCMS) had asked the Gambling Commission (the Commission) to carry out a review of the current voluntary arrangements for the industry’s funding for gambling research, public education and treatment.

2.2 This announcement coincided with the publication of the British Gambling Prevalence Survey 2007¹ (the Prevalence Survey), which found that rates of problem gambling had remained at 0.6% of the adult population since the last survey in 1999.

2.3 In a statement, DCMS Minister Gerry Sutcliffe said that, whilst the results of the survey showed that problem gambling still only affects a small minority of people, it remains a serious issue and one which must be addressed. The Minister also stated that the gambling industry has a responsibility to make the right level of funding available to treat those who are harmed by its products, and that the public should have ready access to the facts they need to make informed choices about gambling, to help reduce the risks.

2.4 This report to Ministers sets out the conclusions and recommendations of the review.

2.5 The review gathered evidence from a large number of stakeholders and in the course of the review period the Commission undertook two formal consultation exercises. Two consultation workshops were held on 28 November 2007 and 28 May 2008.

2.6 The first consultation was an information gathering exercise and asked for submissions about the existing arrangements for research, education and treatment provision and respondents’ views on the effectiveness of the existing organisational structures. That consultation closed on 11 January and a summary of the responses [insert link] was published on the Commission website.

¹ Wardle H, Sproston K, Orford J, Erens B, Griffiths M, Constantine R, Pigott S, National Centre for Social Research, prepared for the Gambling Commission (2007) British Gambling Prevalence Survey 2007

- 2.7** The information gathered by the first consultation exercise, the first consultation workshop and at a series of meetings with stakeholders formed the basis of the second consultation paper. Additional analysis of existing arrangements and collation of views through meetings with stakeholders was undertaken by two external consultancies on behalf of the Commission. Information and analysis regarding funding mechanisms, international comparisons and current arrangements for research and education were provided by TrioPlus. Health and Social Care Advisory Services (HASCAS) provided additional support in relation to types and cost of treatment.
- 2.8** The second consultation paper, published on 9 May 2008, included, in the absence of reliable evidence from the first consultation, two approaches to making broad brush estimates of the amounts needed and asked respondents' views on our emerging findings and proposals for improved organisational arrangements. A summary of the responses to this consultation [\[insert link\]](#) is also available on the Gambling Commission website.
- 2.9** Throughout the second consultation, a series of meetings was held with key stakeholders, including RIGT, those representing the industry and treatment providers. Meetings were also held with organisations with relevant experience from which we could learn, for example, the Big Lottery Fund and the Office of the Third Sector.
- 2.10** Most recently, discussions with those stakeholders currently involved in funding and providing research, education and treatment have focused on how improvements to the existing voluntary arrangements could be implemented. Those discussions have influenced the specific proposals and recommendations set out in this report. Work has, however, also continued on alternatives to an improved voluntary arrangement, so that the objectives can still be achieved without significant loss of momentum should the improved voluntary option, which is predicated on a consensus across the stakeholders, prove to be unworkable. The suggested fall-back option, based on the introduction of a levy, is also outlined below.

3 Purpose of the review

- 3.1** The review was commissioned against the backdrop of existing voluntary arrangements for research, education and treatment. These arrangements emerged following the Report of the Department for Culture, Media and Sport's Gambling Review Body (also known as the Budd Report). To oversee and organise the programme of research, education and treatment, the Budd Report recommended the establishment of a Gambling Trust, which would ideally be funded voluntarily by the industry, but failing that should be funded by a statutory levy. The Review Body further recommended that this organisation should secure initial funding of not less than £3 million a year.
- 3.2** Following the recommendations of the Budd Report, a charitable trust was established, funded voluntarily by the gambling industry. Initially, known as the Gambling Industry Charitable Trust (GICT), the trust subsequently changed its name in 2004 to become the Responsibility in Gambling Trust (RIGT).
- 3.3** In response to the Budd Report recommendations, the Gambling Act 2005 included a provision for the Secretary of State to introduce a statutory levy to raise funds for the delivery of projects relating to:
- addiction to gambling
 - other forms of harm or exploitation associated with gambling
 - any of the licensing objectives.
- 3.4** Such funds would be collected by and distributed by the Gambling Commission subject to Parliamentary and Treasury consent.

- 3.5** The terms of reference for this review were to:
- estimate the funding needed for each of research, education and treatment
 - identify the most appropriate organisational arrangements (including governance and management) for:
 - distributing such funding
 - the commissioning of research, education and treatment
 - consider the merits of different methods of raising such funding (including consideration of the statutory levy provided for in the Gambling Act 2005).
- 3.6** In reaching its conclusions, the Commission has built on three propositions which are set out below.
- 3.7** Firstly, it is for the Government, not the Commission, to decide what proportion of the costs of any agreed research, education and treatment programme should be met by the licensed industry and what proportion by the taxpayer. To date, the Government has made it clear that it looks to the industry to contribute to the provision of research, education and treatment on the 'polluter pays' principle. However, the Government has also stated that the NHS will ensure that treatment is made available to anyone presenting with a gambling problem. This report has concentrated, as required by its terms of reference, on the programme needed and its likely costs; it is for subsequent decision by government what proportion, if any, should be met by public funds.
- 3.8** The Commission cannot use fee income to support research (other than in very limited circumstances), education and treatment, as there is legislative provision for a levy for this purpose; nor can the Commission use its resources or influence to enforce compliance with a voluntary system of contributions. That would amount to a backdoor levy.
- 3.9** Secondly, the Gambling Commission has a duty to advise the Secretary of State on all gambling matters. Its Commissioners were appointed to provide, amongst other things, an independent source of advice and to determine regulatory policy for example in relation to licence conditions and codes of practice. However, the Commission was initially set up and staffed on the assumption that the advice on what was needed in relation to problem gambling research, education and treatment would come, in the first instance, through the existing structures – that is, through RIGT to the Commission. In our issues paper on Problem Gambling published in March 2006, we stated that we were encouraging the voluntarily funded Responsibility in Gambling Trust to develop and maintain plans for the funding of research and education as well as the treatment of problem gamblers. If the British gambling industry failed to make adequate efforts to address these areas through the Responsibility in Gambling Trust, the paper made it clear that the Commission would consider recommending that the Government introduce a levy to fund these activities.
- 3.10** We also stated that we would work with RIGT and others to assess what was required in relation to providing information to the wider public. We explained that, given the voluntary approach described above, our role was to focus on using our licensing powers to minimise the harm from problem gambling, and that it was for RIGT to lead on research, education and treatment. We stated that the Commission would look to RIGT for a major contribution towards the achievement of our policy aims in relation to problem gambling.
- 3.11** In addition, in December 2006, the Commission's Statement of Principles stated that, while our role does not extend to the treatment or care of those with gambling problems, we have an interest in keeping up to date with developments and trends in such work, given its relevance to advising on gambling regulation and combating problem gambling. We also stated that we would liaise with RIGT and others to build and maintain knowledge about problem gambling and measures that may be taken to reduce the prevalence of problem gambling.

- 3.12** Thirdly, the research, education and treatment programme should be driven by the need to prevent problem gambling as well as by the treatment of those affected. Therefore, the education programme needs to focus on those at risk as well as on those who have developed problems with gambling.² The majority of stakeholders recognises the clear links between research and prevention and that prevention and education can contribute to a greater awareness of problems with gambling and sources of treatment. On this basis, it was recognised that an increase in preventive education programmes could increase the initial demand for treatment services, though in the longer term such programmes should contribute to a decline in those needing treatment.
- 3.13** The research and preventive education activity needs to be credible. To achieve this, these activities need to be, and be perceived to be, independent both of those who might be adversely affected by the outcome of research and education and of the funders, who in this instance are the same (the industry). There needs to be openness in the processes of determining priorities and commissioning these activities and the work should be peer reviewed to strengthen its validity.
- 3.14** The research, education and treatment programmes which are developed need to be cost effective. Experience suggests this is more likely to be achieved by moving to a model of commissioning services, ensuring that the programmes and approaches delivered are evaluated against agreed objectives and, in the case of research, not only inform the delivery of prevention and treatment programmes but also deliver outcomes usable by a range of decision makers, including regulators and government. Effective and credible programmes also require suitable input from all those with knowledge and expertise, including delivery experts and users as well as the industry, and should be built upon international best practice.

4 Assessment of current position

- 4.1** The terms of reference asked the Commission to take account both of the current arrangements and of other relevant national and international models in considering:
- the resources needed to secure research, education and treatment
 - the organisational arrangements for determining the priorities and content of the research, education and treatment programmes
 - the commissioning and management of such programmes
 - the accountability of those concerned with the commissioning and provision of such programmes.
- 4.2** Under the current arrangements, RIGT is responsible for raising funds from the industry, determining the priorities for spending and distributing this money on a programme of research, education and treatment. Since it was established in 2002, the Trust has secured voluntary funding from the industry. The Budd Report target of £3m was first achieved in the 2006/07 financial year and subsequently in 2007/08, albeit very late in the year and via additional payments by some major operators.
- 4.3** RIGT figures suggest that approximately 70% of all operators across four sectors - casino, betting, bingo, Adult Gaming Centres and Family Entertainment Centres - provided them with funding contributions in 2007/08. This calculation does not, however, include estimates of the numbers of potential contributors from other sectors, such as lotteries and machine suppliers, which are likely to be lower. In relation to contributors overall, 70% may, therefore, be a generous estimate. The percentage of operators contributing may, therefore, actually have been lower.

² The prevalence of problem gambling in the British Gambling Prevalence Survey 2007 was 0.6% (DSMIV) and 0.5% (PGSI). The survey also identified those who scored positively on the PGSI screen, but below the problem gambling threshold. 5.1% were low risk gamblers and 1.4% moderate risk gamblers.

RIGT reports that the target was reached thanks to three large high-street betting and gaming companies, which contributed sums to make up the shortfall that would otherwise have occurred from a combination of non-payment by a substantial proportion of the industry and contributions lower than the guideline amounts.

Table 1: Funding raised by RIGT

Financial year	Amount raised	Amount spent
2002/03	£765,659	£497,906
2003/04	£1,269,852	£1,092,942
2004/05	£2,281,527	£1,171,625
2005/06	£2,274,567	£1,948,663
2006/07	£3,032,689	£2,713,272
2007/08	£3,512,009	£3,687,886

4.4 In the six years since 2002/03, the Trust has also worked to identify priorities for spending for research, education and treatment. It has commissioned a number of its own reviews to determine the work programme needed:

- *Towards a Strategy for Addressing Problem Gambling in the UK: A Report to the Gambling Industry Charitable Trust (2003)*. The report's authors (Collins et al) were asked to review the evidence internationally and locally and to make recommendations about how the £3m recommended by the Budd Report could be spent to reduce the harms of problem gambling, and about the role of GICT in understanding problem gambling, delivering prevention programmes and managing the delivery of treatment services.
- A further review by KPMG in 2004. The purpose of this review was to examine RIGT's relationships, programmes and management in preparation for the implementation of the Gambling Act 2005, concentrating on the education and treatment aspects, relations with service suppliers and driving the agendas on research and education.
- Also in 2004, RIGT commissioned a review to assess available research and to identify research gaps and costs for a research programme going forward. This *Review of Research on Aspects of Problem Gambling* (the 'Auckland Review') was led by Professor Max Abbott at Auckland University of Technology. In our second consultation paper we observed that, while some progress had been made in implementing the recommendations accepted from the Auckland Review, less action had been taken on the research recommended to look directly at the gambling environment and specific gambling products.

4.5 The above reports have provided the Trust with a basis for working up its current business plan. This business plan includes five key objectives. These are to:

- develop a general public awareness and education campaign on responsible and problem gambling
- develop community awareness and education on responsible and problem gambling
- prevention of problem gambling among young people
- maintain and develop accessible, responsive and effective treatment services
- develop a programme of evaluation and research in support of the prevention and treatment of problem gambling.

4.6 In addition, in the last year RIGT has embarked on a programme of work to identify ways of improving its governance arrangements and processes for funding research, education and treatment services. The outcomes of this governance review have been discussed with the Commission and its recommendations are reflected in RIGT's responses to our consultations. Specifically, RIGT has been working on new research, prevention and treatment strategies which we have seen in draft.³

³ These strategies are now available on the RIGT website.

In particular, the work on treatment has sought to identify how services can be procured and commissioned in line with identified priorities for the amount and types of treatment required.

- 4.7** More recently, partly in response to proposals in our second consultation paper, RIGT has proposed that it splits into two bodies, one with no industry involvement to undertake commissioning and distribution of funds and the other to raise the funds and coordinate the industry's interests in the promotion of responsible gambling. Such a split would, RIGT suggested, meet the concerns, whether real or perceived, about undue industry influence in the work of commissioning and funding research, education and treatment.
- 4.8** RIGT has achieved much since it was created six years ago. Particularly notable is the increase in funding secured for treatment services, which has allowed these services to expand considerably over that period – for example, GamCare's funding increased from direct funding from the industry of £75,000 in 2002 to £2.2m from RIGT in 2007/08. Likewise Gordon House received £59,000, directly from the industry, in 2002 and £400,000 from RIGT in 2007/08. In addition, the establishment of a research partnership with the Economic and Social Research Council has been successful in providing match funding and in developing the British gambling research community by funding PhD students; and, as indicated above, RIGT has made considerable progress this year in developing its governance and commissioning arrangements.
- 4.9** However, while there are some notable successes and what has been achieved should not be understated, there have been areas in which RIGT has not been able to make the same level of progress – for example, there has been limited progress on the development of an e-library and on taking forward research into some of the more industry-specific topics recommended by the Auckland Report and originally accepted by RIGT; prevention work has been limited to the pioneering Tacade programme and the development of the Gambleaware website; and the emphasis on treatment means that the amounts committed to research and education have been squeezed. As RIGT's research panel's consultation response notes, research programmes have been constrained by the level and continuity of the funds likely to be forthcoming. In addition, the research programme has not been sufficiently focused on issues relevant to development of a national responsible gambling strategy.
- 4.10** The Commission has concluded that there are a number of issues that need to be addressed, notably in relation to:
- strategy and priority determination
 - commissioning and distribution arrangements
 - fundraising
 - the credibility of strategy and distribution.

Strategy and priority determination

- 4.11** First, there is no effective mechanism for determining the overall national strategy for responsible gambling within which the research, education and treatment programmes are important components; nor is there an effective mechanism for agreeing an approach to combating problem gambling which fully involves the industry and other stakeholders but then reflects the public interest. This means that there is a disjunction between the needs of government and its statutory advisers on gambling on the one hand and, on the other, RIGT's narrower view of what is required. RIGT, as an industry creation albeit with a majority of non-industry trustees, is not constituted to determine a national responsible gambling strategy, although, clearly, industry stakeholders and their advisers have a key role to play in helping formulate such a strategy. Equally, the Commission, as presently resourced, has not had the knowledge or expertise to challenge the lack of strategic direction or to provide the necessary strategic direction from the national viewpoint.

- 4.12** In particular, the Commission does not have the mechanism to ensure that the research needed to underpin its work is commissioned, nor can it insist that the preventive education and treatment programmes necessary to complement the licensing regime in pursuit of the third licensing objective are funded and commissioned.
- 4.13** While there are emerging strategies in the research, prevention and treatment areas, these are high-level and not sufficiently focused on the requirements of policy makers, service deliverers or other key stakeholders. The programme to date has been too reactive (in the case of research, often directed by academic priorities rather than by specific research objectives aimed at common areas of interest) and not driven by the needs of governmental or regulatory policy makers or prevention and treatment providers. For example, the Commission, funded exceptionally by DCMS, has had to take forward research in areas such as exploring the feasibility of a longitudinal study and work relating to the risks associated with high stake, high prize gaming machines, in the absence of relevant work commissioned by RIGT.
- 4.14** Going forward, there needs to be greater collaboration over determining priorities and identifying how effective social responsibility measures can be implemented either through the regulatory framework or through industry initiative.

Distribution arrangements

- 4.15** Secondly, under the current arrangements, funding is not closely tied to the delivery of particular outputs. RIGT had already identified the shortcomings in this area and through its draft commissioning strategy has identified ways of improving the way in which services are commissioned and how contracts operate. This includes an assessment of the effectiveness with which the commissioned research, education or treatment services are provided. In addition, RIGT has been under-resourced to deliver effectively as a proactive, professional fundraising body and relations between RIGT and providers have on occasion not been conducive to achieving progress. There is a clear need for commissioner and providers to develop greater mutual respect and understanding.

Fundraising

- 4.16** Thirdly, while we have already identified a lack of operational resources for the distribution function, it is also the case that resources available for RIGT to undertake its fundraising function have been stretched⁴.
- 4.17** Despite the fact that the contributions have often been late in the financial year and that some operators donate while others do not, RIGT has managed to meet its own funding targets, which in 2006/07 for the first time reflected the £3 million recommended by Budd. What has hindered the development of RIGT and of those it funds are the cash-flow problems created by the uncertainty about whether funding targets within year will be reached and about the commitment of funds beyond any current year. For example, in the 2007-08 financial year many of the research and education programmes were not expanded or new ones commissioned because of lack of certainty that the funding targets would be met.
- 4.18** This lack of reliable, longer-term financial commitments from the industry has prevented RIGT from building up its capacity to deliver programmes and to plan in the medium to long term and also made business planning very difficult for service providers. The Commission's efforts to secure agreement to proposals for an improved voluntary system, rather than recommend the introduction of a levy, have been predicated on the industry being able to make and deliver a tangible public commitment to funding in this area which can be sustained for a rolling three year period.

⁴ In our second consultation document, we included RIGT's estimate that it spends approximately 3% of the amounts it raises on fundraising.

Credibility of strategy and distribution

- 4.19** Fourthly, there is a perception that the current arrangements are not sufficiently independent of industry and providers.
- 4.20** The suggestion in the second consultation document that existing arrangements are perceived by some to lack independence was firmly rejected by many in the industry and by those serving on RIGT's expert panels. We recognise the integrity and independence of RIGT's research panel, which has a distinguished chair and no industry representation on it. Nonetheless, as set out in our second consultation document, there is a perception that the work undertaken by the Trust cannot be completely without industry influence. There are specific research institutes which would not at present be prepared to accept research funding from the Trust as a result of the perceived level of industry involvement in the Trust's priority setting and distribution functions. The lack of a strategic framework and priorities determined independently of the industry and service providers leaves the research and treatment panels largely reactive and at risk of bias by omission. The voluntary nature of donations adds to the perception that, were the Trust to propose research or prevention work which was unpalatable to parts or all of the industry, funding would be withdrawn. The fact that little research has been undertaken in relation to specific gambling products or the operators' relationships with customers and problem gamblers (despite the Auckland Review identifying research gaps in this area) has exacerbated this perception.
- 4.21** While the issue of independence has proved controversial, it is essential that any new structures that are put in place are not susceptible to allegations that the commissioning and distribution of funds could be unduly influenced by the industry or the providers. It is also important that there is an appropriate level of input by both the industry and service providers into the formulation and implementation of strategy. Likewise, those determining the strategy, and those commissioning and distributing the funds, must be accountable for the quality of what they do to those providing funds (that is, the industry) and to other stakeholders.

5 Improved voluntary arrangements

- 5.1** This section discusses the responses to the proposals in the second consultation document for restructuring the current voluntary arrangements. It then describes the preferred option of improved voluntary arrangements, which has been developed taking into account the consultation responses and subsequent dialogue with RIGT and the industry.

Consultation responses

- 5.2** The second consultation paper set out the Commission's view that the framework within which RIGT has been working was neither sufficiently strategic nor focused on how best to combat problem gambling and ensure responsible gambling. The responses to the consultation demonstrated widespread support in principle for the central proposition in the consultation paper that, to remedy this, the three functions of strategy development, managing and distributing funds and fundraising should be separated. There was also considerable support for the concept of a Strategy Board (just over half of respondents). There were, however, concerns about:
- the status, reporting lines and independence of the Strategy Board and the transparency of its deliberations and conclusions
 - the need to ensure appropriate industry input on the Board (the argument that there should be 'no taxation without representation')
 - the costs of the new structures (the industry's money spent on administration rather than projects)

- the need for robust links between the Strategy Board and the body distributing the funds (the Distributor)
- the need to build on what RIGT has achieved so far
- the suggestion that one approach to funding research might be to promote the establishment of a research institute
- ensuring that appropriate and sustainable levels of voluntary funding are made available in the future
- continuity of funding for existing providers during any transition period, linked to a quicker timetable for change
- the identification of the National Lottery Commission as a key stakeholder.

These issues are addressed below.

- 5.3** A third of respondents felt that the Strategy Board should report direct to Ministers. However, from the Commission's perspective, the provision by the Strategy Board of more focused, independent and timely advice on the strategy and priorities for research, education and treatment is directly linked to the Commission's own general responsibility to provide independent advice the Secretary of State on all aspects of gambling. This includes the requirement to advise on the effects of gambling, the requirement in the 2005 Act 'to protect children and other vulnerable people from being harmed or exploited by gambling', and the Commission's need for a firm evidence base on which to base its regulatory decisions, for example about appropriate licence conditions.
- 5.4** In this context, the proposal in the second consultation document for an independent Strategy Board to provide the expert and authoritative advice which is currently lacking remains a priority for the Gambling Commission, as well as for DCMS, which looks to the Commission for advice. This is regardless of the structures put in place for distribution of funding and whether or not a levy were introduced. Arguably, strategic advice of the kind needed could be provided by building up additional expertise within the Commission. The Commission's preference for setting up a Strategy Board is based on the benefits and credibility to be gained from greater accountability, independence and transparency. An advisory Strategy Board could be set up unilaterally by the Commission or in collaboration with the industry and other stakeholders; we consider that the latter collaborative option, if it can be achieved without delay, has clear advantages.
- 5.5** The Strategy Board would act independently and include those knowledgeable about the industry and service provision, as well as independent experts. The Board's advice would be transparent, made available to all interested parties and published.
- 5.6** We consider that the costs of setting up and servicing the Strategy Board should be met from licence fee income, as its work in advising the Commission and the Government would underpin the Commission's statutory role. To avoid any duplication of resources, the plan would be to 'merge' the executive support for the Strategy Board and the Distributor by September 2009. Both bodies would draw on the same expert panel(s) and expertise. The Commission would continue to make a financial contribution to support the merged executive. Although there would be a firm commitment to keep running costs across the tripartite structure tightly controlled, our view is that RIGT's operations have not been adequately or appropriately resourced and that this would need to be remedied both in the new Distributor and the new fundraising body (the Social Responsibility Council).
- 5.7** Whilst we remain of the view that the Strategy Board and the Distributor should be functionally separate and independent, they would need to work closely together to ensure that the agreed strategy and priorities determined by the Board and the associated funding requirement can be translated into effective programme development and delivery. Ensuring that some Board members are common to both organisations and that executive support is shared would help to build a strong relationship between strategy and delivery, avoid duplication and ensure that administrative costs are kept at a reasonable level.

- 5.8** In terms of distribution of funding, some respondents expressed strong views that current arrangements should be retained, albeit made more effective; and, amongst those who endorsed restructuring, there was a wide variety of views on how it should be carried out and, in particular, on whether and how RIGT should be 'reformed' or replaced as the distributor and fundraiser. Two thirds of respondents, however, accepted the need for a separate Distributor. In July 2008, the Board of RIGT considered the Commission's consultation paper, accepted the case for separating the functions of distribution and fundraising, and agreed in principle that two new bodies should be put in place.
- 5.9** The arrangements now proposed for transition to the new structure would ensure that, in creating the new Distributor and the Social Responsibility Council, full account is taken of what has gone before. The second consultation paper set out two main options for distributing and managing funding – building on RIGT to create a new Distributor, independent of the industry or contracting with an existing organisation with the necessary skills and expertise, such as the Big Lottery Fund. The preference was to avoid reinventing the wheel and to ensure continuity and a smooth transition by taking advantage of RIGT's knowledge and experience as the basis for putting in place a new Distributor, as agreed by the Commission in consultation with other key stakeholders. Those arguments still carry weight, and responses to the consultation revealed little support for the option of contracting with an existing organisation.
- 5.10** The consultation paper floated the option of promoting the establishment of a national research institute through which necessary research could be commissioned. This suggestion was not welcomed, on the grounds that the 'market' would be restricted and researchers with a track record unfairly excluded. Nonetheless, this approach has been adopted elsewhere – for example, the Office of the Third Sector's promotion and funding of the Centre for Third Sector Research, where a competitive bidding process, involving partnerships between different research units, was adopted. This is an option that the Strategy Board may wish to consider.
- 5.11** On funding provision, although a number of respondents argued that more should be done by the Commission to ensure that the whole industry makes appropriate financial contributions, there was very little enthusiasm for the mechanism in the Act designed specifically to achieve this – that is, a levy, whether covering the whole or part of the funding needs. There was, however, a good deal of support for a single-purpose fundraising body, for which the industry would take responsibility, to secure a more reliable and sustainable flow of funds. This would be the key role of the Social Responsibility Council proposed by RIGT.
- 5.12** There was considerable concern in the industry that the remit of the Strategy Board to recommend increases to the agreed three year programme costs represented an open ended commitment. The proposed mechanism for determining the funding quantum on a three year rolling basis would address this through an annual review of the funding requirement recommended by the Strategy Board for the next three years, involving the Commission, DCMS and the Social Responsibility Council, which would take into account the needs for research, education and treatment identified by the Strategy Board and the ability of the industry to pay.
- 5.13** In practice, we would not expect this to lead, in normal circumstances, to a reduction in the funding amounts originally agreed, although this must remain a theoretical possibility (in the event, for example, of an exceptionally severe recession in the industry and in any case more in relation to the third year's funding, which would be initially settled at each annual review). The Distributor and its funding recipients need a high degree of certainty in order to plan and to let three year contracts. On the other side of the coin, any significant upward shifts in the funding amounts would only arise as a result of additional requirements identified by the Strategy Board, subject to agreement by DCMS, the Commission and the Social Responsibility Council (in consultation with the industry). In those circumstances, ability to pay would be one element in the discussion.

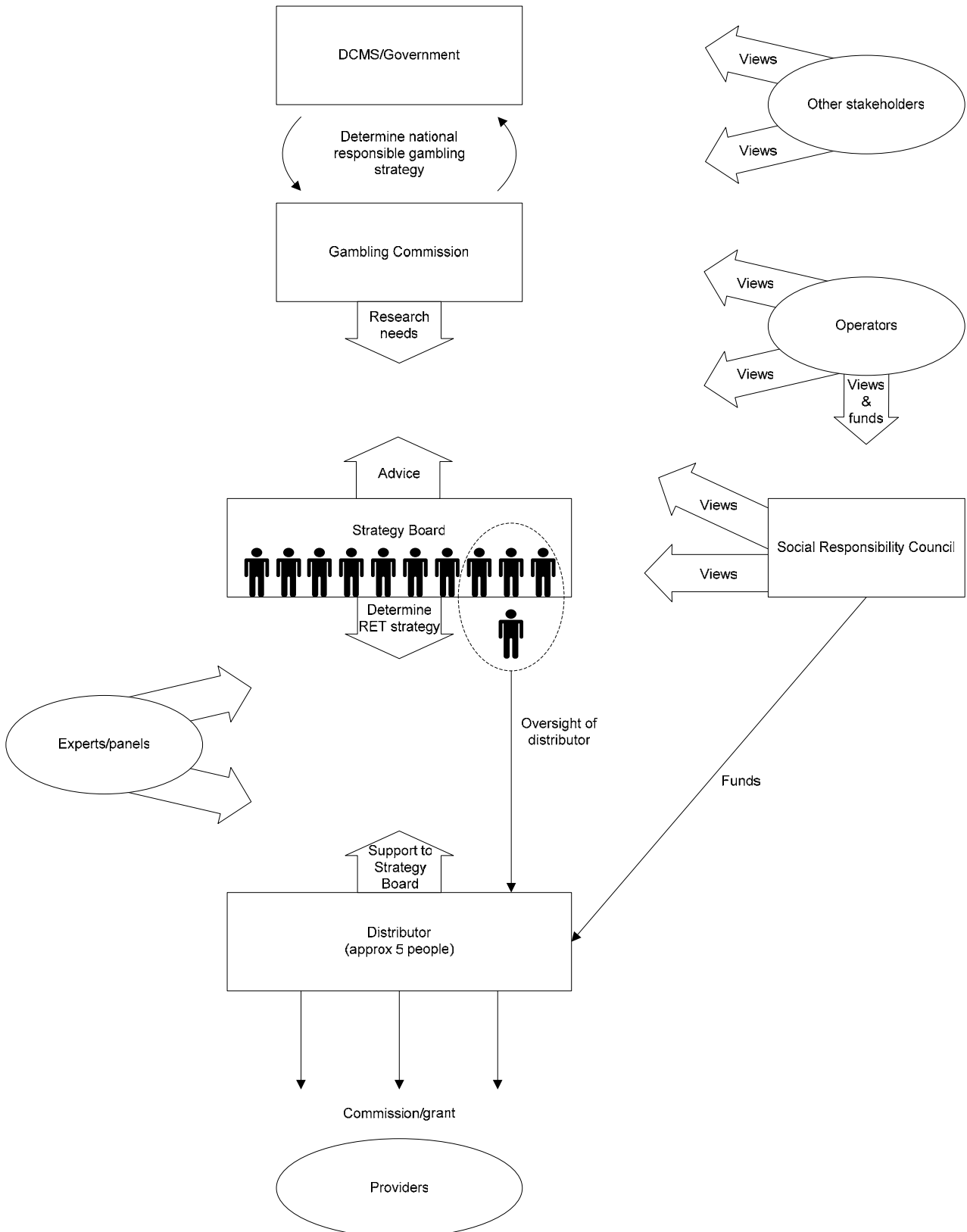
- 5.14** There was some concern amongst respondents that the uncertainties of transition might have a negative financial effect on the ability of current providers to deliver services and that, if the structure is changed, it should be done as quickly as possible. Subject to approval of business plans, RIGT has undertaken to confirm funding for GamCare's and Gordon Moody Association's programmes of work in 2009. This would also give the new Distributor a breathing space to develop its funding arrangements and allow the Strategy Board time to reach conclusions on the priorities and future funding requirements. The revised timetable envisages that all three bodies in the proposed tripartite structure will be up and running by April 2009.
- 5.15** In the consultation responses, there was also some concern that the National Lottery Commission (NLC) was identified as a 'key stakeholder' in the determination of new arrangements. This concern appears to have arisen from a misperception that the NLC makes no contribution to combating problem gambling. In fact, the NLC's licensing role includes a requirement to minimise harm to players and its research, monitoring and evaluation activities, funded out of National Lottery proceeds, support a full consideration of the risks involved in different types of Lottery games and how they are 'marketed'.

Structure of improved voluntary arrangements

- 5.16** Taking into account the consultation responses, we conclude, as we provisionally indicated in the second consultation paper, that the current arrangements, where RIGT carries out the three functions of developing and determining strategy and high-level priorities, managing and distributing funding, and fundraising, need to be restructured to achieve the following objectives:
- Separation of the three functions.
 - An effective framework for the development and determination of a responsible gambling strategy and associated priorities for research, education and treatment.
 - Improved distribution arrangements that will deliver cost-effective and evaluated programmes based on the agreed strategy.
 - Sustainable, three year rolling funding from the industry.
- 5.17** With these objectives in mind, since the issue of the second consultation document, the Commission has been discussing with a range of stakeholders how new arrangements might best be put in place on a voluntary basis and with wide stakeholder support and involvement. From these discussions has emerged a draft Memorandum of Understanding (MOU), to which, it is proposed, the Gambling Commission, DCMS, the Department of Health, the Scottish Government, the Welsh Assembly Government, the National Lottery Commission and RIGT would be signatories. The industry and service providers such as GamCare have also been involved in these discussions. Under these proposals, once a new fundraising body (the Social Responsibility Council) is set up by the industry and a new Distributor is created, both bodies would become key stakeholders and signatories to the MOU in place of RIGT.
- 5.18** In summary, the Memorandum sets out a proposed agreement to develop improved voluntary arrangements, which would separate the functions of strategy making, distribution of funding and fundraising, underpinned by demonstrable funding commitments from the industry on a rolling three-year basis. It describes the transitional arrangements and provides a timetable for implementation.
- 5.19** The Memorandum provides for the creation of an independent, authoritative and expert Strategy Board, which would advise the Commission and, through the Commission, DCMS on responsible gambling and would make recommendations to the Distributor after wide consultation with stakeholders, on the strategy and priorities for research, education and treatment in relation to combating problem gambling. The Strategy Board would be expected to take full account of the Gambling Commission's research needs in its considerations. The recommended priorities and programme would be delivered by a new Distributor, independent of the industry and set up by DCMS, the Commission and RIGT, which would build on RIGT and what it has achieved.

Finally, RIGT would re-form itself as the Social Responsibility Council to raise funding from the industry at agreed levels, and to pass that funding to the Distributor to implement the recommended priorities. The Council would also have a role in promoting the industry's interest in responsible gambling.

5.20 A fuller description of the improved voluntary arrangements is set out at Appendix A. The proposed tripartite structure and the relationships between the various elements are illustrated in the diagram below.



- 5.21** It should be noted that the creation of a Strategy Board, which would provide the strategic focus lacking in the current arrangements, is essentially a matter for the Commission and, although the Commission would prefer to proceed collaboratively, it can be taken forward irrespective of future arrangements for distribution and fundraising, with or without the cooperation of other stakeholders. It is an expert rather than a representative body, though clearly it will need to seek input and views from stakeholders. The other two building blocks in the tripartite structure, the new Distributor and the Social Responsibility Council, underpinned by the industry's funding commitment, can only be developed, if voluntary arrangements are to be retained, through collective discussion and agreement between the Commission and the key stakeholders.
- 5.22** RIGT's business plan sets out funding targets for the three years from 2009/10. These have been used as a basis for the three year funding commitment by the industry set out in the MOU. We recognise, however, that funding amounts would need to be subject to agreement with the industry, not least in the light of concerns about the impact of current problems in the financial markets and the economy. One approach might be to agree 'baseline' amounts over three years, which would be subject to demonstrable industry commitments, with additional funding requirements being addressed through fundraising undertaken by the Social Responsibility Council.

Collection of funds through improved voluntary arrangements

- 5.23** Under a system of improved voluntary arrangements, the Social Responsibility Council would be responsible for determining how much individual operators would contribute. The existing RIGT funding formula would be a starting point. The Commission could also work with the Council to share information which would help in the determination of the size of the industry.
- 5.24** In adopting an improved voluntary arrangement, it would have to be recognised that in practice not all of the industry would contribute or, even if they did, at the appropriate level. While the agreed amounts of funding would need to be raised in a timely manner, the Social Responsibility Council could choose, with their agreement, to raise that funding from a number of larger companies (which would by their nature cover a large proportion of the industry by turnover) and thus to not incur the additional costs of raising funds from a large number of smaller operators (covering only a small proportion of the industry share). It will be for the Social Responsibility Council and its stakeholders to determine to what extent the Council is prepared to incur fundraising costs to obtain funds from these smaller operators.
- 5.25** Throughout the review process, the Commission has made it clear that it cannot use its Licence Conditions and Codes of Practice to enforce a voluntary system. The Act provides an enforcement power in this respect and that is a levy. To require compliance with a voluntary system (either the existing or an improved system) would amount to a 'levy by the back door'.

6 The levy option

- 6.1** The Commission was asked to consider the merits of different methods of raising the funds necessary for research, education and treatment and, in particular, to consider the comparative merits of the current voluntary system and a statutory levy. As indicated above, the current system does not provide a flow of funding that is sufficiently reliable for either RIGT or service providers to plan effectively. A key purpose of the proposed improvements to the voluntary arrangements was to address this problem. Currently, however, the industry and RIGT have not been able to assure the Commission and DCMS that robust funding commitments are firmly in place to provide the sums in RIGT's business plan for the three years beginning in 2009/10. If these commitments are not forthcoming, the only other option would be a statutory levy.

Operation of a levy

- 6.2** As part of the review, the Commission has examined different models for how a levy might operate. The Act specifies that the levy would be paid by licence holders to the Commission. We are confident that, if required, a levy could be readily collected via our existing annual fees collection mechanisms. This approach would ensure consistency of funding, since any levy introduced by way of regulations under the Act would be treated in the same manner as Gambling Commission annual fees and, importantly, failure to pay could result in revocation of the operating licence. Introduction of a levy would require regulations to be passed by Parliament, and would require approval by the Treasury. There would of course be some additional costs for the Commission in introducing and administering the levy, which would ultimately be passed on to the industry. These costs, and the more than offsetting reduction in fundraising costs, are considered in section 7 and the impact assessment at Appendix B.
- 6.3** The current RIGT arrangements allow for operators to make their donation in arrears for the year ending 31 March. A compulsory levy would need to follow the same arrangements as the Commission's fees. This means that payments would need to be made in full and in advance. We would need, however, to put in place sensible arrangements to smooth the transition from a voluntary system to a levy in 2009/10, before payments in full and in advance were introduced in April 2010. Under these transitional arrangements, our suggestion is that levy payments in 2009/10 could be split into two equal tranches, payable in April 2009 and January 2010, thus spreading the burden. The amounts payable by individual operators in April would take into account the voluntary funding contributions made by them in the current financial year, providing operators with no incentive to defer making such contributions.
- 6.4** The Act enables a levy to be calculated using a range of options – including as a percentage of an operator's receipts, an operator's profits, the Commission's annual fee or by means of another formula or method. This means that regulations could be made to mirror the current voluntary arrangements so far as possible, whereby the guidelines are that operators pay a set percentage of Gross Gambling Yield (GGY)⁵ or a set amount per machine. The current RIGT funding formula is set out below.

RIGT funding formula for 2008/09

0.07% of Gross Gambling Yield for casino, bookmakers, bingo and remote operators
0.7% of AMLD ⁶ for Family Entertainment Centres and Adult Gaming Centres
70p per average gaming machine sited for gaming machine suppliers
0.07% of all gambling sales revenue for other operators such as software suppliers
Minimum contribution of £50 if contribution would otherwise be lower.

- 6.5** However, if the Commission were to implement a levy, it would be administratively complex to calculate the levy for each individual operator, based on their GGY or the number of machines they hold. In some sectors, the Commission does not yet collect information about Gross Gambling Yield on an individual basis; to do so would create a new burden for operators on top of the information currently collected for fees purposes. Furthermore, where the Commission does collect information on GGY as part of the Regulatory Return, the information is retrospective and any levy based on this information would be out of date and out of kilter with information used to calculate annual fees.

⁵ The money gambled minus any winnings paid.

⁶ Amusement Machine Licence Duty

- 6.6** A simpler system would be one where the levy is based as on percentage of the Gambling Commission annual fee. These fees have been calculated to share the cost of regulating the industry across the various sectors and operators in as fair a manner as possible. By calculating the levy as a percentage of this fee, we could also ensure that the burden of a levy is shared proportionately across sectors and sizes of operator, and stakeholders would be able to consider the total cost of their fees and levy amounts in their fee consultation responses and budget calculations.
- 6.7** The Commission favours a calculation based on a mixed approach, with levy contributions based on flat rate payments from the smallest operators and on a fixed percentage of Gambling Commission fees from larger operators. This is the preferred approach because the evidence of the current system is that it is the smaller operators that are least likely to donate. A fixed fee at a standard rate for such operators would:
- Avoid being linked to a fee that includes the work levels necessary for entrants to the industry.
 - Be a consistent and fair burden for Small to Medium Enterprises across all sectors.
 - Be certain and easily collectable.
 - Reduce the administrative burden and costs of collection.
- 6.8** For larger operators, the relationship with the Commission fee levels provides an effective framework for staged fees which is easily calculated and certain for operators and administratively convenient and cost effective for the Commission. They would also continue to provide a publicly available benchmark for any donations by operators from white listed jurisdictions.
- 6.9** In section 7 of this report and the Impact Assessment at Appendix B, we set out the costs for collecting a levy. What this shows is that, even with a levy collection at a separate time to the annual fee collection, the costs would be considerably cheaper than both the current fundraising and improved voluntary approaches.
- 6.10** The introduction of a levy with a collection year of April to March would allow the Commission to balance its collection activity across the year, given the peak collection of annual fees in August/September, using its systems and other resources more effectively. If the Commission's planned IT improvements take effect by March, the introduction of a compulsory levy would be at the lower range of the costs previously specified. An estimated £50,000 should be included in the estimated setup costs to cover additional costs of establishing the regime and collection in the interim period.

Hybrid levy

- 6.11** In our second consultation paper, we also put forward the idea of a hybrid levy approach. In this approach a standard amount would be raised by the Commission through a levy to provide a minimum guaranteed amount of funding and would ensure that all licensed operators contributed something. This could be to raise money for all areas of research, education and treatment or alternatively to raise money for just one area, for example, research. The remaining funds required would then be raised on a voluntary basis by the industry, essentially through voluntary additional contributions from the larger operators. One of the key advantages of this approach would be that the Commission would, through its existing fee collection mechanism, be able relatively cheaply to obtain funding from the whole industry. In a purely voluntary system, the cost of collecting from the entire industry, including large number of small operators, could be onerous and prove not to be cost effective.
- 6.12** There was, however, an overwhelming rejection of this proposal by respondents to the second consultation. Subsequent discussion suggested that the option had not been fully understood - for example, some thought that larger operators would not be subject to a levy under this option.

Of course, even with a full-scale levy there would be scope for fundraising from non-licensees who benefit from gambling services and for licensees to demonstrate further corporate social responsibility by topping up the required amount – as some of the larger operators have done to date. However, given the lack of appetite for such an approach, the Commission does not recommend it at this point, although it remains an option for the industry to return to should the proposed Social Responsibility Council find that fundraising from the very many smaller operators is not cost-effective.

7 Level of funding required

- 7.1 The Commission was asked to estimate the funding needed for research, education and treatment. This included taking account of the current arrangements and other relevant national and international models to consider the resources required to secure :
- research needed in relation to all three licensing objectives but paying particular attention to the requirements in relation to reducing the risk of problem gambling.
 - education of the public in how to minimise their risk of problem gambling.
 - treatment of problem gamblers, assuming, for this purpose, that such facilities are financed directly or indirectly by the industry.

- 7.2 The outcome of our analysis of the amounts of funding required for research, education and treatment is set out below. Our main recommendation in area is that, while this analysis and the work undertaken so far by RIGT provide a useful starting point, the proposed new Strategy Board should be tasked with reviewing these estimates. The Strategy Board would need to provide its initial recommendations on a programme of research, education and treatment by September 2009, so that the Commission, DCMS and the Social Responsibility Council (on behalf of the industry) can reach agreement by November 2009 on the funding required for the proposed programme over the three years from 2010/11.

- 7.3 We asked stakeholders what research, education and treatment activities should be funded. In our second consultation document, we included estimates for the amounts needed based on two separate approaches. The first approach identified the activities that should be funded and provided a cost estimate based on the likely cost of these activities. We have now reviewed these initial estimates and, taking into account the views received in the consultation exercise, have provided a revised list of items to be funded below. The second approach provided an estimate based on our analysis of international comparisons and comparisons with other analogous fields, in relation to the amounts spent on research, education and treatment.

Estimate based on comparisons

- 7.4 Taking the comparative approach first, we concluded, albeit with some reservations and qualifications, that the current level of spend (£9.37 per adult problem gambler)⁷, compares unfavourably with other jurisdictions and other British addiction services. For example, the figures in gambling jurisdictions which are often compared to Britain (such as Australia, Canada and the USA) are significantly higher, ranging from £35 to more than £150 per problem gambler. The equivalent figures for alcohol and drug misuse in Britain are £200 and £1,200 respectively per person needing treatment.
- 7.5 This finding supports the widely held view that over time we should aim to increase the amount of money raised in Britain to support research, education and treatment in relation to problem gambling.

⁷ This is based on £2,660,000 spent by RIGT on adult problem gambling treatment, for an estimated 284,000 problem gamblers (0.6%) according to DSMIV (BGPS 2007).

7.6 International evidence also provides some useful pointers in terms of how the proportions of funding should be allocated to each area. For example, treatment dominates budgets in Britain and other jurisdictions, normally being in excess of 50% of the total and sometimes significantly higher. Research usually takes up a smaller proportion of the budget, normally around 10%. Education is much more difficult to quantify, with international jurisdictions ranging between 15% and 20%. Running costs are often around 10%, which is not out of kilter with good funding practice.

7.7 We have taken on board the views of many respondents that a simple estimation of costs on a comparative basis is not a useful starting point for estimating overall costs. The Commission nonetheless considers that these comparisons usefully demonstrate that the current level of spend in Britain on gambling research, education and treatment is low by international standards.

Estimates based on RIGT business plan

7.8 Before commenting on what should be funded, it is worth setting out what is planned under the current arrangements. The RIGT business plan for 2007/11 puts forward a funding target for the current financial year 2008/09 of £4.75m. This is an increase on the 2007/08 target (£3.5m). In addition, RIGT has identified funding targets of £5.4m in 2009/10, £6.3m in 2010/11 and £7.2m in 2011/12. These amounts are set out in table 2 below. While there is a proposed increase in the overall amounts raised, the proportions of those to be spent on each area remains stable over the three years at approximately 15% for research, between 16% and 19% on education (prevention) activity, approximately 60% on treatment and 9% on running costs. This represents a shift from the distribution of funds in 2007/08, where the proportions spent on research (7%) and education (9%) are significantly lower, with the remaining amount (minus administrative costs) being spent on treatment.

Table 2: Funding amounts from RIGT business plan for 2007/11

Area	2009/10	2010/11	2010/12
Research	£850,000	£900,000	£950,000
Education	£1,000,000	£1,200,000	£1,400,000
Treatment	£3,102,000	£3,648,000	£4,225,000
Administrative costs (including 3% fundraising)	£475,000	£570,000	£600,000
Total	£5,427,000	£6,318,000	£7,175,000

7.9 In our analysis in the second consultation document of the funding needed based on the proposed activities to be funded, we drew broadly similar conclusions to RIGT in terms of the proportions of funding to be allocated. We concluded that the amounts for treatment should be increased, but that, even with a simple doubling of the funding needed, this should remain around 60% of the overall budget. The proportion we proposed for research was at the higher end at 18%, although this reflected the inclusion of the cost of a longitudinal study. We therefore proposed that 12% be spent on preventive education activity and 10% on running costs.

7.10 It was pointed out by a number of respondents that there should be economies of scale in providing a higher level of treatment; the costs should not therefore double if the target of doubling the numbers receiving treatment were achieved. There could also be savings from moving to less intensive forms of treatment for some. On the other hand, it was agreed that effective education programmes could lead to a greater take-up of treatment, at least in the early years before prevention measures had had a chance to take effect. It was also crucial to make provision for the proper evaluation of education and treatment programmes. Considerable concern was expressed about the risk that academics and educators could produce an inexhaustible list of desirable projects. Our revised costings take account of these points and further analysis of what is needed (based on analysis of respondents' views and RIGT's business plans) is set out below.

It would however, be an early priority for the proposed Strategy Board to consider the content and balance of the programme across the three areas.

- 7.11** The other key consideration is how soon the research and education programmes could be effectively increased. This could not be done immediately. Given that the proposals for fundraising by the Social Responsibility Council currently include an increase in funding over a three year period, it would be sensible to assume that the increases in funding and programmes of activity in both research and preventive education will be scaled up over that period once priorities are better formulated and the resources in place for delivery, including research capacity, are increased. Scaling up existing treatment provision will be somewhat easier.
- 7.12** Our revised suggestions about the amounts needed for research, education and treatment programmes are set out below. We also consider the amounts needed to administer the improved voluntary arrangements.

Research

- 7.13** Three fifths of respondents did not agree with the research programme we included in our second consultation paper and two thirds did not agree with the financial amounts we attributed to this programme. The main reason for disagreement was the view that more needs to be done to establish what research is actually needed. There was a view that this needs to be measured against the overall objectives of the research, education and treatment programme and not just driven by the academic community's interests. Respondents agreed with our proposition that research needs to be useful and accessible to those with decision-making responsibilities including both policy makers and those delivering prevention and treatment services.
- 7.14** We had proposed that an academic review, similar to the Auckland Review, should be undertaken to provide an updated analysis of the areas where research is needed. We estimated that up to £100,000 would be required for this. However, respondents expressed concern that this estimate was too high. The RIGT research panel has been keen to stress that the Auckland Review, while it provided a useful guide, was not a definitive programme of research topics, although the panel believes that an updated review of research gaps would be valuable.
- 7.15** The Strategy Board would need to commission a number of focused reviews on particular policy questions to establish what further research is needed, given what has already been done here and abroad, to make sure that any further research is properly focused on questions that the government and industry need answering and to be able to provide answers relevant to the way that the industry is regulated. We therefore recommend that provision be made to enable the Strategy Board to commission such reviews, but accept that another all-encompassing Auckland type review is not the way forward.
- 7.16** We also concluded that work would be required to identify whether a longitudinal study should go ahead. We estimated that this would require a set-up cost of £250,000 and an annual running cost of £600,000 for a minimum of 3 years. While there was majority agreement from respondents about the merits of a study, this view was not shared by most industry respondents. Those with doubts about the merits stressed the need to do more to establish the business case for the large sums of funding that such a study would require. In addition, three quarters of respondents argued that any costs for a longitudinal study would need to be additional to research resources already identified. Some of those objecting did so on the grounds that this sort of fundamental but necessary research should be paid for by government. We therefore recommend that the Strategy Board prioritises work on the business case, feasibility and costs for the development of a longitudinal study and works to establish whether research funding should be allocated to a study of this type. The costs in table 3 below therefore show the amounts needed either if funding is required from the industry for a longitudinal study or if it is not.

7.17 We also identified that research funding should be allocated to establish evaluation of new approaches to both preventive education and forms of treatment. In our consultation, we suggested that £250,000 should be set aside for this in the first year. However, we did not make any estimates for the amounts needed for evaluation of ongoing education and treatment activity to be included within the annual research budgets. The RIGT research panel has helpfully suggested that, where evaluation is directly relevant to the monitoring of delivery of prevention and treatment programmes, these costs should be absorbed within the education and treatment budgets for these activities and be an integral part of those contracts. However, money should also be allocated within the research budget for independent evaluation. We therefore recommend that the Strategy Board gives consideration to how much is required for both initial and ongoing evaluation of its other programmes.

7.18 What is clear is that the main research programme should aim to address the following three needs. We would expect that a greater proportion of funds would be allocated to the first area, the second largest amount to the second and a smaller amount to the third:

- Problem solving research which responds to the needs to deliver effective education and treatment programmes and effective regulation to minimise the risks from problem gambling (either new research or efforts to understand existing research).
- Information collection so that gambling behaviours are fully understood (a longitudinal survey would fall into this category).
- Research capacity development (through researcher grants and the PHD support programme) and international collaboration.

7.19 In terms of the amounts needed to implement the overall research programme, we concluded that the existing amount of approximately £500,000 spent on research by RIGT (with an additional £400,000 of match-funding being provided from the Economic and Social Research Council) should be maintained and increased over time if the Strategy Board's analysis of research needs suggests this is necessary. Current RIGT funding targets do not include the match funding. In the event that match-funding were not available in future, it would be for the Strategy Board to determine to what extent the additional £400,000 was required from the industry, as some of the research may not be a priority for stakeholders.

7.20 The table below demonstrates the amounts that would be needed and identifies the costs for the industry based on whether or not a longitudinal study is to be undertaken. The table does not include any additional amounts to be raised through Funding Council partnerships.

Table 3: Estimates for initial and longer term programme for research

	2009/10	Longer term target
Exercise to determine research priorities	£50,000	
Research programme including: <ul style="list-style-type: none"> • Problem solving research • Data collection • Capacity building 	£550,000	£700,000
Evaluation of treatment and education programmes	£250,000	£250,000
Total required from industry (excluding longitudinal costs)	£850,000	£950,000
Longitudinal costs	£250,000	£600,000
Proposed total (including longitudinal)	£1,100,000	£1,550,000

Recommended areas of focus for Strategy Board:

- Develop research strategy which covers the above objectives, in collaboration with other stakeholders responsible for research in this area.
- Undertake a focused research gap analysis.
- Develop a business case, feasibility and costs for a longitudinal study and determine whether it should be progressed in the light of other priorities.
- Identify a programme of evaluation of proposed preventive education programmes.

Education

- 7.21** Two thirds of respondents agreed with the preventive education priorities we identified in our second consultation document. The remaining third did not feel able to say whether they agreed or disagreed. However, only one third agreed with the amounts we estimated for that programme of activity. Many thought our estimate of £1,050,000 was too low and that there should be an aim to increase the amounts spent on preventive education over time. The rationale behind this is that more spent on prevention activities over time will reduce the amount needed for treatment. The case for increased spend on preventive education would of course need to be demonstrated as part of the education evaluation programme.
- 7.22** Respondents agreed with our recommendation that increases in preventive education spending should be cautious and based on evidence of the effectiveness of different approaches. Increases would be required to bring the spend more in line with the types of programme and proportion of spend delivered in comparative jurisdictions. The amount required should be flexible to allow for changes in the amount required for different programmes over time.
- 7.23** In our consultation document, we identified two key aims of preventive education. These are to:
- i) prevent, or reduce the likelihood of, those groups at risk and potentially at risk from developing gambling problems, by ensuring all gamblers have information to make informed choices
 - ii) provide signposting for those who have already developed a problem.
- 7.24** In relation to the first aim, we proposed that targeted programmes with children and young people should continue. We proposed that £500,000 should be provided to develop the existing programme undertaken at present. We also stated that £50,000 be made available for a web-based information resource, such as gambleaware.co.uk. However, this could be for activity which the Social Responsibility Council chooses to undertake itself and therefore would not in this case need to provide the Distributor with funds. The Strategy Board would need to develop costs estimates for these activities.
- 7.25** In relation to the second aim, we identified that money should be allocated for the provision of a national telephone helpline, but were unable to provide an accurate estimate of costs. Resolving this is likely to be an area which the Strategy Board would want to prioritise.
- 7.26** We were more speculative regarding the amount of funding needed for new additional areas of preventive education. We did, however, conclude that activity was needed to deliver a programme of awareness-raising among front-line professionals (such as GPs and debt counsellors) to help improve signposting to treatment and ensure these professionals form an important part of the 'care pathway'. We initially concluded that £500,000 is needed to undertake work in this area⁸.

⁸ RIGT and GamCare are both trialling approaches in this area.

7.27 Therefore, determining the costs required for preventive education activity would need to be a particular focus of the Strategy Board. RIGT's business plan proposes an increase from £1,000,000 in 2009/10 to £1,400,000 in 2011/12. Given that respondents thought that our longer term estimates were low and that we and respondents agreed that the preventive education programme should be increased over time, we would support RIGT's proposed increase to at least £1,400,000. Table 4 below sets out estimates for an initial and longer term programme for preventive education.

Table 4: Estimates for initial and longer term programme for preventive education

	2009/10	Longer term target
Prevention programme with children and young people	£500,000	£500,000
Gambleaware ⁹	£50,000	£50,000
Telephone line	Tbc	Tbc
Awareness raising among front-line professionals	£500,000	£500,000
Additional piloted and evaluated preventive education activities		£350,000
Proposed total (minimum)	£1,050,000	£1,400,000

Recommended areas of focus for Strategy Board:

- Consider how preventive education programmes can best be piloted and evaluated.
- Identify what is required in relation to a national phone-line.

Treatment

7.28 In our second consultation document, we recommended that, given the very small proportion of problem gamblers currently accessing treatment, there should be targets to increase this proportion. We proposed, on the basis of RIGT's business plan, that the current proportion of 0.5% should at the very least be increased to 1%. The ability to achieve this target is of course dependent on the success of the signposting activities (the preventive education programme) outlined above. Our approach to estimating costs was basic and suggested that a doubling of funding for treatment would be required to meet this target. We therefore proposed that the current level of approximately £2,500,000 should be doubled to £5,000,000.

7.29 Three quarters of respondents stated that we had identified the correct needs and priorities for treatment. As well as recommending a proposed increase in the proportion of problem gamblers receiving treatment, we suggested that funds should be made available for a range of innovative approaches, such as the National Problem Gambling Clinic. However, only a third of respondents agreed with our cost estimates. Many respondents felt that a target of doubling the proportion of problem gamblers accessing treatment was too low. Conversely, many thought that this target would provide a realistic starting point. The main criticism of our cost estimate was that a simple doubling of costs would not be required to double the number of problem gamblers receiving treatment. Cost efficiencies and synergies would be achieved by scaling up service delivery. There was likely to be a greater emphasis on less intensive forms of treatment. Many respondents recommended that while take-up targets should be increased at realistic intervals, the success and cost efficiency of services should also be evaluated.

⁹ Responsibility for managing gambleaware could move to the Social Responsibility Council. In that case, the funds for this work would not need to move across to the Distributor and could therefore be deducted from these amounts. However, this would need to be determined between the Strategy Board and the Social Responsibility Council.

- 7.30** We have, however, noted the difficulties in providing cost estimates for treatment. The work undertaken by RIGT to establish a needs assessment model should be used as a starting point for costing treatment, based on the expected number of helpline calls, online help sessions, referrals and counselling sessions (of differing intensity). As RIGT has proposed, cost data from the National Treatment Agency should be used in this process. What is difficult to estimate is the likely impact of preventive education on the one hand and the introduction of brief interventions on the other, on the overall amounts needed for treatment.
- 7.31** We therefore recommend that the Strategy Board reviews the implementation of targets for increasing service delivery for treatment and determines what mix of services should be made available. We recommend that the costs for treatment put forward by RIGT in their business plan (£3.1m rising to £4.2m) are used as a basis for overall cost estimates.

Running costs

- 7.32** Our second consultation document estimated the costs for research, education and treatment programmes, with an administrative cost of 10% (including fundraising) on top of the subtotal of the amounts for these three programmes. This percentage was chosen to be indicative and to reflect good practice in terms of the running costs of funding bodies, such as charitable foundations and Lottery Distributors. RIGT's business plan includes running costs of approximately 9%.
- 7.33** We address the impact of the proposed costs of research, education and treatment activities in the impact assessment set out in Appendix B.
- 7.34** We have identified that there are three distinct administrative costs which cover the three functions:
- costs of raising the funds
 - costs of planning the research, education and treatment programmes
 - costs of distribution of funds.

Fundraising costs

- 7.35** The current cost of running RIGT is 9% of the funds raised. This breaks down as 3% for fundraising and 6% for the charity's costs in relation to governance and distributing funding. The 9% running cost represents approximately £270,000 in 2006/07 and £315,000 in 2007/08. Within those costs, approximately £90,000 and £105,000 were spent on fundraising activities in 2006/07 and 2007/08 respectively. This estimate includes approximately 25% of key officials' roles and 50% of the Chair's role.
- 7.36** Under the improved voluntary arrangements proposed, the costs of fundraising would be met by the Social Responsibility Council. These costs would include any payment to the Chair, fundraising activities and administrative support. We therefore propose that up to 3% of the amount currently spent by RIGT on fundraising, as described above, is deducted from the amounts to be handed over to the Distributor, to allow the industry to continue to allocate these resources to securing robust, long term funding commitments. Table 5 below shows the revised costs.

Table 5: Funds to be given to the Distributor

Year	Total amount of funding to be raised	Less 3% fundraising cost	Amount to be passed to Distributor
2009/10	£5,400,000	£162,000	£5,238,000
2010/11	£6,350,000	£190,500	£6,159,500
2011/12	£7,200,000	£216,000	£6,984,000

7.37 Costs of collecting a levy would be considerably cheaper. The table below sets out how the marginal costs of collecting a levy vary, depending on when the levy were collected within the year and whether the Commission puts improved IT systems in place.

Table 6: Levy collection costs

	Existing IT system	With improved IT system
Collection at separate time to annual fee	£52,000	£25,000
Collection at same time as annual fee	£18,000	£13,000

7.38 More detail of how these costs are calculated is set out in Appendix B. However, Table 6 demonstrates that, even with a levy collection at a separate time to the annual fee collection, the costs would be considerably cheaper than the proposed amounts to be held back by the Social Responsibility Council for fundraising purposes. For example, in 2009/10 it is proposed by RIGT that £190,500 is used for voluntary fundraising purposes. This is almost four times greater than the £52,000 required to administer the most expensive levy collection method although an estimated £50,000 should be included to cover the one-off set-up costs of establishing the levy regime and collection in the transitional period.

Strategy Board and Distributor costs

7.39 The Commission considers that, since the creation of a Strategy Board is essential regardless of whether funds are raised voluntarily or via a levy, the costs of supporting the Board should be met from the licence fee income. We have suggested, however, that by September 2009 the executive support for the Strategy Board would be merged with the executive of the Distributor, providing cost efficiencies by avoiding duplication of resources.

7.40 We have initially identified some outline costs. There will be some initial start up costs to get the Strategy Board in place by March 2009. These costs (for October 2008 to March 2009) will need to include payment of an interim Secretary and project manager (both on a part-time basis) and costs associated with the recruitment of the Chair and Board members through open competition.

7.41 In the period between April and September 2009, once the Chair and Board members are appointed, the Strategy Board's costs would consist of payment of the Chair and Board members over that period and continued support initially from the part-time interim Secretary and project manager and then by permanent appointees jointly recruited with the Distributor by open competition.

7.42 Once support for the Strategy Board is merged with that of the Distributor, we envisage that 25% of the salary costs for the Distributor's Chief Executive and 50% of the cost of at least one senior and one administrative member of staff would be met by the Commission, as this represents their work in supporting the Strategy Board. On an annual basis including overheads, we estimate this to be approximately £200,000.

7.43 Given that the Strategy Board's support costs would be met by the Gambling Commission, we would expect the Distributor to keep its administrative costs within an overall ceiling of 7.5% once up and running.

Overall funding targets

7.44 Based on the analysis above, Table 7 below sets out our estimate of the funding amounts required for the first year (2009/10) and the third year (2011/12). As already indicated the total annual funding identified and, within that, the amounts for prevention and treatment are based on the figures in RIGT's business plan.

A breakdown of amounts for 2010/11 (the first year where programmes and funding quantum are recommended by the Strategy Board) is not included; the breakdown for 2011/12 is 'indicative' and may change in the light of the Strategy Board's advice.

Table 7: Overall funding targets for 2009/10 to 2011/12

Area	2009/10	2011/12
Research (excluding a longitudinal study and assuming match-funding available) ¹⁰	£850,000	£950,000
Education	£1,050,000	£1,400,000
Treatment	£3,100,000	£4,200,000
Subtotal	£5,000,000	£6,550,000
Administration costs (10% of subtotal)	£500,000	£655,000
Total	£5,500,000	£7,205,000
Amounts in the draft MOU	£5,400,000	£7,200,000
Fundraising deduction (-3%)	-£162,000	-£216,000
Total amounts excluding 3% fundraising costs	£5,238,000	£6,984,000

7.45 Although the figures in RIGT's business plan underpin our 'modelling' of funding needs, we recognise that the funding targets over three years would need, if improved voluntary arrangements were adopted, to be subject to agreement with the industry, not least in the light of concerns about the impact of current problems in the financial markets and the economy. One possible approach might be to agree 'baseline' amounts over three years, which would be met by firm commitments from the industry and would enable the Distributor to enter into three year contracts with providers. The additional funding requirements, which would, with the agreement of the parties, in the first instance reflect the amounts in RIGT's business plan, would be addressed through fundraising undertaken by the Social Responsibility Council.

Appendix A

Improved voluntary arrangements – detailed description

1. The improved voluntary arrangements are set out in a draft Memorandum of Understanding. The intention is that the signatories would consist of the following stakeholders:
 - The Gambling Commission
 - Department for Culture Media and Sport
 - Department of Health
 - Scottish Government
 - Welsh Assembly Government
 - The National Lottery Commission
 - Responsibility in Gambling Trust (will be succeeded by the new Distributor and the Responsibility in Gambling Trust).
2. The improved voluntary arrangements are based on a tripartite structure - the Strategy Board, a fundraising body (the Social Responsibility Council) and a new Distributor.
3. A key building block would be the Strategy Board, an independent, expert body which would:
 - advise the Gambling Commission (and, through the Commission, the Government) on the research, education and treatment elements in a national responsible gambling strategy
 - determine and recommend to the new Distributor, after consultation with stakeholders and experts, what research, education and treatment are required to reduce harm from problem gambling as part of an overall national responsible gambling strategy and what is the funding necessary to deliver the recommended priorities.
4. DCMS is responsible for creating the statutory and policy framework for the regulation of gambling and monitors its effectiveness.
5. The Gambling Commission, with DCMS, draws together the constituent parts of a national responsible gambling strategy¹¹, following consultation with key stakeholders, based on the advice provided by the Strategy Board. The Commission also needs expert advice and research to undertake effectively its statutory objectives and duties in relation to responsible gambling and to advise DCMS.
6. The Social Responsibility Council would be responsible for raising the quantum of funding agreed between the Council, the Gambling Commission and DCMS. The Council would also promote the industry's interest in responsible gambling.
7. The Distributor would be responsible for delivering the programmes of research, education and treatment determined and recommended to it by the Strategy Board. It would invite bids from providers or commission specific projects and services, monitor spend and outputs, evaluate outcomes and provide secretariat support to the Strategy Board and expert panels.

Process

8. The Commission would provide support for the Strategy Board, using fee income, since, whatever the outcome of this review, it is clear that the Commission needs such advice.

¹¹ It is for DCMS (with other Government Departments) and the Gambling Commission to agree, drawing on the advice of the Strategy Board, an overall national responsible gambling strategy, within which the Strategy Board determines the research, education and treatment priorities and programmes in relation to problem gambling. The national strategy comprises the legislation, regulations, licence conditions, codes of practice and enforcement priorities, as well as the prevention/education and treatment programmes and the research to support the development and evaluation of those programmes.

As it is important that the Board has credibility with the industry as well as with public sector stakeholders, the membership of the Board would be determined by an appointments panel, chaired by DCMS and reflecting the key stakeholders including the industry and RIGT, following open competition. There would be two members drawn from and/or knowledgeable about the gambling industry; five members with particular expertise, drawn from a non-industry background; two members from organisations that provide services in relation to problem gambling or in analogous fields; and an independent Chair. The Board's advice would be made available to key stakeholders and other interested parties and widely published.

9. RIGT would be replaced by two successor bodies. A new Distributor would be created. It would be a company limited by guarantee and a registered charity, whose initial trustees would be agreed between the Gambling Commission, DCMS and RIGT. The Distributor's full Board, which would not include industry representatives, would be put in place once the members of the Strategy Board have been appointed, since there should be scope for some cross-fertilisation. The Distributor would develop and deliver funding programmes, taking full account of the priorities for spend determined by the Strategy Board which in turn will take fully into account Gambling Commission and DCMS' research and advisory needs. Funding is likely to be based for the most part on commissioning. The Distributor would evaluate the success of its programmes in delivering its objectives and specified outcomes; the results of the evaluations would be provided to the Strategy Board and widely published.
10. The industry and RIGT would set up a new body, the Social Responsibility Council, to raise funds from the industry but also, the industry and RIGT propose, to take forward the industry's interest in promoting responsible gambling. In its fundraising role, the Council would be responsible for securing funding for the Distributor at agreed levels over three years on a rolling basis, based on demonstrable and robust commitments by the industry. The amounts initially agreed for 2010/11 and 2011/12 and amounts for subsequent years would be subject to annual review on the basis of recommendations by the Strategy Board with a view to DCMS, Gambling Commission and the Social Responsibility Council reaching a shared view on the amounts needed taking into account the industry's ability to pay.
11. The Commission's estimates of likely funding requirements in the second consultation document were similar to those proposed by RIGT in relation to research and education but suggested rather higher treatment costs in later years and a possible requirement for a longitudinal study of the causes of problem gambling. The Strategy Board would be better placed to assess such needs and the appropriate balance between research, education and treatment. The agreed level of funding would be passed to the Distributor by the Council with the sole purpose of implementing the strategy and priorities determined by the Strategy Board.

Transitional arrangements

12. All aspects of the transition from RIGT to the new Distributor— governance, staffing, recruitment, transfer of contractual obligations – would be agreed in advance between RIGT, DCMS and the Gambling Commission.
13. The Commission would fund a new, senior post (interim Secretary to the Board) to set up, co-ordinate and service the Strategy Board. This appointment would be handled by the appointments panel (see paragraph 8 above), chaired on this occasion by the Chair of the Strategy Board. The interim Secretary would report to the Chair of the Strategy Board and would undertake an immediate review of the combined staffing and infrastructure needs of the Strategy Board and the new Distributor. The objective of the review would be to bring together the staffing and infrastructure supporting both the Strategy Board and the Distributor by September 2009; in terms of governance and functions, however, each would continue to operate independently. The 'permanent' successor to the interim Secretary, who would also be the Chief Executive of the Distributor, would be appointed by open competition through a joint process involving the trustees of the Distributor and the Chair of the Strategy Board.

14. It is expected that the Strategy Board, in consultation with the new Distributor, would invite members of RIGT's existing research panel and treatment and education panel to form the core of new expert panels advising both the Strategy Board and the Distributor.
15. Subject to agreeing business plans going forward, RIGT would extend the contracts of GamCare and other providers for a further year (2009/10). This would ensure continuity and give the new Distributor a breathing space to introduce a fresh approach to commissioning work, taking full account of the output of the Strategy Board, to take effect from April 2010.

Appendix B

Impact Assessment

1. This impact assessment addresses the costs and impact (benefits and disbenefits) of the proposed new arrangements (either a levy or an improved voluntary system), compared to the current system. The tables below summarise the costs and impact for each of the three scenarios.
2. Although the impacts on the industry of any changes are clearly an important consideration, our analysis also looks at the impacts on other key stakeholders – DCMS, the Commission, the providers and customers (those who receive or may receive services).

Current Arrangements

Costs	Impact Benefits/Disbenefits	Parties Affected
<ul style="list-style-type: none"> • Unreliable and inefficient funding stream • Larger operators carry additional costs because many smaller operators don't contribute • 'Hidden costs' (time and resources) generated by dysfunctional relationships • Running costs for fundraising and funding distribution under-resourced 	Benefits	Industry, the wider public, media and government
	<ul style="list-style-type: none"> • Allows industry scope to demonstrate corporate social responsibility, thus generating reputational and commercial benefits 	Non-licensees, RIGT
	<ul style="list-style-type: none"> • Easier (than in the case of a levy) to seek contributions from non-licensees 	Smaller operators, providers
	<ul style="list-style-type: none"> • Some small operators contribute in other ways 	Disbenefits
	<ul style="list-style-type: none"> • Accountabilities unclear 	All parties
	<ul style="list-style-type: none"> • No shared mechanism for determining strategic priorities and developing a national responsible gambling strategy 	All parties, but in particular DCMS and Gambling Commission
<ul style="list-style-type: none"> • Dysfunctional relationships 	All parties	

Improved Voluntary Arrangements

Costs	Impact Benefits/Disbenefits	Parties Affected
<ul style="list-style-type: none"> • Larger and more valuable contributions over time from the industry • Increased fundraising costs (possibly) • Costs of setting up and servicing the Strategy Board (met from licence fee income) • Slightly higher running costs overall, but considerable cost-efficiencies • Larger operators carry less additional cost because fundraising across the board more successful • No 'hidden' costs arising from dysfunctional relationships • Some marginal costs to industry of more involvement in governance and operation of fundraising body 	Benefits <ul style="list-style-type: none"> • Industry can demonstrate corporate social responsibility more effectively and convincingly 	Industry, the wider public, media and government
	<ul style="list-style-type: none"> • Easier (than in the case of a levy) to seek contributions from non-licensees 	Non-licensees, fundraising body
	<ul style="list-style-type: none"> • Accountabilities clearer in a collaborative system. 	All parties
	<ul style="list-style-type: none"> • Strategy Board provides strategic advice and direction 	All parties, but in particular DCMS and the Gambling Commission
	<ul style="list-style-type: none"> • Ability to plan and deliver programmes over a three year period because of more certainty of income 	Distributor, providers, customers
	<ul style="list-style-type: none"> • Fundraising and distribution better resourced and more effective 	Fundraising body, industry, Distributor
	<ul style="list-style-type: none"> • Gambling Commission receives strategic advice enabling it to discharge its statutory duties more effectively 	Gambling Commission, DCMS, industry, customers

Levy

Costs	Impact Benefits/Disbenefits	Parties Affected
<ul style="list-style-type: none"> • Some relatively small set-up and transitional costs; annual costs of administration marginal; far less expensive than voluntary fundraising • Certain flow of income • Larger and entirely reliable contribution over time from the industry • Costs of setting up and servicing the Strategy Board (met from licence fee income) 	Benefits <ul style="list-style-type: none"> • All licensees would contribute equitably 	Industry, in particular small operators
	<ul style="list-style-type: none"> • No 'freeloading' and smaller operators would be contributing where, in many cases they didn't previously 	Industry, in particular smaller operators
	<ul style="list-style-type: none"> • Clear accountability 	All parties
	<ul style="list-style-type: none"> • Strategic Board provides strategic advice and direction 	All parties, but in particular DCMS and the Gambling Commission
	<ul style="list-style-type: none"> • Gambling Commission receives strategic advice enabling it to discharge its statutory duties more effectively 	Gambling Commission, DCMS, industry, customers

Costs

3. Under **the current arrangements**, it is difficult to quantify the impact of voluntary donations on different parts of the industry. The amounts of donations currently given to RIGT by individual operators are not in the public domain. However, we have looked at two sources of information – firstly, aggregated RIGT data on donations and, secondly, the information included in the Regulatory Return, in which the Commission requires operators to set out how they have complied with the requirement to commit to contribute to research, education and treatment.
4. As described in paragraph 4.3 of this report, we have been able to calculate that, in 2007/08, approximately 70% of operators from the main sectors (casino, betting, bingo, and Adult Gaming Centres and Family Entertainment Centres) contributed to RIGT. However, RIGT also reported that their target was reached thanks to the additional donations of three large high-street betting and gaming companies, which contributed sums to make up for the shortfall that would otherwise have occurred.
5. Our analysis of the data provided through the regulatory returns also shows that operators provided a range of information to demonstrate compliance. While most of these referred to a donation to RIGT, smaller percentages stated that they had donated directly to treatment charities, while others pointed to their social responsibility measures, such as provision of leaflets. Others did not provide any evidence of contribution. In summary, larger operators carry additional costs because many smaller operators fail to contribute or do not contribute sufficiently, and the funding stream is unreliable and uncertain both in-year and over a longer period. In addition, and in part as a result of this, both RIGT's fundraising and their distribution of funds are under-resourced and probably less cost-efficient than they could be.
6. It is also likely that the dysfunctional nature of the current arrangements, where there is little shared understanding between stakeholders and accountabilities are unclear, produces substantial 'hidden' costs in terms of the time and resources expended by all parties in attempting to 'keep the show on the road'.
7. Under the **improved voluntary arrangements** proposed, the costs incurred by the industry would increase over time, since there would be agreement to a larger and gradually increasing funding stream. Fundraising costs may increase, if more effective steps are to be taken to raise that proportion of the agreed sum not covered by a firm industry commitment. If fundraising is more effective, the larger operators may not to the same extent as now bear a disproportionate share of the financial burden, although there may be some marginal costs incurred by those operators who are directly involved in running the fundraising body.
8. There may be a small increase in distribution costs if the new Distributor is to put in place the highest standards of good funding practice. Some additional costs, met from licence fee income, will be incurred in setting up and servicing the Strategy Board, although its running costs over time will be minimised by the merger of the its executive with that of the Distributor. Overall, across the three bodies, the aim would be to keep the running costs to around 10%, which is close to RIGT's current expenditure in this area.
9. Since the improved voluntary arrangements are based a collaborative approach agreed between the stakeholders, the 'hidden' costs of dysfunctional relationships would be removed.
10. There is no doubt that a **levy**, which would produce a certain and sustainable stream of funding, would be less expensive to operate than any voluntary arrangements. There would be some relatively small set-up and transitional costs (around £50,000) but, depending on the process and timing adopted for collection and the point at which an improved IT system, is introduced, the costs for collection annually are estimated, at their highest, at £52,000 and may be as little as £13,000. RIGT's forecast for the costs of voluntary fundraising in 2009/10 is £190, 500.

11. As with the improved voluntary arrangements, the industry's funding contribution is likely to be larger than is currently the case and to increase over time. Costs would, however, be borne equitably across the licensed industry and smaller operators would pay their share. Again, there would be some limited additional costs in setting up the Strategy Board, met from licence fee income.
12. The mechanism for distributing funding would be determined by the Commission. The potential for cost efficiencies would be one factor in the Commission's consideration of the options for distribution (in-house, contracting with an existing Distributor, setting up a new Distributor or a mixture of these). The costs of administering the distribution of funds would be met from the amounts raised through the levy.

Impact

13. The **current arrangements** have some benefits. In particular, they allow the industry to demonstrate its corporate social responsibility, which generates both reputational and commercial benefits; and, although many smaller operators may not contribute to RIGT, or may not contribute their share, they can make contributions in other and sometimes non-financial ways. In a voluntary scenario, it is also easier in principle than it would be if a levy were introduced to attract contributions from non-licensees, such as banks and mobile phone companies. The amount of funding which these arrangements have delivered for excellent projects, particularly in relation to treatment, should not be underestimated.
14. However, as has been described in some detail in this report, the current arrangements are in many ways dysfunctional. Funding streams are uncertain, accountabilities are unclear, and partnership working between the various stakeholders is under-developed. In particular, there is no shared mechanism for determining strategic priorities for funding research, education and treatment and for developing a national responsible gambling strategy. This means that the Commission is hampered in discharging its statutory duties, particularly in relation to the information and knowledge it needs to prevent gambling harm, and RIGT and the providers are unable to plan funding, programmes and delivery over a three year period. The impact of these disbenefits is damaging for all parties.
15. The **improved voluntary arrangements** described in this report would, of course, build on the benefits that derive from the industry's commitment to corporate social responsibility and on RIGT's achievements thus far. They would, however, create a new structure based on collaboration and partnership between the key stakeholders, underpinned by a more certain and sustainable funding stream from the industry. The introduction of an independent Strategy Board, a new Distributor and a fundraising body would clarify accountabilities, ensure that both fundraising and distribution were better resourced and more effective, and, most important, provide authoritative advice and direction on strategy, needs and priorities in relation to research, education and treatment. This has previously been largely missing, and would have a significant impact on the ability of the Gambling Commission, working with stakeholders, to provide effective advice to DCMS and to reduce the risks of gambling harms.
16. In contrast to the current arrangements, the improved arrangements, with more certainty of funding, would enable the new Distributor to be more proactive and commission work over a three year period and the providers to plan their commitments more effectively and strategically. However, funding would still be less certain and fundraising less efficient than if a levy were introduced.
17. The introduction of a **levy** would bring a mixture of benefits and disbenefits. Most significantly, its impact would be fair and equitable across the industry, with small operators, some of whom had not previously contributed, paying their fair share. Its collection would be quicker, cheaper and more efficient than a voluntary system.

A levy would provide certainty of funding, with consequent benefits for the funding and business planning of providers and services, and clear lines of accountability via the Gambling Commission and Ministers and ultimately to Parliament.

16. The Strategy Board would be an equally important part of the framework in the event of a levy; its impact would be the same as that described under the improved voluntary arrangements, and it would be a means of engaging the industry and other stakeholders in the determination of the strategy and priorities necessary to make best use of the industry's levy contributions.
17. There would, however, be less incentive and opportunity for the industry to demonstrate its corporate social responsibility or to work in partnership. In addition, there would be no in-built mechanism to require contributions from non-licensees, although there would still be scope for a fundraising body to operate in specific areas targeting both non-licensees and licensees keen to demonstrate their commitment to responsible gambling.

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Keeping gambling fair and safe for all

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Copies of this document are available in alternative formats on request.

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¹² (the Budd Report)