

GAMBLING COMMISSION

GCM(14)03

Minutes of the meeting of the Board of Commissioners

Victoria Square House, Birmingham (Boardroom)

20 March 2014

Attendees: Mary Chapman
Robin Dahlberg
Robert Foster
Philip Graf (Chair)
Rachel Lampard
Anthony Lilley
Walter Merricks
Graham Sharp
Peter Teague
Jenny Williams

In attendance: Harry Barton (for items 8 & 10)
Ruth Callaghan (for items 5 & 6)
Rebekah Eden (for items 5 & 6)
Amanda Fox (for items 5 & 6)
Ben Haden (for items 1- 4)
Mark Harris
Matthew Hill
Elaine King (Notes)
Simon Knee (for item for item 9)
Sharon McNair
Neil McArthur
Sheila MacLucas (for item 9)
Julia Mackisack
Paul Morris (for item 7)
Jeanette Pugh
Alistair Quigley (for item 7)
Trevor Robinson (for item 9)
Nick Tofiluk
Tim Tyler (for item 8)

Declarations of Interest

1. There were no declarations of interest.

Item 1: Minutes and action points of the last meeting

2. The minutes of the meeting held on 20 February were approved.

3. Matters arising:
 - Management agreement with DCMS – final comments on the proposals have been received from DCMS. The Board agreed to sign-off the agreement via correspondence during April.
 - Corporate Governance Framework - a track changed revised draft of the proposed changes is to be issued for comment week commencing 24 March.
4. The Chair advised that he had received confirmation from DCMS that the term of office for Commissioners Robert Foster and Rachel Lampard have been extended for one year to run to March 2015 and June 2015 respectively.

Item 2: Report from the Remuneration Committee

5. The Chair of the Remuneration Committee provided an overview of the meeting which had taken place earlier in the day. Issues discussed included timetable for the review of HR policies and pay guidance for 2014 – 2015.
6. The Executive is undertaking development of a strategic narrative which is to include the Commission's people strategy. An initial review of the strategy is to be undertaken at the May Remuneration Committee meeting.
7. The next employee conference has been scheduled to take place on 3 June.

Item 3: Report from the National Lottery Committee

8. The Chair of the National Lottery Committee provided the Commissioners with an overview of the discussions from the last meeting. Camelot's presented their five-year strategic plan for information.
9. The Board noted that an interim stocktake and review of the working arrangements of the Committee is being undertaken.
10. The Board to Board meeting is taking place on 26 March. The Director – National Lottery programme agreed to provide Gambling Commission attendees with a background briefing note.

National Lottery Licence Proposal: Mobile interactive instant win games (IIWGs): GCP(14)18

11. The Board was advised that Camelot UK Lotteries Limited (CUKL) has submitted a proposal to offer IIWGs on mobile devices including tablets to take effect from June 2014.
12. At its March meeting the National Lottery Committee discussed the propositions which included a licence variation and recommended that the Board give consideration to approving the proposals subject to continued quarterly KPI reporting, the introduction of any necessary amendments related to IIWG class licence relaxations in advance of the launch and confirmation that any future player protection developments on the general interactive channel would also continue to be available on mobile.
13. The Commissioners discussed and reviewed the recommendations with specific reference to: the current lack of research into the nature of risk associated with mobile play compared to laptop play and the impact of wider channel factors beyond gambling products themselves.

14. The Board gave its approval to a two-year licence variation for IIWGs subject to the conditions identified by the Committee.

Item 4: Report from the Chief Executive: GCP(14)19

15. The Chief Executive introduced the paper which summarised the key workstream activities undertaken by the Commission since the last report.
16. The Commissioners were provided with a further oral summary update on :
 - Budget 2014 – increase in taxation on FOBTs
 - Third reading of the Gambling (Licensing and Advertising) Bill and expected date for Royal Assent
 - Current litigation issues
17. The Commissioners discussed current Regulatory Panel governance issues and the future Statement of Principles consultation with reference to stakeholder management. Clarification of the processes currently in place to deal with voluntary settlements is to be reported at the May Board meeting.

Item 5: Responsible Gambling Strategy Board update

18. The Chair and the Secretary to RGSB initiated the discussion which focussed on the current working relationship between the Commission, RGSB and the Responsible Gambling Trust (RGT).
19. The agreed next steps include arranging two meetings to discuss the issues in more depth. Commissioners are to be invited to a meeting with the Chair of RGSB (Sir Christopher Kelly) to discuss the longer term role of RGSB.
20. The Chair and CEO of the Commission, RGT and the Chair of RGSB is to be arranged to discuss current RGT activity. Where practicable an update on the discussions from both sessions is to be provided to the Commissioners at the May Board meeting.

Item 6: Overview of the measures in the Association of British Bookmaker's (ABB) Social Responsibility Code and the National Casino Forum (NCF) Playing Safe statement of principles: GCP(14)20

21. The paper introduced by the Manager (Social Responsibility) outlines the ABB's Code for Responsible Gambling and Player Protection and the National Casino Forum's Responsible Gambling Statement of Principles.
22. The paper provides context to the Commission's forthcoming review of the social responsibility and player protection elements of the Licence Conditions and Codes of Practice and Guidance to Local Authorities.
23. The Commission is undertaking a review of both codes, assessing the content and demonstrable intent by the industry to improve and strengthen their commitment to harm minimisation, self exclusion, age verification and customer interaction.
24. The Commission is due to consult on the review of the social responsibility and player protection elements of the LCCP in July. A progress update will be presented for Board review at its June meeting.

Item 7:

Update on Gambling (Licensing and Advertising) Bill implementation and LCCP consultations: GCP(14)21(a)

25. The Senior Manager – Sector and Thematic introduced the paper which provided the Board with an update on the timetable for the implementation of the Gambling (Licensing and Advertising) Bill and progress towards finalising the Licence Conditions and Codes of Practice following the two consultations on the proposed amendments (Protection of customer funds - proposals for amendments to current licence condition 4 for all gambling operators and Proposed amendments to licence conditions and codes of practice for all operators (LCCP)).
26. The Board noted contents of the paper.

Gambling (Licensing and Advertising) Bill (the Bill) implementation: compliance and enforcement: GCP(14)21 (b)

27. The Director – Remote introduced the paper summarising the Commission’s overall approach to compliance and enforcement following implementation of the Bill. Contained in the paper were: details of the mechanisms the Commission plans to use and to protect British-based consumers and promote the licensing objectives; the main issues and risk, and how these are being managed.
28. The paper outlined the key issues which the Commission will be required to address following implementation of the Bill. The Commission’s principles based approach will remain the framework for compliance and enforcement work.
29. The Board noted the progress on to date to develop the Commission’s remote compliance and enforcement capabilities and the further substantive work on detection and intelligence, deterrence, third party involvement and lessons learned.
30. The Board asked the workstream team to consider what impact the identified key risks could have on the Commission’s ability to successfully implement the Bill.
31. The work to achieve a good overall starting position regarding implementation of the Bill was noted.

Item 8: Anti-money laundering (AML) workstream intent and money laundering risk assessment and submission to HM Treasury

32. The last substantive update to the Board on the AML workstream was in October 2013. The paper summarised the work undertaken since that date whilst also setting out a revised workstream intent and high level medium term plans. The proposed revised intent builds on what is already in place.
33. The paper also set out the Commission’s proposed response to HM Treasury’s request for details of the money laundering risks identified in the gambling industry.
34. The Board approved the intent and proposed submission to Treasury.
35. A further paper setting out workstream structure, governance, outcomes, operating model, risks consistent with the agreed intent and availability of resource is planned for the May Board meeting.

Item 9: 2014/2015 budget and medium term financial plan: GCP(14)23

36. Following a request from Commissioners at the February Board meeting the executive reviewed the assumptions underlying the medium term financial plan with a view to improving the reserves position with a revised income and expenditure profile.
37. The Senior Manager Finance introduced the re-drafted 2014/2015 budget and medium term financial plan which sought to address Commissioners concerns around remote income and reserves.
38. To recover costs associated with implementation of the Gambling (Licensing and Advertising) Bill, the full year annual income from resulting from implementation is expected to be higher than expenditure on remote over the period 2015/16 to 2017/18. This will enable the Commission to recover the reserves used in 2013/14 and 2014/15 to set up our arrangements for the regulation of remote gambling; a memorandum account will be maintained to keep track of this.
39. The Senior Adviser – Finance advised that the Cabinet Office has now stated that the increase in employer pension contributions, commencing in 2015/16, will be substantially less than originally assumed..
40. Commissioners were concerned that the proposed reserves position in 2014/15 would be insufficient should the Commission be exposed to significant unplanned expenditure (such as judicial review) or income risk. However, the Board acknowledged that the Commission remains well placed to respond to such risks through regularly reviewing the level of resources, and that the Commission’s cash reserves remain healthy throughout the medium term financial plan. Commissioners were advised that a reduction in resources could adversely affect the efficiency of the organisation. Reductions in planned resources should therefore be a last resort, after exploring all other avenues such as use of reserves, review of fees or through discussions with DCMS. Commissioners were assured that any reductions in headcount would be carried out in line with the Commission’s people strategy to ensure that roles are filled with the right skills, in the right timeframe.
41. Following discussion and noting the improvements the Board was content to approve the budget for 2014/15 and medium term financial plan to 2017/18.

Updated business plan 2014-2015: GCP(14)23

42. The comments provided by the Board at its February meeting have been incorporated into the revised business plan.
43. The Board approved the business plan subject to minor drafting changes and recommended it for publication on the Commission’s website.

Item 10: High impact operator (HIO) workstream – implementation update: GCP(14)24

44. The Senior Manager – Projects introduced the paper which updated the Board on the work undertaken by the workstream. The workstream focuses on operators identified as posing the highest inherent risk to the licensing objectives, in terms of potential scale and impact.

45. The workstream is now focusing on evaluating these risks as part of second phase of implementation which involves further embedding of revised compliance initiatives and scrutiny of the HIOs.
46. A further progress report will be submitted to the Board in July.

Item 11: Financial report – February 2014: GCP(14)25

47. The report was noted.

AOB

48. There was no other business.