


Report from the Chief Executive

For Board approval	
For Board briefing	
For Board steer	
For Board information	

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Chief Executive

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Introduction

1. This paper summarises the main activities in the Commission during the past month. Particular preoccupations since the last Board meeting have included
 - The industry show (ICE Totally Gaming) where Philip delivered a keynote speech and a number of colleagues participated in various panels and side meets.
 - Continued ministerial and wider public interest in FOBTs.
 - The Remote Bill
 - Discussions with Camelot related to a number of current proposals
 - Internal management issues, particularly recruitment and senior level resourcing matters.

Meetings

2.
 - Philip and I met the Minister, Helen Grant MP for a further discussion on FOBTs ahead of the subsequent roundtable meeting with five Chief Executives of leading betting companies which I also attended
 - Philip met Patrick Kennedy, Chief Executive of Paddy Power at their request
 - Philip continued his series of meetings with Chairs of major operators to discuss and reinforce the points made in his ICE speech [[http://www.gamblingcommission.gov.uk/PDF/ICE World Regulatory Briefing February 2014 - Chairman's keynote speech.pdf](http://www.gamblingcommission.gov.uk/PDF/ICE%20World%20Regulatory%20Briefing%20February%202014%20-%20Chairman's%20keynote%20speech.pdf)]
 - We hosted a visit by **[Exempt information under section 40 of the Freedom of Information Act]** of the European Commission focussed on remote regulation
 - I, along with Ben Haden and Sarah Gardner, met Dianne Thompson and Andy Duncan for the regular Chief Executives meeting
 - I went with DCMS and HMT to Gibraltar for a series of meetings between the Gibraltar government, GBGA, DCMS and HMT on remote regulation
 - Philip, Mary Chapman, myself and several colleagues attended the Ice Totally Gaming Conference in London where Philip provided a keynote speech and introduced speakers at the Regulators lunch. Most of us took part in panels, roundtable discussions and have organised extra meetings with other international regulators (including Denmark, Isle of Man, Malta, Gibraltar, Alderney)
 - Paul Morris and I also met the Remote Gambling Association during the ICE conference
 - I also chaired the IAGR eGambling working group meeting during the conference and attended the IAGR Board of Trustees meeting.

Media and wider stakeholder interest

3. January saw a large amount of coverage concerning gaming machines in particular those in betting shops as political interest in the issues grew.
4. An FT article, picked up in a number of papers, stated that Internet Service Providers had refused a request by the Commission to insert warning pages on unlicensed gambling websites. The article followed a meeting between the Commission and some ISPs to discuss possible ways of working together in the future, particularly with regard to the new legislation due this year on the provision of remote gambling in Britain.
5. I have attached a brief list of other coverage and publications at Annex A.

Forward Look - Compliance

6. Following a review of progress in the autumn a number of new milestones have been mapped out. These include the introduction of a refined process for allocating work which starts in April, the introduction of resource to support the remote compliance approach, additional Senior Manager capacity, to focus on HIO activity and additional Compliance Manager (CM) resource to deal with the increasing pressure on the compliance pool.
7. Significant progress continues to be made in the Forward Look for Compliance workstream, which was initiated in order to provide options for the future deployment and use of our home and VSH compliance staff.
8. The introduction of a national pool of resource rather than a regional structure is well embedded and CMs are now aligned in groups with particular focus on priority workstreams; HIO, AML (which sees the arrival of **[Exempt information under section 40 of the Freedom of Information Act]** as the Senior Manager), Shared Regulation, Proactive and Reactive Compliance.
9. This is a transitional phase where CMs are becoming accustomed to focussed areas of business activity, whilst retaining engagement with all priority workstreams in order to maintain their skills base. The allocation of work process has required greater interaction between workstream leads to ensure an equal share of work and has enabled greater visibility of resource deployment.
10. The recent recruitment programme has successfully identified a number of suitable candidates at both senior officer (4) and senior manager (3), with the first arrivals due in early March. Further interviews are scheduled for late February in order to appoint a further five senior officers. The additional resources recruited will be located in Birmingham as outlined in the original Forward Look plan.
11. A comprehensive training programme has been designed, which complement the corporate induction plan, and will be delivered to all new compliance staff during the initial six month period. Experienced staff will be involved with the training, providing mentoring and coaching to ensure a sound skills platform is built prior to individuals conducting compliance activity alone.
12. The position with regards to both compliance and strategic/political issues in Scotland is currently being reviewed with a view to securing appropriate resource and skills both in the short and longer term.

Licensing (operator and personal)

13. Work continues to increase the take up of eServices launched in September, which includes the facility for operators to receive invoices and pay annual fees on line. The target of 25% of all operators to be registered for eServices by end of January 2014 has been achieved, with 34% of remote operators being registered. The aim is to have at least all remote operators and 80% of all non remote operators registered and using eServices before the next annual fee cycle commences.
14. Changes to the Siebel system are on track to be released in February and the online forms have been released for operator's information.
15. Development of the on line application service for remote operators is nearing completion and is on target to "go live" in February
16. **[Exempt information under section 40 of the Freedom of Information Act]**

High Impact Operators (HIO)

17. The rolling schedule of in-desk assessments of HIOs has begun, with four currently underway. Each in-desk assessment will produce a set of recommendations which could result in engagement with the HIOs in question, or in some circumstances a full corporate evaluation.
18. Progress on the above, as well as an evaluation of the previous phase of work (the pilot project), will be brought before the Board in March.

Anti money laundering project

19. In the last month quarterly update meetings were held with the NCA and HMT. These focused on the National Money Laundering Risk Assessment (NMLRA); and on the growth in licensee numbers anticipated in the Remote Bill and impact this may have on the Commission's future advice to operators. The Commission's submission is planned for the end of March subject to agreement by the board.
20. An update from the AML workstream was expected for the February board covering the development of the NMLRA and the Commission's contribution to this effort. However this has been deferred to March to allow an opportunity to complete the proposed response to HMT whilst putting this in the context of preliminary views concerning the aim, structure and direction of the AML workstream.

Betting integrity

21. **[Exempt information under section 31 of the Freedom of Information Act]**
22. Nick Tofiluk attended a meeting with the Minister Helen Grant and representatives from major sports governing bodies (SGBs) as a follow up to the December summit with the Secretary of State in December. Among the issues discussed were how to make best use of confidential hotlines for reporting sports/betting corruption including the work being undertaken by SGBs and the Commission's engagement with UK Anti Doping (UKAD) and Crimestoppers to consider if a single 'pan sport' hotline for reporting match fixing issues should be established. The proposed strengthening of Licence condition 15 and the §42 offence (Cheating at Gambling), in particular its effectiveness within match fixing investigations. The SGB's desire to see sports spread betting come under GC licensing and regulation was noted.

23. The final plenary drafting meeting for the Council of Europe Convention took place between 20 and 22 January and version 6 of the Convention has now been published. The aim of this work is to develop a convention that will help deliver a consistent and collaborative international approach in the fight against match fixing and the manipulation of sports competitions. The Council is now producing the explanatory notes to accompany the draft Convention with a short response deadline to meet the aim of the convention being open for signature in September 2014. The Commission and DCMS are working closely to meet the requirements and represent the interests of the UK.
24. Nick Tofiluk has been invited by the IOC to attend the final days of the Winter Olympics in Sochi to discuss the implementation of integrity monitoring arrangements for these and future games. The IOC has just launched the International Betting Integrity System (IBIS) based upon the model developed for the 2012 Games. The schedule is to be finalised and meetings with Russian and Brazilian representatives are indicated.
25. The ICE programme included three presentations relating to match fixing/betting integrity and meetings with a delegation from India who wished to discuss market regulation as an effective mechanism to manage sports betting corruption issues.

Marketing and advertising

26. A substantive update paper on marketing and advertising has been submitted to the February Board meeting, this reports on the key issues and how they are being addressed.
27. Ministers remain concerned about the significant increase in remote gambling advertising on television and the potential risk of harm to young and vulnerable people.
28. The Gambling (Licensing & Advertising) Bill is scheduled for report stage in the Lords on 4 March and an amendment calling for the Secretary of State to review the current regulatory position concerning advertising of remote gambling and other forms of online gaming activity where it is likely to be seen by, or influence, a child or children and report before the Summer Recess 2014.
29. The Commission, along with Ofcom, the ASA and PhonepayPlus, is working closely with DCMS, to consider the scope and framework for any such review which could include a review of the industry voluntary code, the CAP and BCAP codes and LCCP. We will use the Gambling Advertising Monitoring Unit as a forum to discuss and drive this work for which there could be substantial resourcing implications.

National Lottery

30. Sales for Lotto have settled again to a similar level to before Christmas following the considerable rollover and promotion during that period. Officials are meeting Camelot in February for a formal review of performance. This should include a deeper dive into the consumer perspective.
31. There has been considerable discussion with Camelot over the Committee responses to proposals from Camelot tabled at the January meeting and how to take the matters forward.
32. We have been liaising with the Department with regard to information that Distributors receive to assist them in budgetary considerations.
33. **[Exempt information under section 31 of the Freedom of Information Act]**

Machines, triennial and social responsibility

34. A number of senior level discussions have taken place due to current political interest in industry's commitment to social responsibility and the potential harm of FOBTs.
[Exempt information under section 41 of the Freedom of Information Act]
35. We provided briefings to DCMS on ABB code 2 ('enhanced measures') and on the likely commercial impact of any cut in stakes. Some elements are reliant on Commission work and we are now moving towards a position where it looks likely that a wholesale review of LCCP social responsibility codes will be required.
36. We met NatCen to discuss, and influence, the emerging programme of machines research and the wider package of potential measures under consideration by the industry and by ministers.
37. The British and Beer Pub Association has provided a draft data framework for discussion with the Commission to explore the effects of changes to Cat C (technical standards and prize increase).
38. The motorway service area security meeting is due to take place on 11 February
[Exempt information under section 41 of the Freedom of Information Act]
39. The Gaming Machine Testing Strategy consultation responses and revised strategy were published on 31 January.

Customer interaction and self-exclusion

40. Following discussions with RGSB and RGT, we expect a report on self exclusion in May.
41. We were approached by various tech companies (e.g. facial recognition and card-blocking) at ICE, and we are now considering a round-table event with RGT, RBSG and DCMS to ensure all parties are clear on what can be achieved although this all may be subsumed within our potential response to current concerns about social responsibility in relation to FOBTs and on line gambling which will be discussed at the board.

Underage gambling

42. We have written to major bookmakers to set out our expectations regarding improvement in performance in preventing access to machines.
43. We are planning the next stages of our test purchasing exercise, in collaboration with local authorities, for spring 2014.
44. Where medium-sized bookmakers or large arcades are not supplying test-purchasing data we developing plans for focussed compliance work, aligned with development of a sanctions framework, as discussed with Commissioners in 2013.

Shared regulation and better regulation

45. We hosted a well attended and constructive third annual meeting with LAs with seaside/coastal regions, with updates provided on social responsibilities, small society lotteries and Primary Authority.
46. Matthew Hill spoke at the LGA's licensing conference in a workshop session on LBOs (alongside the ABB and Campaign for Fairer Gambling).
47. We met BRDO, the LAs and operators regarding new primary authority partnerships to explore how parties will work together.

48. We are progressing arrangements for roll out of the machine training with Westminster City Council (pilot confirmed for early March).

Remote review implementation

49. The report stage in the Lords of the Bill is scheduled for 4 March. We are still planning for Royal Assent in March which will mean accepting applications being accepted late May and the regime commencing late June/early July.
50. We are discussing responses to the LCCP consultation and formulating final policy positions for both remote and non-remote aspects of LCCP. The intention is to publish LCCP late February/early March which allowing 3 months notice for implementation will mean the LCCP provisions come into force in line with planned commencement of the Bill. Separate LCCP consultations on remote technical standards, remote testing strategy and regulatory returns are to be planned during February.

Research, including support to the Responsible Gambling Strategy Board (RGSB)

51. Matthew Hill and **[Exempt information under section 40 of the Freedom of Information Act]** met the Trust on 23 January to further discuss their machines research programme. Following this meeting the RGSB responded to the Trust to confirm it was happy overall with the refocusing of the programme, but still had some concerns about delivery within the proposed timescales.
52. The Trust's Research Committee met on 3 February and agreed the next steps for the machines research work.
53. The RGSB Advisory Group will meet on 13 February as well as the RGSB Research Group.

Compendium of reports

54. The contract is now in place for the production of reports 1a (initial statistical bulletin) and 1b (in-depth report) of the compendium of reports. The inception meeting with NatCen took place in the first week of February.
55. Tender specifications for reports 2, 3 and 4 have been consulted upon and agreed and will be issued in early February to six suppliers (Gfk NOP, MRUK, NatCen, Databuild, M-E-L, Ipsos Mori). Contracts will be issued in late February/early March.

Omnibus survey results

56. The participation and perceptions omnibus survey results were published in January. The participation results showed very little change from the previous quarter, with 55% of respondents participating in one form of gambling in the past four weeks. This was exactly the same as the results published in October (but down from 57% from the 2012 average).
57. On the perceptions survey a significant decline was reported against the statement 'in this country, gambling is conducted fairly and can be trusted'. In the years 2008 to 2012 between 48.4% and 49.6% of respondents had agreed with the statement but in 2013 this fell to 42.3%. Heightened public awareness of FOBTs/gambling more generally may be part of the explanation.

Millennium Cohort Study

58. We are still working with the Millennium Cohort Study (MCS) team to try and secure a problem gambling screen in the age 14 sweep of the survey. The team's initial reaction is that we need to strengthen the rationale for inclusion – we will be doing this by liaising with RGSB, and will resubmit our proposal to MCS in March.

Transparency (including legislative compliance with FOI, DPA and official statistics)

59. We received a high number of FOI requests (22) compared to previous months. Most notable were six relating to the Canbet situation and three submitted by the Campaign for Fairer Gambling.
60. We have also been notified of an appeal lodged with the Information Commissioner's Office (ICO) regarding a refusal of an FOI request for a more detailed breakdown of SBIU figures.

Finance

61. A draft 2014/15 budget and medium term financial plan covering a three-year period to 2017/18 has now been established, and will be presented to Board for a steer this month. The budget has been built from the workstream and programme resource plans to deliver the business plan, and the ongoing recruitment drive ahead of the implementation of the Remote Bill.
62. KPMG has completed the audit fieldwork on the part year 2013/14 final accounts for the National Lottery Commission, prior to merger, and no areas of concern have been identified. Interim audit fieldwork in respect of the Commission has also been satisfactorily completed.

Facilities

63. Victoria Square House has been sold to Kleinwort Benson (Channel Islands) Corporate Services Limited.

HR workstreams

64. Recruitment advertisements placed in early December resulted in interviews being carried out during January and early February. Members of the HR workstream and various members of Senior Management Team have been involved in short listing and panel interviews. Members of staff have been involved in our peer group interviews which, once again, have received excellent feedback from candidates as an illuminating and welcoming part of the interview process.
65. Further recruitment advertisements have been placed in January 2014 for further additional resource and these are being managed within the HR workstreams. The process will take a similar process as detailed above within interviews being planned during February 2014.
66. The HR workstream are currently handling 35 live vacancies at various stages of the recruitment process. The management of casework (covering disciplinary, absence management and performance management issues) continues.

Annex A – Communications

Media and publications

67. Thirty one media calls were handled, with 35% concerning remote queries, 16% about gaming machines and a further 13% each on problem gambling and betting.
68. The Commission was mentioned in the media 78 times.
- Positive coverage included:
 - More illegal gaming machines being seized in Haringey and Lewisham as part of a series of co-ordinated multi-agency operations supported by the Commission.
 - The Commission warning gaming machine suppliers to ensure they are licensed following police cautions for two men supplying gaming machines via online auction websites.
 - Lotto and scratchcard sales soaring over the festive period with the best equivalent sales for 18 years. There was also the roll out of 10,000 new stand alone scratchcard terminals this year to tap into the growth of scratchcard sales, which have more than doubled in the past eight years.
 - Neutral coverage included:
 - Helen Grant meeting with the five main bookmakers, the Commission and RGSB to discuss plans to aid research into player behaviour and harm minimisation regarding B2 machines.
 - The Commission saying that courtsiding would be unlikely to constitute an offence in Great Britain, following the recent case at the Australian Open.
 - Negative coverage included
 - A couple of articles in Coinslot in which Leslie MacLeod Miller firstly accused the Commission of empire building with the new Gambling Bill stating there was an increasing gap between the over regulation which characterises land-based gambling and gambling provided through remote communication. And secondly expressing that BACTA felt let down by the Commission and DCMS for not providing a modest increase for reel based category D machines.

69. Publications

Chairman's keynote speech - Innovation as a force for good - exploiting technology to secure public confidence

Gaming machine testing strategy - revision 1

Drop and win summary report for November 2013

What constitutes bingo?

Also two e-bulletins and one licensing authority bulletin were published.

- Press Releases

Unlicensed online gaming machine suppliers cautioned

Changes to gaming machine stake and prize limits

More illegal machines seized from the streets of London

Cards on the table for illegal poker clubs

New help note published on gambling advertising

70. There were six PQs:

- How many appeals against refusals of applications for betting shop licences were heard by local authority licensing committees in the last year; and in how many cases the refusal was upheld.
- To ask the Secretary of State for Culture, Media and Sport pursuant to her oral statement on fixed odds betting terminals on 8 January 2014, Official Report, column 378 (1) if, in the event that betting shop operators fail to develop a plan by the end of January 2014 to link players with play in a way that allows a better understanding of player behaviour, she will introduce precautionary player protection; and if she will make a statement;(2) at what level she plans to introduce a cap on voluntary limits for stakes on FOBT machines; and if she will make a statement;(3) what steps she is taking to ensure that the review of B category gaming machines by the Responsibility in Gambling Trust has the data required to make recommendations on stakes and prizes; and if she will make a statement;(4) how she plans to assess whether precautionary player protection proposals are likely to reduce harm from gambling on FOBT in betting shops; and if she will make a statement.
 - What assessment she has made of the level of online gambling problems?
 - Has she agreed any voluntary scheme for improved player protection with betting companies; and if she will make a statement?

Websites

71. During January the Commission website was visited 38,134 time. This has increased by 22% since December, and by 10% on November's figures. As mentioned last month, the low figures during November and December are a year-on-year trend that can be attributed to the Christmas period. On average over the last five years, the percentage increase in visitors between December and January has averaged at around 26%.
72. It is also worth noting that the Canbet complaint FAQ on the website received 2,479 page views alone in January. 83% of these page views by new visitors to the page – this indicates only 16% of visitors were coming back to the FAQ for an update on the situation.
73. The 2,479 page views for this FAQ will have contributed to the spike in visits to the website during the period. 63% of visitors to this webpage exited the website from there, which suggests their visit was purely to obtain an outcome on the Canbet situation.
74. Areas on the website that received the lowest feedback ratings this month include 'Contact us,' gaming machines and lottery FAQs. The 'Contact us' poor ratings can possibly be attributed to the Canbet issue if visitors are not feeling satisfied with the present situation. Further investigation into the poor ratings for the gaming machine and lottery sector FAQs will be completed this month to establish improvements that can be made.

Twitter

75. In January, of the 391 mentions of Gambling Commission, 15% were positive (showed us in a good light or reinforced our messages), 10% were negative and 75% were neutral.
76. In November and December there were 2,692 mentions of Gambling Commission - 67% were positive, 1% were negative and 32% were neutral.
77. This drop in positive sentiment and rise in negative sentiment can be explained by the following:
 - In November and December there were a very large number of match fixing stories which showed us in a positive light - they sent the message 'the Gambling Commission is highly involved in tackling match fixing)
 - In January our reputation suffered because of two main issues – unhappy Canbet customers and stories about 'British ISPs rejecting a request by the UK Gambling Commission to insert warning pages on gambling websites'

LinkedIn

78. We continue to work on our LinkedIn groups - 'The Gambling Commission, licensing officers and licensing authorities' and 'Keeping Money Laundering out of Casinos'.
79. 'The Gambling Commission, licensing officers and licensing authorities' group numbers have increased from 71 to 101 between 1 January and 1 February, representing a 43% increase.
80. Our Keeping Money Laundering out of Casinos group numbers has remained static at 22. Although we will continue to work on this, we should remember there is very strong competition in this field – for example, the AML group has 24,500 members.

Appendix B - Complex casework

1. **[Exempt information under section 31 of the Freedom of Information Act]**
2. **[Exempt information under section 31 of the Freedom of Information Act]**

Canbet

1. The Commission has continued to receive complaints (300+) and Freedom of Information requests (6) from customers who are still waiting to receive payments from Canbet. The case is a difficult one as we are balancing the risks to the licensing objectives against the possible impact that any action the Commission takes against Canbet may have on its customers, given that suspension or revocation of the operating licence is highly likely to result in the company closing and customers having no chance of being repaid.
2. Since we became aware of Canbet's problems in November last year, we have kept in close touch with the company whilst they try to resolve matters. During that period the Commission has received some assurances about Canbet's financial circumstances, most recently in a report from the company's Group Auditor, dated 24 January 2014. In that report the Group Auditor confirmed that the iGAS group, of which Canbet is part, has assets to more than meet their liabilities. The company had hoped to receive funding to enable it to relaunch its site but it has just gone into liquidation and written to creditors explaining it hopes to repay them shortly.
3. **[Exempt information under section 31 of the Freedom of Information Act]**

Newham judicial review

4. The London Borough of Newham have been granted permission to judicially review the decision of the District Judge when he allowed Power Leisure's (Paddy Power) appeal against Newham's refusal to grant them a premises licence.
5. The issue raised in the claim was a narrow one, namely whether the District Judge erred in law when he held that the Claimant, as a licensing authority, could not take account of the principle of primary gambling activity when considering a premises licence application. In response, Power Leisure attempted to broaden the scope of the review into a much wider review of primary gambling activity as a concept. The ABB were also granted permission to intervene in the case.
6. There was a directions appointment on 12 February to consider Power Leisure's application to broaden the issues under consideration and the clarify the extent of the ABB's involvement. At the outset of the hearing, and at the judge's prompting, Newham adopted the Commission's version of the declaration sought, which narrows the issues quite a lot. In the light of that Power Leisure's application to vary the directions to require a definition of PGA was refused. The ABB will be allowed to make written reps, but not serve evidence or make oral representations at the substantive hearing.
7. The ABB must file their detailed grounds within 21 days, but the first 14 are really to allow the parties to see if a declaration can be agreed.
8. If the case needs to proceed the Commission has 14 days after receipt of the ABB's grounds to respond.

9. **[Exempt information under section 31 of the Freedom of Information Act]**
10. **[Exempt information under section 30 of the Freedom of Information Act]**
11. **[Exempt information under section 31 of the Freedom of Information Act]**
12. **[Exempt information under section 31 of the Freedom of Information Act]**
13. **[Exempt information under section 31 of the Freedom of Information Act]**

Venue Gaming (Appeal to the First-tier Tribunal)

14. The appeal has been stayed with the agreement of both parties. On 5 March 2014 the appeal will be treated as withdrawn and the revocation of the licence will take effect once again.
15. **[Exempt information under section 31 of the Freedom of Information Act]**
16. **[Exempt information under section 31 of the Freedom of Information Act].**