Title: Final Proposals for changes to Gambling Commission fees from 1st October 2021 **IA No:** DCMS21001 **RPC Reference No:** N/A **Lead department or agency:** Department for Digital, Culture, Media and Sport **Other departments or agencies:** Gambling Commission	
Summary: Intervention and Options	**RPC Opinion:** N/A

Cost of Final Policy Position (in 2019 prices)			
Total Net Present Social Value	**Business Net Present Value**	**Net cost to business per year**	**Business Impact Target Status**
0	-13.6	4.7	

What is the problem under consideration? Why is government action or intervention necessary?

The Gambling Act 2005 gives the Secretary of State for Digital, Culture, Media and Sport the power to make regulations setting fees to be paid to the Gambling Commission for operating and personal licences. The fees enable the Commission to recover the full costs of delivering its responsibilities. The amounts organisations pay in fees should reflect the costs that the Commission incurs in carrying out its functions in respect of those gambling activities. The Commission has forecast that it needs to increase income by around £4.3m p.a. by 2023-24 in order to recover its regulatory costs and be able to regulate the industry effectively and continue to evolve to keep pace with the challenges it faces.

What are the policy objectives of the action or intervention and the intended effects?

In accordance with requirements of HM Treasury as set out in Managing Public Money (July 2013), the amounts individuals and organisations pay in fees should reflect the costs that the Commission incurs in carrying out its functions in respect of those gambling activities. Fees should therefore be set at a level to recover the Commission's reasonable costs in regulating the gambling market in accordance with its statutory functions. The preferred policy option will achieve this with fees to be set in accordance with the 2005 Act, and at a level that enables the Commission to recover the full costs of delivering its responsibilities, while ensuring fairness and value for money for the gambling industry.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

- **Option 1 (Do nothing):** Under Option 1 the existing fee level would be maintained, with a 2% efficiency saving made by the Commission. There would be no cost to industry under this option.
- **Option 2:** Under Option 2 the fee level would be increased to allow the Commission to maintain its current level of activity, with a 2% efficiency saving made by the Commission.
- **Option 3:** Final policy position - Increase fees to allow the Commission to maintain its current level of activity, respond to the challenges faced by the industry and maintain reserves, using best current estimates for forecast cost and 7% efficiency savings.
- **Option 4:** Increase fees to allow the Commission to maintain its current level of activity, respond to the challenges faced by the industry and maintain reserves, using the highest estimates for forecast cost and 7% efficiency savings.

For each of options 2, 3 and 4, all fees would be increased in October 2021 other than annual fees for non-remote operators which would be increased in April 2022. Option 3 is the final policy option as it allows the Commission to effectively regulate the gambling industry, maintain a prudent level of reserves (and repay the GIA loan received in 2020-21) and adequately respond to the three challenges facing the industry.

Will the policy be reviewed? It be reviewed. **If applicable, set review date:** /

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible : Date: 10/05/2021

Summary: Analysis & Evidence

Policy Option 2

Description: Under Option 2 the fee level would be increased to allow the Commission to maintain its current level of activity, with a 2% efficiency saving made by the Commission.

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	**PV Base Year** 2020	**Time Period Years** 3 years	**Net Benefit (Present Value (PV)) (£m)**		
			Low: N/A	**High: N/A**	**Best Estimate: 0**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	N/A		N/A	**0**
High	N/A		N/A	**0**
Best Estimate	0		2.5	**7.3**

Description and scale of key monetised costs by 'main affected groups'

The fee level would be increased to allow the Commission to maintain the current level of activity, with a 2% efficiency saving made by the Commission. There will be no transition costs but familiarisation costs for the whole industry under this option are added to the total costs to industry. Costs to the industry are measured as incremental fee income above the income gained under the existing fee level. Strictly speaking, fees are an income transfer, however the additional fee income will be spent by the Commission on resources to regulate the industry (a real economic cost). This monetised cost will fall directly on clearly identifiable businesses – the holders of gambling operating licences.

Other key non-monetised costs by 'main affected groups'

There are no non-monetised costs

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	N/A		N/A	**0**
High	N/A		N/A	**0**
Best Estimate	0		2.5	**7.3**

Description and scale of key monetised benefits by 'main affected groups'

Reflecting the fact that fees are a transfer of income, the monetised cost to industry of the additional fee income will be the same value as the monetised 'benefit' to the Commission and enables the Commission to regulate the industry.

Other key non-monetised benefits by 'main affected groups'

The option allows the Commission to deliver the activities set out in Table 5 that are required to regulate the industry effectively, which produces benefit to gambling consumers and wider society. Compared with the 'do nothing' option, this benefit comprises reduced gambling-related harm, increased fairness and openness and a reduction of crime in gambling. We do not have sufficient information to monetise these benefits, although we are working to improve the way we assess the impact of our work.

Key assumptions/sensitivities/risks	**Discount rate (%)**	3.5%

The data on licence holders is based on the cohort from 20/21 and assumes they will retain the same products on their licences but will vary up or down to the appropriate categories based on their forecast GGY for 21/22 from their next anniversary date. It then applies a 4% reduction in fee income across the board to reflect surrenders/variations downwards normally experienced each year. The amount of income the Gambling Commission gets from application fees is volatile and it is difficult to predict the number of applications it will get in the future. However, it does make forecasts of application numbers in its modelling to understand both the expected income from them and the expected costs associated with them. It has assumed variations and Change of Corporate Controls will stay at broadly the same levels as it has seen in 20/21. The model assumes no pay inflation and 1.5% non pay inflation for 21/22 and uses a 1.5% annual pay inflation and a 1.5% non-pay inflation thereafter.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target (qualifying provisions only) £m:**
Costs: 2.5	**Benefits: 2.5**	**Net: 0**	7.3

Summary: Analysis & Evidence — Policy Option 3

Description: Final proposal - Increase fees to allow the Commission to maintain its current level of activity, respond to the challenges faced by the industry and maintain reserves, using best current estimates for forecast cost and 7% efficiency savings

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	**PV Base Year** 2020	**Time Period Years** 3 years	**Net Benefit (Present Value (PV)) (£m)**		
			Low: N/A	**High: N/A**	**Best Estimate: 0**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	N/A		N/A	**0**
High	N/A		N/A	**0**
Best Estimate	0		4.7	**13.6**

Description and scale of key monetised costs by 'main affected groups'

The fee level would be increased to allow the Commission to maintain the current level of activity, respond to the challenges faced by the industry and maintain reserves, using best current estimates for forecasted cost and 7% efficiency savings. There will be no transition cost but familiarisation costs for the whole industry under this option are added to the total costs to industry. Costs to industry are measured as incremental fee income above the income gained under the existing fee level. Strictly speaking, fees are an income transfer, however the majority of the additional fee income will be spent by the Commission on resources to regulate the industry (a real economic cost). Under this option a proportion of the additional income will be used to maintain reserves which is arguably a pure transfer, but one that has become necessary as a result of past expenditure exceeding income. This monetised cost will fall directly on clearly identifiable businesses – the holders of gambling operating licences.

Other key non-monetised costs by 'main affected groups'

There are no non-monetised costs.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	N/A		N/A	**0**
High	N/A		N/A	**0**
Best Estimate	0		4.7	**13.6**

Description and scale of key monetised benefits by 'main affected groups'
Reflecting the fact that fees are a transfer of income, the monetised cost to industry of the additional fee income will be the same value as the monetised benefit to the Commission. This benefit enables the Commission to regulate the industry.
1 **Other key non-monetised benefits by 'main affected groups'**
The option allows the Commission to deliver the activities set out in Table 5 which are required to effectively regulate the industry, which produces a benefit to gambling consumers and wider society. Compared with the 'do nothing' option, this benefit comprises reduced gambling-related harm, increased fairness and openness and a reduction of crime in gambling. The option also allows the Commission to respond to the key challenges the Commission is facing which include increased technological developments, changes in the size and shape of the market and increasing risks associated with unlicensed operators. This produces additional benefit above the level achieved by delivering the activities set out in Table 5.

Key assumptions/sensitivities/risks **Discount rate (%)**	3.5%
The data on licence holders is based on the cohort from 20/21 and assumes they will retain the same products on their licences but will vary up or down to the appropriate categories based on their forecast GGY for 21/22 from their next anniversary date. It then applies a 4% reduction in fee income across the board to reflect surrenders/variations downwards normally experienced each year. The amount of income the Commission gets from application fees is volatile and it is difficult to predict the number of applications we will get in the future. However, it does make forecasts of application numbers in its modelling to understand both the expected income from them and the expected costs associated with them. It has assumed variations and Change of Corporate Controls will stay at broadly the same levels as it has seen in 20/21. The model assumes no pay inflation and 1.5% non-pay inflation for 21/22 and uses a 1.5% annual pay inflation and a 1.5% non-pay inflation thereafter. 2	

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 4.7	Benefits: 4.7	Net: 0	13.6

Summary: Analysis & Evidence

Policy Option 4

Description: increase fees to allow the Commission to maintain its current level of activity, respond to the challenges faced by the industry and maintain reserves, using the highest estimates for forecast cost and 7% efficiency savings

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2020	Time Period Years 3 years	Net Benefit (Present Value (PV)) (£m)		
			Low: N/A	**High: N/A**	**Best Estimate: 0**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	N/A		N/A	**0**
High	N/A		N/A	**0**
Best Estimate	0.		5.5	**15.8**

Description and scale of key monetised costs by 'main affected groups'
Fee levels would be increased to allow the Commission to maintain the current level of activity, respond to the challenges faced by the industry and maintain reserves, using highest estimates for forecasted cost and 7% efficiency savings. There will be no transition cost but familiarisation costs for the whole industry under this option are added to the total costs to industry. Costs to industry are measured as incremental fee income above the income gained under the existing fee level. Strictly speaking, fees are an income transfer, however the majority of the additional fee income will be spent by the Commission on resources to regulate the industry (a real economic cost). Under this option a proportion of the additional income will be used to maintain reserves which is arguably a pure transfer, but one that has become necessary as a result of past expenditure exceeding income. This monetised cost will fall directly on clearly identifiable businesses – the holders of gambling operating licences.
Other key non-monetised costs by 'main affected groups' There are no non-monetised costs.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	N/A		N/A	**0**
High	N/A		N/A	**0**
Best Estimate	0		5.5	**15.8**

Description and scale of key monetised benefits by 'main affected groups'
Reflecting the fact that fees are a transfer of income, the monetised cost to industry of the additional fee income will be the same value as the monetised benefit to the Commission. This benefit enables the Commission to regulate the industry.
3 **Other key non-monetised benefits by 'main affected groups'** The option allows the Commission to deliver the activities set out in Table 5 which are required to effectively regulate the industry, which produces a benefit to gambling consumers and wider society. Compared with the 'do nothing' option, this benefit comprises reduced gambling-related harm, increased fairness and openness and a reduction of crime in gambling. The option also allows the Commission to respond to the key challenges which include increased technological developments, changes in the size and shape of the market and increasing risks associated with unlicensed operators This produces additional benefit above the level achieved by delivering the activities set out in Table 5. The Commission would have greater assurance that regulatory activities can be carried out by using the highest cost estimates, while delivering 7% efficiency savings.

Key assumptions/sensitivities/risks **Discount rate (%)**	3.5%
The data on licence holders is based on the cohort from 20/21 and assumes they will retain the same products on their licences but will vary up or down to the appropriate categories based on their forecast GGY for 21/22 from their next anniversary date. It then applies a 4% reduction in fee income across the board to reflect surrenders/variations downwards normally experienced each year. The amount of income the Commission gets from application fees is volatile and it is difficult to predict the number of applications it will get in the future. However, it dowa make forecasts of application numbers in its modelling to understand both the expected income from them and the expected costs associated with them. It has assumed variations and Change of Corporate Controls will stay at broadly the same levels as it has seen in 20/21. The model assumes no inflation on pay for 21/22 and a 1.5% annual pay inflation and a 1.5% non-pay inflation for 22/23 and 23/24. 4	

BUSINESS ASSESSMENT (Option 4)

Direct impact on business (Equivalent Annual) £m:			**Score for Business Impact Target (qualifying provisions only) £m:**
Costs: 5.5	**Benefits: 5.5**	**Net: 0**	15.8

Evidence Base

Introduction

1. The Gambling Act 2005 (‘the 2005 Act’) gives the Secretary of State for Digital, Culture, Media and Sport (‘the Secretary of State’) the power to make regulations setting fees to be paid to the Gambling Commission (‘the Commission’) for operating and personal licences. These fees are set in accordance with the 2005 Act, with HM Treasury’s rules and guidance on fees, levies and charges, and at a level that enables the Commission to recover the full costs of upholding the Gambling Commission Licensing Objectives (‘Licensing Objectives’), while ensuring fairness and value for money for the gambling industry. These fees do not cover the costs of the Commission regulating the National Lottery – this activity is funded separately via grant-in-aid. The Licensing Objectives are:

    - Ensuring gambling is kept free from crime and disorder

    - Ensuring gambling is conducted in a fair an open way

    - Protection of children and vulnerable adults.

2. Fees are set on a banded basis by sector or licence type (e.g. bingo, casinos, betting etc), and by mode of delivery (i.e. remote and non-remote gambling). As well as annual fees the Commission charges application fees to process applications for new entrants to the market (Operating Licence New Applications), or when existing licensees want to make changes to the way they are structured or the activities they offer (Variation Applications), including changes to the operator’s corporate control (Change of Corporate Control Applications).

3. In general terms, fee categories are assigned according to scale, using Gross Gambling Yield (GGY) as a proxy. The smaller the scale of the business, the lower their annual and application fee. Fee categories A to E inclusive represent the non-remote fee bands, with A being the smallest and E being the largest. Fee categories F to M inclusive represent the remote fee bands, with F being the smallest and M being the largest.

4. The overarching principle guiding fee-setting is that the amounts individuals and organisations pay in fees should reflect the costs that the Commission incurs in carrying out its functions in respect of those gambling activities. This is in accordance with the general requirements of HM Treasury as set out in Managing Public Money (July 2013). Fees should therefore be set at a level to recover the Commission’s reasonable costs in regulating the gambling market in accordance with its statutory functions.

Changes from the Pre-Consultation Impact Assessment

5. The consultation on proposals for Gambling Commission fees closed on 26 March 2021. A total of 24 consultation responses were received from trade associations (8), licensed gambling operators (12), a member of the public (1), academics (2) and Peers for Gambling Reform (1).

6. Having reviewed these responses there will be no changes to any of the consultation proposals. The preferred option – Option 3 – is therefore the package that will be implemented as the final policy position.

7. Respondents to the consultation did however raise a number of concerns and requests for clarification on the proposals. The consultation responses document will provide full

details on the Government's response to the points raised, but a summary of those questions and the Government's response is provided in the table below.

Nature of consultation response	Government position in consultation responses document
That DCMS should wait for the outcome of the Gambling Act Review before making any changes to fees in case the scope of the Commission's role changes.	The Commission needs an increase to fees under the current structure to ensure that it is able to regulate effectively now. Any changes made as a result of the Gambling Act Review may take time to come into effect, but the Commission's costs of regulating have already increased, and will increase further in the short term as a result of the challenges set out in the consultation.
Concern from the non-remote sector about fee increases at this time given the challenging year they have had due to Covid, and particularly since the Commission was unable to offer them annual fee refunds when premises were closed.	The consultation proposed delaying the uplift in annual fees for non-remote operators until April 2022 in view of premises closures during Covid. The majority of non-remote operators are required to pay their annual fees in August or September each year, meaning that the new annual fee levels for much of the non-remote industry will not be felt until August 2022. Annual fees are paid on a forward-facing basis for the year ahead rather than charged in arrears. The Gambling Act does not currently allow the Commission to refund fees or to waive the requirement to pay fees, even in the unusual circumstances driven by the COVID-19 pandemic. Although when premises are closed there is some reduction in direct activity (e.g. compliance visits), significant parts of the Commission's work needs to continue, and much of this work is either specific to non-remote sectors or cross-sector, for example responding to queries, compliance/enforcement effort in respect of existing cases, policy development, research and data collection, horizon scanning. The Commission did not (as was suggested in one response) furlough any of its staff during the pandemic and its work continued.
That non-remote fees should not be increased more than the rate of inflation.	The Commission's costs have been increasing since the last review of fees in 2017 due to the increasing complexity of regulatory activity as well as inflation. With the exception of a number of non-remote bingo operators and larger operators in the market, the vast majority of licensees received reductions in annual fees in 2017, and annual fees for certain types of operator, such as most society lotteries and on-course bookmakers, have not increased since 2007. Given the increases in the Commission's costs since 2017, it is no longer possible to hold non-remote fees at their current levels.
A request for more detailed information on how the Commission will spend the additional investment	The consultation explained that the proposed responses to these key challenges are not fixed and will need to evolve over time, and that the estimated additional investment that is required is based on the

it will get from the fees increases	Commission's current knowledge and represents the costs it forecasts it will incur in the short to medium term. However, the Commission needs additional investment now to ensure it has the right skills and expertise to develop and implement solutions to the challenges, and the investment for each challenge would need to focus particularly on the recruitment of specialist staff.
A concern that the fees proposals will result in cross-subsidisation between remote & non-remote sectors	A table showing the Commission's forecast income and forecast costs split by non-remote vs remote sectors has been inserted into the responses document to demonstrate that there is no cross-subsidisation between different channels of gambling.
A request to understand what some respondents perceived to be a "surplus" income position being generated.	Fees are set under the current framework to enable the Commission to be financially sustainable over a number of years. The Commission has forecast a continued deficit for 2020-21 and 2021-22, with additional fee income starting to be received from 2021-22. Its future years' projections include outline investment proposals which will be developed further over the coming 12 to 18 months, and it is expected that additional investments may be required, utilising some of the forecast surplus, to keep pace with a rapidly changing industry. In addition, the Commission needs to be able to respond flexibly and quickly to new emerging challenges, and ensure it has enough reserves to enable it to do so (for example, to legal challenges and other contingencies including overheads such as accommodation).
Suggestion that licensed operators should not pay for the Commission to tackle the black market, and that this should instead be funded by the taxpayer.	It is primarily the licensed gambling industry that benefits from the Commission's work on tackling and suppressing the black market, as this work ensures that consumers gamble with licensed channels rather than with unregulated markets. It therefore remains appropriate for these aspects of the Commission's work to continue to be funded by licence fees.

8. The Commission has however updated its cost and income figures since pre-consultation and these updates are presented in this post-consultation impact assessment. These changes are as follows:

- It has updated costs to reflect its budget figures for 21/22 and latest medium term financial plan.
- Its cost base in budgeting is higher than in its original modelling.
- The Commission has updated its income forecasts based on the industry resilience to the covid pandemic and additional GIA which has been confirmed from DCMS, which has resulted in an improved income forecast.
- Rather than revisit the consultation proposals for changes to licence fees, the Commission has opted to increase the value of its efficiency savings to meet the differences between the original and latest forecasts.

9. These adjustments to the figures have not changed the consultation proposals but provide a more up-to-date representation of the Commission's forecast costs and income.

Problem under consideration and rationale for intervention

10. Table 1 provides an estimate of the costs that the Gambling Commission will incur to effectively regulate the gambling market. It also includes its forecast of post Covid impact income without any fee increases, over the next four years. The difference between the forecast cost and forecast income presents a funding gap.

Table1: Difference between forecast income and forecast costs

Forecast income and forecast costs	Financial year			
	2020-21 £000s	2021-22 £000s	2022-23 £000s	2023-24 £000s
Forecast Expenditure				
Maintaining current levels of activity	20,708	21,287	21,026	21,815
Meeting key challenges	-	300	2,448	2,998
Efficiency savings (7%)	-	-1,246	-1,500	-1,500
Total estimated cost	**20,708**	**20,341**	**21,974**	**23,313**
Forecast Income				
Income from Annual Fees	17,105	15,268	15,421	15,824
Income from Application Fees (Operating & Personal Licence and first annual fees)	1,237	2,349	3,106	3,184
Grant in Aid	873	873	-	-
Other	380	-	-	-
Post-Covid income forecast without any changes to fees	**19,595**	**18,490**	**18,527**	**19,009**
Funding Gap				
Funding Gap - Do nothing option (Maintaining activity, 2% efficiency)	-1,113	-2,582	-2,078	-2,370
Funding Gap (Maintaining activity, 7% efficiency and meeting key challenges)	-1,113	-1,851	-3,447	-4,304

11. The Commission forecasts that without increases in fees it will see a decline in income to around £18.5m p.a. by 2021-22. It has seen a decline in the number of premises-based (non-remote) gambling operators and the rate of growth of online is now slowing. It has also seen merger and acquisition activity in the industry which reduced income. The cost of pension contributions has also increased. The decline in income has been exacerbated by the impact of Covid-19 which has had a significant impact on the gambling industry - notably on the non-remote sector. Although a recovery in non-remote GGY is expected as restrictions are eased, the Commission does not know how quickly this will happen, or to what extent. During this period it does not expect the costs of regulation to reduce significantly, because some of its regulatory costs are not directly proportionate to GGY and during years when levels of activity may fluctuate it is difficult to make significant reductions in its fixed costs within short periods of time.

12. The table shows that the Commission will need to increase its income by around £2.4m p.a. in 2023-24, just to maintain the current level of regulatory activity, less a 2% efficiency saving the Commission is planning on making even without any changes to

fees. In addition, the Commission is forecasting that its costs will increase to around £23.3m by 2023-24. This increase includes a £2.5m (in 2022-23) and £3m (in 2023-24) investment to continue to evolve to keep pace with the challenges facing the industry. Even with the increases in expenditure being partially offset by 7% efficiency savings of £1.5m p.a. (in both 2022-23 and 2023-24). the Commission will need to increase its income by around £4.3m p.a. by 2023-24 to maintain levels of activity and invest to keep pace with industry challenges. The following sections set out more detail on the breakdown of these components.

Key challenges and the extra costs of responding

13. The Commission is experiencing challenges which we expect to grow in significance in coming years and require investment to keep pace with the changing landscape, the challenges include:

Increased technological developments including product and payment innovation.

14. Up to now the Commission has been adapting to keep pace with the changing landscape, and upskilling colleagues. But this can only take the Commission so far. For example, it has been unable to strengthen the organisation with expertise related to digital markets and their regulation and has not been able to fully exploit technology in a way which might significantly increase its impact in key areas, such as the disruption of illegal, online gambling businesses. The Commission needs to continue to evolve to new and emerging risks, including keeping pace with rapid advancements in a dynamic and technology-led industry. The Commission needs to be able to proactively monitor and understand how the industry is deploying technology, and to understand how technology could be used to improve outcomes for consumers.

Changes in the size and shape of the market for example consolidation, more complex organisational structures and more global operators.

15. The operating environment for the gambling industry is becoming increasingly complex and more licensees have international ownerships structures and are providing services in several global markets, including markets where gambling is not explicitly permitted. The Commission needs to invest in people, particularly those with forensic accounting skills, to ensure we can understand the increasingly complex financial arrangements among such ownership and funding structures. The Commission also needs to understand the trends and risks arising from the increasingly global nature of licensed and unlicensed gambling.

The increasing risks associated with unlicensed operators to protect consumers and the industry from 'black market' encroachment.

16. To protect consumers more effectively, the Commission needs to be properly equipped to tackle illegal gambling in a systematic way. This will also protect the licensed market from unfair competition. Dealing with unlicensed operators is becoming more complex as they push the boundaries and find innovative ways to operate. To respond effectively to these risks, the Commission needs access to increasingly sophisticated investigative and technological skills and software, as well as to the use of different disruption techniques, in conjunction with other global agencies. All of which bring additional costs.

17. The proposed responses to these key challenges are not fixed and will need to evolve over time. The estimated additional investment that is required is based on current knowledge and represent the costs the Commission believes it will incur in the short term (over the next couple of years), to begin addressing the key challenges. As the Commission recruits' staff with more specialist technical knowledge, they will form a key role in helping to develop the Commission's longer-term plans and strategic ambitions.

Maintaining its reserves

18. Alongside its fee income the Commission has been drawing on its reserves in recent years, as planned in the last review of fees, but the extent to which they have been drawn on has been higher than anticipated at that time. The reserves will not be sufficient to make this a continuing option for future years.

19. The Commission's needs to maintain its reserves at an appropriate level so that it can adequately respond to unexpected events. This is vital for the Commission to continue to regulate effectively and meet the challenges of a post-Covid gambling industry.

Efficiency savings

20. The Commission has continued to set challenging efficiency targets to ensure it is delivering effective regulation and protecting consumers in the most cost-effective way possible. In the financial year 2020-21, the Commission has delivered activity which it estimates will make between £1.7m and £2m efficiency savings (with the full impact of those savings to be realised in 2021-22), representing nearly 10% of its total operating cost. This will be achieved primarily by implementing a programme of restructuring, reshaping the organisation to ensure it has the right balance of skills and can focus on the areas posing the greatest risk.

21. In addition to these significant savings, the Commission has identified a number of opportunities to make further efficiencies starting in 2021-22. The Commission has a higher cost base for 2021/22 than originally forecast, and it will increase its efficiencies in order to balance its budget. Work is progressing on the proposed efficiency savings below.

- Explore the potential to save on accommodation costs by sharing office space with another organisation. However, the potential for this to generate significant savings may be limited due to an anticipated lower demand for office space in a post-Covid world and they would not be realised until 2022-23 at the earliest.

- Identify more opportunities to modernise processes and digital services to include greater automation and allow for even more self-service.

- Reduce travel and subsistence costs by engaging with stakeholders in more creative ways, such as video conferencing, rather than relying on face-to-face meetings.

22. There is the potential for more ambitious savings in the longer-term, but these will require detailed exploration and discussion with key stakeholders. Despite these delivered and prospective efficiency savings there is still a need for additional income in the short term to allow the Commission to meet the challenges it is facing effectively and deliver its ambitious targets.

23. If the Commission does not gain this additional income it will not be able to regulate the market effectively and uphold its Licensing Objectives. This will likely lead to social costs as a result of:

- gambling being a source of crime, associated with crime, or being used to support crime
- gambling being conducted in an unfair way
- more consumers experiencing harm from gambling, leading to wider social costs as well as private costs to the individuals.

Rationale and evidence to justify the level of analysis used in the IA (proportionality approach)

24. The analyses for the options in this IA draw from the Commission's own financial data, the current levels of licence fees that are prescribed in the Gambling (Operating Licence and Single-Machine Permit) Regulations 2017, and data provided by operators that include the financial performance of their own businesses (eg quarterly or annual reports on their gross gambling yield). This latter information must be provided to the Commission on a routine basis in 'regulatory returns' in accordance with general licence conditions that attach to each operating licence. Therefore, to provide the analyses of impact, it has not been necessary to request any information from licensed businesses in addition to the data that is already provided to the Commission as a matter of course.

Policy objective

25. The overarching principle guiding fee-setting is that the amounts individuals and organisations pay in fees should reflect the costs that the Commission incurs in carrying out its functions in respect of those gambling activities. This is in accordance with the general requirements of HM Treasury as set out in Managing Public Money (July 2013).

26. Fees should therefore be set at a level to recover the Commission's reasonable costs in regulating the gambling market in accordance with its statutory functions. The outcome of the preferred option will achieve this with fees to be set in accordance with the 2005 Act, and at a level that enables the Commission to recover the full costs of delivering its responsibilities, while ensuring fairness and value for money for the gambling industry.

27. It will also allow the Commission to maintain its current level of regulatory activity and respond to the key challenges it faces, which includes responding to: increased technological developments, changes to the size and shape of the market and to the increasing risks associated with unlicensed operators. In addition, it will allow the Commission to maintain its reserves and repay GIA loans.

Description of options considered

28. As set out above the problem under consideration is that the Commission expects its future costs to be higher than its income. Table 2 below sets out the options that we have considered to rectify this and a description of what this means for the fee level.

29. Fees are prescribed by the Secretary of State who has the power to make regulations setting fees to be paid to the Commission, so we do not consider voluntary options for increasing fees.

30. Under all options we aim to deliver efficiency savings to absorb inflation (approximately at 2%). However, Options 3 and 4 assume that we will achieve a more ambitious efficiency saving of 7%.

Table 2: Options and descriptions

Options	Description of change on fee level
Option 1 (Do nothing/Base Case)	• Maintain existing fee level • 2% efficiency saving made by the Commission
Option 2	• Increase fees to allow the Commission to broadly maintain its current level of activity • 2% efficiency saving made by the Commission • All fees would be increased in October 2021 other than annual fees for non-remote operators which would be increased in April 2022.
Option 3 (Preferred option)	• Increase fees to allow the Commission to broadly maintain its current level of activity. • Respond to the challenges faced by the industry • Maintain reserves • Using current best estimates for forecasted cost • 7% efficiency saving made by the Commission • All fees would be increased in October 2021 other than annual fees for non-remote operators which would be increased in April 2022.
Option 4	• Increase fees to allow the Commission to broadly maintain its current level of activity, • Respond to the challenges faced by the industry • Maintain reserves • Using the highest estimates for forecasted cost • 7% efficiency savings made by the Commission. • All fees would be increased in October 2021 other than annual fees for non-remote operators which would be increased in April 2022.

Summary and final proposed policy position with description of implementation plan

31. **Option 3 is the final proposed option** after consultation. It requires fees to increase to a level which allows the Commission to maintain its current level of activity, keep pace with the challenges facing the industry and maintain its reserves. This option uses current best estimates for forecasted costs and a more ambitious 7% efficiency saving made by the Commission. In that sense, it is a comparatively higher risk option for the Commission when compared with option 4.

32. The intention is that the fee increases with each option would come into effect in October 2021, other than the annual fee increases for non-remote operators which would come into effect in April 2022. Explanations of the fee changes associated with **Option 3** are set out below.

<u>Annual Fees</u>

33. The largest increases in annual fees would be for remote operators (other than gaming machine technical and lottery operators) and gambling software businesses because it is predominantly these types of licensees that are driving the increased regulatory burden.

Annual fees for most remote operating licences and for all gambling software licences will increase by 55%.

34. There will be increases to non-remote fees to reflect the increasing costs of maintaining current activity levels and the elements of the challenges that are relevant for the non-remote sector e.g. product and payment innovation. Annual fees for most non-remote operating licences will increase by 15%, but, to reflect the particular challenges faced by the land-based sector over the past year due to the Covid-19 pandemic, the implementation of the uplift for non-remote annual fees will be in April 2022.

Increasing fees for RNG and host licences

35. A composite fee arrangement was introduced in 2009 for remote licences that rely on random number generator (RNG) software, namely those licences that combine any two or three of the virtual event betting, bingo and/or casino licences. A similar arrangement applies to licences that combine any two or three of the remote casino (game host), bingo (game host) and/or virtual event betting (host) licences. Under this composite fee arrangement, a licensee pays a principal amount based on the total GGY generated from those activities; and also pays a flat additional annual fee for the second and/or third licence activities on that combined licence.

36. These additional flat fees recognise that there is a residual level of complexity in regulating different types of RNG-based product. However, given the increasingly innovative nature of gaming and virtual betting product development, and the challenges posed by these products to the regulatory framework (for example, the need to consider whether any given product would meet the legal definitions of either 'gaming' or 'betting', or indeed whether a product would be caught as 'gambling' at all), we proposed to increase these flat fees. The table below sets out these increases in the flat fees that will come into effect from October 2021.

Table 3: Increases in flat fees for RNG and host licences

Increase fees for RNG and Host licenses	Original flat fee	New flat fee
Virtual event betting, bingo and/or casino (RNG)		
Combines two of the activities	£2,500	£5,000
Combines all three activities	£5,000	£10,000
Virtual event betting host, bingo game host and/or remote casino game host		
Combines two of the activities	£1,875	£3,750
Combines all three activities	£3,750	£7,500

Annual fees discounts

37. Currently, licensees who have any other type of combined licence (i.e. either a non-remote or a remote licence that includes two or more different types of licence activity) receive a 5% annual fee discount on all of those licenced activities except for the activity that attracts the highest individual annual fee. These discounts were originally intended to reflect assumed efficiencies from regulating combined licensees.

38. For example, for a non-remote licence that combines casino, bingo and betting licence activities, the casino element of that licence (which attracts the highest annual fee of the three) would receive no discount on the annual fee payable for a non-remote casino

licence of that fee category; but the bingo and betting licence activities (attracting lower annual fees than the casino element) would be subject to 5% discounts on the usual annual fees payable for those types of licence.

39. In addition to (and separate from) any discounts applied to a non-remote or a remote combined licence, a further 5% discount is applied to both operating licences in circumstances where a licensee holds both a non-remote and remote licence (i.e. a discount for dual licences) – again reflecting assumed efficiencies.

40. The Commission has considered the effort involved in regulating licensees with combined and dual licences. The regulatory costs incurred from such licensed entities are no less than the costs of regulating separate entities or activities.

41. The 5% discounts for both combined and dual licences will be removed, meaning the licensees with combined or dual licences will instead pay 100% of the annual fee payable for each of the activities for which they are licensed. These discounts will be removed from fees regulations in October 2021.

First annual fees discounts

42. First annual fees are the annual fee amounts payable by new licensees for their first year of being licensed, in contrast to the usual annual fees payable in the second and subsequent years after being licensed.

43. First annual fees are subject to a 25% discount on the full annual fee amount that would otherwise be payable. On top of that 25% discount, there is currently an additional 5% discount on first annual fees where they have been granted a combined operating licence.

44. The 5% discount described above will also be removed in respect of first annual fees payable, where licensees have been granted a combined licence. These discounts will be removed from fees regulations in October 2021. However, the initial 25% discount for all first annual fees, including for combined licences, will remain in place. It is consistent with the Commission's regulatory costs to retain that 25% discount as there is a reduced level of regulatory work that needs to be undertaken in respect of the licensees' first year of operation.

Society lotteries

45. The highest fee categories for society lottery licences currently allow a society to generate any amount of proceeds greater than £500,000 per annum, subject to the statutory maximum limits on aggregate proceeds a society can generate in a calendar year (by virtue of s.99 of the Gambling Act), without incurring any higher annual fees.

46. Until recently, a single society lottery could only generate aggregate proceeds up to a £10m per calendar year statutory limit. But in view of the Government's amendment this year, increasing that limit to £50m, the Commission needs to ensure that it can recover its regulatory costs from society lotteries whose proceeds may grow far in excess of the previous limits (bringing a commensurate increase in risk and regulatory cost). This increase in the proceeds limit creates a risk to the Commission's income. This is because it affords an opportunity for some society lotteries, trading under a common brand, to rationalise their licences, where it is no longer necessary to hold multiple licences to comply with the proceeds limits. If such rationalisation occurs, the Commission's income would decrease without a commensurate reduction in the level of

regulatory effort required. A number of additional fee categories will therefore be added to both the non-remote and remote society lottery licences, with higher fees for those societies that might generate greater than £10m per annum.

External lottery managers (ELMs)

47. The Commission has also reviewed both the regulatory costs it incurs from ELMs and the existing fees structure for that type of operator. The highest fee categories for ELMs currently allow such operators to manage any amount of lottery proceeds greater than £10m per annum, although a handful of ELMs currently manage lotteries that collectively generate far more than this amount.

48. The Commission needs to ensure that it recovers its regulatory costs fully and more proportionately from ELMs, in particular from the small number of ELMs who between them manage around 80% of the proceeds generated by all licensed society lotteries. The increase to the statutory proceeds limit for society lotteries will mean that the scale of the proceeds being managed by ELMs is now able to increase, risking a reduction in the income received by the Commission unless fees are increased for ELMs, and additional fee categories added for the largest such operators.

49. In addition to introducing additional fees and fee categories for larger society lottery licences, there will also be additional fee categories at the top end for both the non-remote and remote ELM licences, with higher fees for ELMs that manage greater than £10m proceeds per annum.

50. Overall, the Gambling Commission estimates these changes will lead to increases in operating licence annual fees between 15% and 21% for most non-remote licensees who remain in the same fee band (and for most licensees that hold both a non-remote and remote gaming machine technical, society lottery or external lottery manager licence). There will be increases in operating licence annual fees between 55% and 72% for all other remote licensees and all gambling software licensees. Annual fee increases for remote licences will come into effect from October 2021, but annual fee increases for non-remote licences will come into effect from April 2022.

51. We estimate that if these proposals were implemented, the total annual fees payable by the gambling industry, as a percentage of industry GGY (excluding the National Lottery), would be 0.22% of GGY.

- For the largest businesses in the gambling market (company groups that include a number of individually licensed major operators), the proposed annual fees would represent between 0.1% and 0.2% of the annual GGY generated by those businesses.
- For medium-sized non-remote operators (such as bookmakers, arcades and bingo operators generating around £10m GGY per annum and trading from a handful of premises either regionally or nationally), and medium-sized remote operators (such as online casinos generating around £30m GGY per annum), the proposed annual fees would represent around 0.4% to 0.5% of their annual GGY.
- For a small non-remote operator trading from single premises and generating around £200k GGY per annum, the proposed annual fees would represent around 0.8% to 1% of their GGY.
- For a smaller online casino and bingo operator generating around £2m GGY per annum, the proposed annual fees would represent around 1.5% to 1.8% of their GGY.

52. We do not expect the proposed fee increases to present such a burden to licensees that they would cause any operator to consider leaving the gambling market. Online gambling GGY data, gathered by the Commission since the start of the Covid pandemic and which covers 80% of the online market, demonstrates that online GGY (from casino, slots, virtual betting and sports betting) has consistently been notably higher than pre-pandemic levels, save for a brief dip on betting last spring when there was no tier 1 football. These trends are borne out by financial performance reports recently released by some remote gambling businesses which point to revenue growth from their online businesses.

53. While gambling premises currently remain closed due to the pandemic, the proposals would defer the implementation of annual fee increases for all non-remote operators until April 2022 (and as most non-remote operators pay their annual fees in August or September, in practice this proposed delay would mean that most non-remote operators would not experience those annual fee increases until August 2022). In addition, operators can apply to the Commission to reduce their fee categories (and pay lower annual fees) if their projected GGY for the forthcoming licence anniversary period is lower than that permitted by their current fee category.

54. For these reasons, the annual fee increases are not expected to present any notable financial risks to gambling businesses.

Application fees

55. As set out previously, fees should be cost reflective of the regulatory burden the licensed activity poses. The Commission charges application fees to process applications for new entrants to the market, or when existing licensees want to make changes to the way they are structured or the activities they offer (an application to vary a licence). Some of the challenges facing the Commission have an impact on the costs of processing applications, particularly the shift towards more complex and global organisations.

56. Overall, for operator licences the Commission is under recovering its costs from application fee income. Most cases are straightforward (standard) with a small proportion that are complex. Despite this, its analysis shows that it is under recovering its costs of processing standard applications and to a much greater extent on complex applications.

57. For 2020-21, the Commission compared the budgeted costs of processing applications against its current income. It shows that overall, if it did nothing, it would cost the Commission £544k more to process operator applications than it expects to receive in application fee income. The cost allocation includes direct licensing team costs as well as direct costs from other teams across the Commission.

58. It looked at how to ensure overall cost recovery across all operator application types as the ‘change’ and ‘vary’ application types are based, in the main, on a proportion of the new operator application fee. Operator Licence application, Operator Licence Variation and Change of Corporate Control fees will therefore increase by 60% from October 2021 to reflect the increasing costs the Commission is incurring through processing applications.

Monetised and non-monetised costs and benefits of each option (including administrative burden)

59. In this section we estimate the costs to businesses for each of the four options outlined in Table 2. The section subsumes the ‘direct costs to business’ section as the nature of the gambling operator licence fee (application and annual) is such that the vast majority of costs fall directly on clearly identifiable businesses – the holders of gambling operating licences.

Transition and familiarisation costs

60. There will be a familiarisation cost associated with increased fee levels for all operators. For the purposes of this impact assessment, we assume that this is in the form of time spent in reading and understanding the communications on the new fee levels. This will be across all 4,181 operators in scope of the changes.

61. We do not anticipate this familiarisation cost would be significant for operators as it will not involve any changes to systems or any form of training (and for clarity, it is therefore expected that no training or system development costs will be incurred by business as part of these changes). Nevertheless, the following analysis takes a precautionary approach and assumes that all operators incur costs for the time necessary to read and understand all communications the Commission provides on the new fee levels.

62. As per our comms plan this will include an email to all operators explaining their new fee level and guidance on the Commission’s website. Using informed estimates based on experience we have assumed that the email would include around 300 words and the website guidance would include around 500 words.

63. In estimating the length of time needed to read the communications we have noted from internet sources of sound provenance that the average reading speed for non-technical text is around 200-250 words per minute, but 50-75 per minute for more technical text.

64. In respect of actual reading time, we have noted that the text on changes in fee level only has limited technical reference. We have therefore assumed an average reading speed of 200 words per minute for this regulatory change, to take account of the nominal effort that would be needed in this area of cost over and above the effort that would have been expended already during the consultation process itself.

65. We therefore estimate that it will take 4 minutes to read both the email (300 words) and website guidance (500 words) using the average reading speed of 200 words per minute. We have also added an additional 4 minutes to account for understanding the guidance, giving an overall time of 8 minutes. Operators would already be aware of the changes as a result of the consultation process. These assumptions are based on the Gambling Commission’s previous experience of the reading costs incurred by operators in respect of regulatory changes it has introduced.

66. Using the ASHE Survey, we extrapolate the hourly gross wage for occupations impacted by the change. Assuming each of the 4181 operators have one of the following employees:
    - Financial manager
    - Financial officer
    - Compliance manager

Occupation	Hourly Wage (Mean)

Financial manager	£38.11
Financial officer	£13.68
Compliance manager	£23.12

67. Using these assumptions, we have calculated the following familiarisation costs for the industry:

Occupation	Number of operators	Number of words	Minutes	Rate (rounded)	Total
Financial manager	4181	800	8	£5.08	£21,245.05
Financial officer				£1.82	£7,626.14
Compliance manager				£3.08	£12,888.63
Total					**£41,759.82**

68. Finally, as per Regulatory Policy Committee guidance, we have applied a 22% uplift on labour costs to account for non-labour costs.

Non-Labour costs: 22% adjustment - final familiarisation cost	**£50,946.98**

69. This means that the total Monetised Familiarisation Cost to the industry is £50,946.98. These familiarisation costs would be borne only in 2021/22 as there are no additional familiarisation costs necessary beyond the first year within which the changes to fees would be made and communicated. These familiarisation costs, which would be the same for each of options 2, 3 and 4, have been added to the total cost to industry under each of these options below**.** There would be no familiarisation costs associated with a 'do nothing' option (option 1).

70. We do not envisage there to be any transition costs under any of the options as the proposals only require a change in the amount of fee paid by the licence holder, which would not require any increased resource on the part of the licence holder to implement. Where the holder of a society lottery or ELM licence generates or manages greater than £10m proceeds per annum, and it is therefore necessary for its licence to be allocated to one of the new higher fee categories that is proposed, the Commission will allocate the operator to one of these new categories (based on the operator's most recently reported annual proceeds) and inform the operator accordingly of the change that has been made. The licensee would not need to apply to the Commission to vary their licence and as such the licensee avoids any transitional or administrative costs in this respect.

Costs and Benefits

71. Costs are measured as incremental fee income above the income gained under the existing fee level (the 'Do nothing' option, which is used as a base case). Strictly speaking, fees are an income transfer, however the majority of the additional fee income will be spent by the Commission on resources to regulate the industry (a real economic cost). Under Option 3 (final policy position) and Option 4 fees will be increased to account for a proportion of the additional income to be used to maintain reserves which is arguably a pure transfer, but one that has become necessary as a result of past expenditure exceeding income.

72. Therefore, the monetised cost to industry will be the same value as the monetised benefit to the Commission, of the change in fee level. We expect there to be no direct

benefits to operators for any of the options as the proposals require fees to increase in all cases.

73. However, we do expect there to be significant benefit to gambling consumers and to the wider society, as a result of the correct fee level. Compared with the ‘do nothing’ option’, this benefit comprises reduced gambling-related harm, increased fairness and openness and a reduction of crime in gambling. It is impossible to monetise these benefits accurately with the data available. But, given the social costs of gambling-related harm, unfairness and crime in gambling we expect any action taken to limit the prevalence or these to have significant positive social benefits.

Option 1 (Do nothing/Base Case)

Costs

74. Under Option 1 the existing fee level would be maintained with the Commission delivering an efficiency saving of 2%, where the Commission will continue to explore opportunities for smarter working, such as video conferencing to continue to reduce travel and subsistence costs, and identify more opportunities to modernise processes and digital services to include greater automation and allow for more self-service. However, as the existing fee levels would be maintained under Option 1, the Commission would continue to experience a year-on-year funding gap. This means it would be unable to invest in any more ambitious programme of modernising processes and services to enable it to achieve efficiencies any greater than 2%.

75. Under this option there would be no cost to industry. The table below provides the total estimated cost to maintain the current levels of activity less the 2% efficiency saving, and the income forecast without any fee changes. Its sets out a funding gap of £2.4m by 2023-24, just to maintain current activity.

Table 4: Forecast income and cost under Option 1

Forecast income and forecast costs (Option 1)	Financial year			
	2020-21 £000s	2021-22 £000s	2022-23 £000s	2023-24 £000s
Maintaining current levels of activity	20,708	21,287	21,026	21,815
Efficiency savings (2%)		-215	-421	-436
Total estimated cost	20,708	21,072	20,605	21,379
Total post Covid income	19,595	18,490	18,527	19,009
Funding Gap	-1,113	-2,582	-2,078	-2,370

Benefits

76. Therefore, under this option the Commission will not be able to maintain its current level of activity required to regulate the industry effectively, which will have a negative impact on consumers and society. The table below sets out the activities that the Commission would no longer be able to undertake under this option, and the resulting impact.

Table 5: Activities the Commission would no longer be able to undertake under this Option 1

Activity Reduction	Impact

Unable to respond quickly or adequately to the recommendations from the Public Accounts Committee (PAC) and House of Lords (HoL) reports	Significant consumer protection impact and potential for increased harm.
Inability to invest in technology and use of big data	This would leave the Commission unable to keep up with the industry and better use the data to improve regulation and identify harm.
Further internal process automation and self-service for licence holders, particularly around licensing and data submissions	The Commission would deliver some modernisation of processes and services but due to a funding gap there would be fewer opportunities to invest in a more ambitious programme. This funding gap would leave it unable to deliver efficiency savings more ambitious than 2%, or redirect resources to more complex cases. It would also be likely to result in a reduction in service to operators and delay in fee income to the Commission due to an increase in the time taken to process new licences or vary an existing one. Better and more timely data submission is key to identifying specific issues.
Compliance and enforcement activity	Significant consumer protection impact and potential for increased harm. Significant impact on our ability to effectively regulate, and a resulting perception amongst the industry that compliance and enforcement would not be followed up. Delays in enforcement in particular can result in key deadlines being missed and enforcement action not being taken. Cases could be lost due to lack of resources to bring, or respond effectively to, legal challenges. We would also have a reduced capability to address emerging illegal online gambling activity and undertake proactive age-related enforcement initiatives.
Slower policy change	Significant consumer protection impact and potential for increased harm. Criticism from external stakeholders, particularly given the recent criticism from PAC and HoL reports regarding speed of response to industry changes.
Reduced research into problem gambling and the scale of associated harms.	Significant consumer protection impact and potential for increased harm. Potential for GC to be perceived as not fulfilling its remit to protect consumers.
Reduced engagement with industry	Missed opportunities to press industry into taking action voluntarily.
Reduced engagement with other regulators internationally	Missed opportunities to share best practice, particularly as many operators are multi-national. It could also weaken our compliance and enforcement responses because of reduced interchange of information.
Reduced corporate services capacity to support recruitment, L&D, budget management, IT support etc.	Potential impact on staff recruitment and retention. This could also increase the costs of the NLC4 programme as it would increase its reliance on external contractors and services.

77. As well as being unable to carry out the activities set out in Table 5, the Commission would also be unable to respond to the key challenges facing the industry and unable to maintain its reserves (or repay any GIA loan).

78. Option 1 is used as the base case scenario, used to measure the impact of the other options against.

Option 2

Costs

79. This option represents a total uplift in fees across the industry of 21%. Under Option 2 the fee level would be increased to allow the Commission to maintain its current level of activity, with the Commission delivering an efficiency saving of 2%, where the Commission will continue to explore opportunities for smarter working, such as video conferencing to continue to reduce travel and subsistence costs and identify more opportunities to modernise processes and digital services to include greater automation and allow for more self-service. However, as Option 2 would only provide fee increases sufficient for the Commission to maintain a steady state, it would continue to experience an overall funding gap until 2023/24. This means it could not invest in any more ambitious programme of modernising processes and services to enable it to achieve efficiencies greater than 2%.

80. The table below provides the total estimated cost to maintain this level of activity less the 2% efficiency savings and the proposed income under this option. There would be a funding deficit in FY 2020-21 and FY 2021-22, however in FY 2022-23 and FY 2023-24 the Commission would be in a funding surplus.

Table 6: Forecast income and cost under Option 2

Forecast income and forecast costs (Option 2)	Financial year			
	2020-21 £000s	2021-22 £000s	2022-23 £000s	2023-24 £000s
Maintaining current levels of activity	20,708	21,287	21,484	22,051
Efficiency savings (2%)		-215	-430	-441
Total estimated cost	20,708	21,072	21,054	21,610
Total proposed fee income	19,595	19,067	21,534	23,059
Funding Gap	-1,113	-2,005	480	1,449

81. Table 7 below sets out the total forecast incremental fee income, given the existing fee level compared with income forecast under Option 2 proposals. This additional income is the cost to the industry per annum under this option.

Table 7: Cost to industry under Option 2

Cost to industry (Option 2)	Financial year			
	2021-22 £000s	2022-23 £000s	2023-24 £000s	Totals
Total fee income using the current fee level	18,490	18,527	19,009	56,026
Total fee income using the proposed fee level	19,067	21,534	23,059	63,660
Cost to industry (fees)	577	3,007	4,050	7,634
Familiarisation costs	51	0	0	51

Total cost to industry	628	3,007	4,050	7,685
Total real discounted cost to industry	628	2,905	3,781	**7,314**

82. Expressed in real, present value terms, (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book) the total cost to industry of Option 2 is £7.3 million (FY19/20 prices), across FY21/22 to FY23/24.

Benefits

83. Reflecting the fact that fees are a transfer of income the monetised 'benefit' to the Commission under Option 2 will be £7.3 million (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book), across FY21/22 to FY 23/24.

84. This option allows the Commission to deliver the activities set out in Table 5 which are required to effectively regulate the industry which produces benefit to gambling consumers and society. However, this option does not allow the Commission to maintain reserves at a prudent level. Also, the Commission would not be able to properly respond to the three challenges we have set out in the proposals, namely:

- Increased technological developments including product and payment innovation.
- Changes in the size and shape of the market partially caused by consolidation, meaning the operators we regulate are increasingly global operators.
- Increasing risks associated with unlicensed operators and the need to protect consumers (and the industry) from 'black market' encroachment.

85. Therefore Option 2 provides some benefit to consumers and society, relative to the base case, but prevents the Commission from tackling detriments we expect to arise from changes in the industry.

Option 3 (Final Policy Position)

Costs

86. Under Option 3 fees will increase to allow the Commission to maintain its current level of activity, respond to the challenges it faces and maintain its reserves (and repay GIA loan), using current best estimates for forecasted cost. Option 3 would also enable the Commission to pursue greater efficiencies than under other options, with a 7% efficiency saving being made. This includes the 2% efficiencies that would be made under Options 1 and 2, plus additional savings, as the income levels associated with Option 3 would enable greater investment in opportunities for modernising processes and digital services, to deliver greater automation and allow for more self-service. This option represents a total uplift in fees across the industry of 42%. All fee levels would increase from October 2021, other than annual fees for non-remote operators which would increase from April 2022.

87. The table below provides the total estimated cost to maintain the current levels of activity, the £2.5m and £3 (in 2022-23 and 2023-24 respectively) additional investment required to adequately respond to the challenges posed by the industry, the 7% efficiency savings (£1.5m p.a.) and the proposed income under Option 3. Similar to Option 2 there will be a funding deficit in FY2020-21 and FY2021-22, however in FY2022-23 and FY2023-24 the Commission will be in a funding surplus.

Table 8: Forecast income and cost under Option 3

Forecast income and forecast costs (Option 3)	Financial year			
	2020-21 £000s	2021-22 £000s	2022-23 £000s	2023-24 £000s
Maintaining current levels of activity	20,708	21,287	21,484	22,051
Meeting key challenges	-	300	2,448	2,998
Efficiency savings (5%)	-	-1,246	-1,500	-1,500
Total estimated cost	20,708	20,341	22,432	23,549
Total proposed fee income	19,595	19,977	24,350	25,892
Funding Gap	-1,113	-364	1,918	2,343

88. Table 9 below sets out the total forecast incremental fee income, given the existing fee level compared with income forecast under Option 3 proposals. This additional income is the cost to the industry per annum under this option.

Table 9: Cost to industry under Option 3

	Financial year			
Cost to industry (Option 3)	2021-22 £000s	2022-23 £000s	2023-24 £000s	Total £000s
Total fee income using the current fee level	18,490	18,527	19,009	56,026
Total fee income using the proposed fee level	19,977	24,350	25,892	70,219
Cost to industry (fees)	1,487	5,823	6,883	14,193
Familiarisation costs	51	0	0	51
Total cost to industry	1,538	5,823	6,883	14,244
Total real discounted cost to industry	1,538	5,626	6,425	**13,589**

89. Expressed in real, present value terms, (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book) the total cost to industry, is £13.6 million (FY19/20 prices), across FY21/22 to FY23/24.

Benefits

90. Reflecting the fact that fees are a transfer of income, the monetised benefit to the Commission under Option 3 will be £13.6 million (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book), across FY21/22 to FY 23/24. This option allows the Commission to deliver the activities set out in Table 5 which are required to effectively regulate the industry.

91. This option also allows the Commission to maintain its reserves at a prudent level, and to respond to the key challenges which are expected to grow in significance in coming years. The proposals under this option will therefore produce consumer and social benefit above the level of maintaining current regulatory activity (Option 2) and the base case. It will allow the Commission to respond to each of the three industry challenges via the following key elements:

- Key elements of its proposed response to increased technological developments:
    i. Increasing number of specialist technical staff including chief technology officer (CTO) and staff with technical and investigative skills
    ii. Begin the development of a smarter way of collecting data from operators

- Key elements of its proposed response to changes to the size and shape of the market:
    i. Increasing number of specialist staff to interrogate and understand complex structures.
    ii. Increased legal capacity to defend our positions
    iii. More staff whose focus is on driving the international agenda.

- Key elements of its proposed response to increasing risks associated with unlicensed operators:
    i. More staff resource to pro-actively and systematically identify the scale of the issue
    ii. Increased legal capacity for prosecutions

Option 4

Costs

92. Under Option 4 fees will increase to allow the Commission to maintain its current level of activity, respond to the challenges it faces and maintain its reserves, using the highest estimates for forecasted cost and estimating a 7% efficiency saving. This represents a total uplift in fees across the industry of 51%.

93. The table below provides the total estimated cost to maintain the current levels of activity, the £3.9m p.a. and £4.7m p.a. (in 2022-23 and 2023-24 respectively) to adequately respond to the challenges facing the industry, 7% efficiency savings (£1.5m p.a.) and the proposed income under Option 4. These figures are all calculated using the highest cost estimates for meeting key challenges. Again, under this option there will be a funding deficit in FY2020-21 and FY2021-22, but in FY2022-23 and FY2023-24 the Commission will be in a funding surplus. Option 4 would also enable the Commission to pursue greater efficiencies than under Options 1 and 2, with 7% efficiencies being made. This includes the 2% efficiencies that would be made under Options 1 and 2, plus additional savings, as the income levels associated with Option 4 would enable greater investment in opportunities for modernising processes and digital services, to deliver greater automation and allow for more self-service.

Table 10: Forecast income and cost under Option 4

Forecast income and forecast costs (Option 4)	Financial year			
	2020-21 £000s	2021-22 £000s	2022-23 £000s	2023-24 £000s
Maintaining current levels of activity	20,708	21,287	21,484	22,051
Meeting key challenges		1,613	3,881	4,746
Efficiency savings (7%)		-745	-1,504	-1,544
Total estimated cost (High estimate)	20,708	22,155	23,861	25,253
Proposed fee income	19,595	19,732	25,041	27,820
Funding Gap	-1,113	-2,423	1,180	2,567

94. Table 11 below sets out the total forecast incremental fee income, given the existing fee level compared with income forecast under Option 3 proposals. This additional income is the cost to the industry per annum under this option.

Table 11: Cost to industry under Option 4

Cost to industry (Option 4)	Financial year

	2021-22 £000s	2022-23 £000s	2023-24 £000s	Total £000s
Total fee income using the current fee level	18,490	18,527	19,009	56,026
Total fee income using the proposed fee level	19,732	25,041	27,820	72,593
Cost to industry (fees)	1,242	6,514	8,811	16,567
Familiarisation costs	51	0	0	51
Total cost to industry	1,293	6,514	8,811	16,618
Total real discounted cost to industry	1,293	6,294	8,225	**15,812**

95. Expressed in real, present value terms, (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book) the total cost to industry, is £15.8 million (FY19/20 prices), across FY21/22 to FY23/24.

Benefits

96. Reflecting the fact that fees are a transfer of income, the monetised benefit to the Commission under Option 4 will be £15.8 million (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book), across FY21/22 to FY 23/24. Similar to Option 2 and Option 3, this option allows the Commission to carry out all the activities required to effectively regulate the industry set out in Table 5 and maintain its reserves. It also allows the Commission to respond to the key challenges which are expected to grow in significance in coming years and require investment to keep pace with the changing landscape.

97. This option will therefore produce consumer and social benefits above the level of maintaining current regulatory activity (Option 2) and the base case. Option 4 also allows the Commission greater assurance that regulatory activities can be carried out by using the highest cost estimates while delivering efficiency savings. This is important in the current uncertain economic climate.

Conclusion

98. Table 12 presents the discounted monetised cost to industry (which equals the monetised benefit to the Commission) and an indication of the level of consumer and wider social benefit under each option.

Table 12: Industry cost and consumer and wider social benefit under each option

Option	Cost to industry (and benefit to the Commission)	Consumer and wider social benefit
Option 1 (Do nothing/Base Case)	£0	There will be a negative impact on consumers and society as the Commission will not be able to deliver the activities required to regulate the industry effectively, including responding effectively to emerging challenges.

Option 2	£7.3 million	There will be limited benefit to consumers as this option would not allow the Commission to respond effectively to emerging challenges. This may result in a negative impact on consumers and society as it prevents the Commission from tackling detriments, we expect to arise from changes in the industry.
Option 3 (Preferred option)	£13.6 million	This option will allow the Commission to effectively regulate the industry, maintain its reserves and keep up with the challenges facing the industry. This will produce consumer and social benefits above the level of maintaining current regulatory activity (Option 2) and the base case
Option 4	£15.8 million	This option will allow the Commission to effectively regulate the industry, maintain its reserves and keep up with the challenges facing the industry (using the highest estimates for forecasted cost). This will produce consumer and social benefits above the level of maintaining current regulatory activity (Option 2) and the base case. Option 4 also allows the Commission greater assurance that regulatory activities can be carried out by using the highest cost estimates while delivering efficiency savings.

99. Option 3 has a higher industry cost than Option 2, however Option 3 will allow the Commission to respond to the key challenges in the coming years and gain the required investment to keep pace with the changing landscape. This will produce consumer and societal benefit in addition to just maintaining current levels of activity. Therefore, Option 3 is the preferred over Option 2.

100. Under Option 4 the Commission has greater assurance that regulatory activities can be carried out by using the highest cost estimates while delivering efficiency savings. However, under this option, the industry would assume a greater financial burden. Option 3 strikes a more appropriate balance between the risk assumed by the Commission, and the financial burden placed on the regulated industry.

101. **Taking all of this into account Option 3 is the final policy position.**

Direct costs and benefits to business calculations

102. It is not expected that there will be any other direct costs or benefits to business in addition to the direct costs associated with the quantum of licence fees payable by each operator and the familiarisation costs, as outlined in the section above. Where a licensed operator either surrenders their licence, or their licence is revoked due to the non-payment of a fee, there are no additional financial costs borne by that business.

Risks and assumptions

103. This section sets out the assumptions used to model the figures in the cost benefit analysis section above.

Modelling annual fee income:

104. Annual fees model the impact of percentage increases to fees in the existing annual fee level and does not allow for new products or changes to GGY band widths.

105. The data on the licence holders is based on the cohort from 2020/21 and assumes that operators will retain the same products on their licences but will vary up or down to the appropriate categories based on their forecast GGY for 2021/22 from their next anniversary date. It then applies a 4% reduction in fee income across the board to reflect surrenders/variations downwards normally experienced each year.

106. Operators are placed in the correct fee category based on their projected annual GGY, in line with the Commission's market impact analysis.

Modelling application fee income:

107. The amount of income we get from application fees is volatile and it is difficult to predict the number of applications we will get in the future. However, we do make forecasts of application numbers in our modelling to understand both the expected income from them and the expected costs associated with them. We have made the following assumptions about application fees in our modelling:

108. For new applications we have taken account of the high-level forecasts that include the impact of Covid for some specific sectors:

- Remote assumptions:
  i. We have forecast remote annual fee income based on the cohort of operators in place in 2020-21.
- Specific remote assumptions:
  i. Assumptions for remote application levels are in line with volumes experienced in 2020/21 which were not significantly impacted by lockdown.

- Non-remote assumptions
  i. We have seen a drop in new applications in 2020-21 relative to previous years as the non-remote industry was impacted by lockdown. Our forecast assumptions for future years reflect this impact as we have assumed that recovery in the non-remote sector will not be immediate.
  ii. As the non-remote industry recovers there is the potential for vacant premises to be occupied by new small businesses or taken over by existing operators.

- B2B supplier assumptions (remote and non-remote)
  i. We have not seen a reduction in 2020-21 application numbers (except for gaming machine suppliers who supply non-remote premises).
  ii. We expect to see new applications at broadly historic levels going forward.

- Lottery assumptions (remote and non-remote, ELM and society)
  i. Lotteries tend to do well in recessions, and we have seen stable activity in this area during 2020-21 so we are forecasting stable numbers of smaller applications going forward.

109. For variations and Change of Corporate Controls we have assumed that they will stay at broadly the same levels as we have seen in 2020-21.

Impact of options 2, 3 and 4 on small and micro businesses (SMBs)

110. Small businesses are defined in the better regulation framework guidance as those employing between 10 and 49 full-time equivalent (FTE) employees. Microbusinesses are those employing between one and nine employees. Using this definition there are currently 1,531 licence holders that can be considered as SMBs.

111. However, in the gambling industry these definitions do not work out as a perfect indicator of small and micro businesses, as there are many examples where businesses have a low number of employees but have a large GGY. We are therefore defining SMB operators as licence holders who sit in the lowest fee categories for the remote and non-remote spaces.

112. In general terms, fee categories are assigned according to scale, using GGY as a proxy. The smaller the scale of the business, the lower the annual and application fee. Fee categories A to E inclusive represent the non-remote fee bands. Fee categories F to M inclusive represent the remote fee bands. Category A is the smallest non-remote fee band (holding 2,095 operators), and category F is the smallest remote fee band (holding 524 operators). The licence holders in categories A and F account for 63% of the total number of licence holders (4,181). Depending on the product, the highest GGY an operator can make in these sub-categories is £5.5million, per annum.

113. The aim of the fees review is to ensure fees remain cost reflective of the regulatory burden. And as it costs the Commission to regulate SMBs, and as the current fees for these licence holders do not reflect the current and expected future costs to regulate them (as with all licence holders), they cannot be exempt from the fee proposals. The impact on SMBs under each of the options 2, 3 and 4 are summarised below.

114. The analysis for each option below presents the impact of the annual fee changes to SMBs (Category A and F licence holders) and examines if there are any disproportionate burdens on small and micro business.

115. The analysis does not include the impact from the change in application fees as all Operator Licence application, Operator Licence Variation and Change of Corporate Control fees will increase by 60%, irrespective of operator size. Therefore, the application fee changes are proportional.

116. Similar to the methodology used to identify the impact on the whole industry, the analysis takes the additional annual fee income gained under the relevant option against the forecasted income given the existing annual fee level. The resulting additional cost is used as a proxy for impact on operators in categories A and F.

Option 2

117. Operators in categories A and F make up almost two-thirds of the number of licence holders, and in Option 2 around 27% of the cost to industry would be borne by these operators.

Non remote – Category A

Table 13: Cost to SMBs (Category A) under Option 2

Category A	Financial year

	2021/22 £000s	2022/23 £000s	2023/24 £000s	Total £000s
Total income (current fee level)	2,534	2,679	2,679	7,892
Total income (proposed fee level)	2,534	2,844	2,953	8,331
Total cost to industry (fees)	0	165	274	439
Familiarisation costs	19	0	0	19
Total costs	19	165	274	458
Total real, discounted cost to industry	19	159	256	**434**

118. Expressed in real, present value terms, (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book) the total cost to Category A would be £0.4 million (FY19/20 prices), across FY21/22 to FY23/24.

Remote – Category F

Table 14: Cost to SMBs (Category F) under Option 2

Category F	Financial year			
	2021/22 £000s	2022/23 £000s	2023/24 £000s	Total £000s
Total income (current fee level)	1,492	1,443	1,443	4,378
Total income (proposed fee level)	1,591	1,867	1,911	5,369
Total cost to industry (fees)	99	424	468	991
Familiarisation costs	7	0	0	7
Total costs	106	424	468	998
Total real, discounted cost to industry	106	410	437	**953**

119. Expressed in real, present value terms, (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book) the total cost to Category F would be £1.0 million (FY19/20 prices), across FY21/22 to FY23/24.

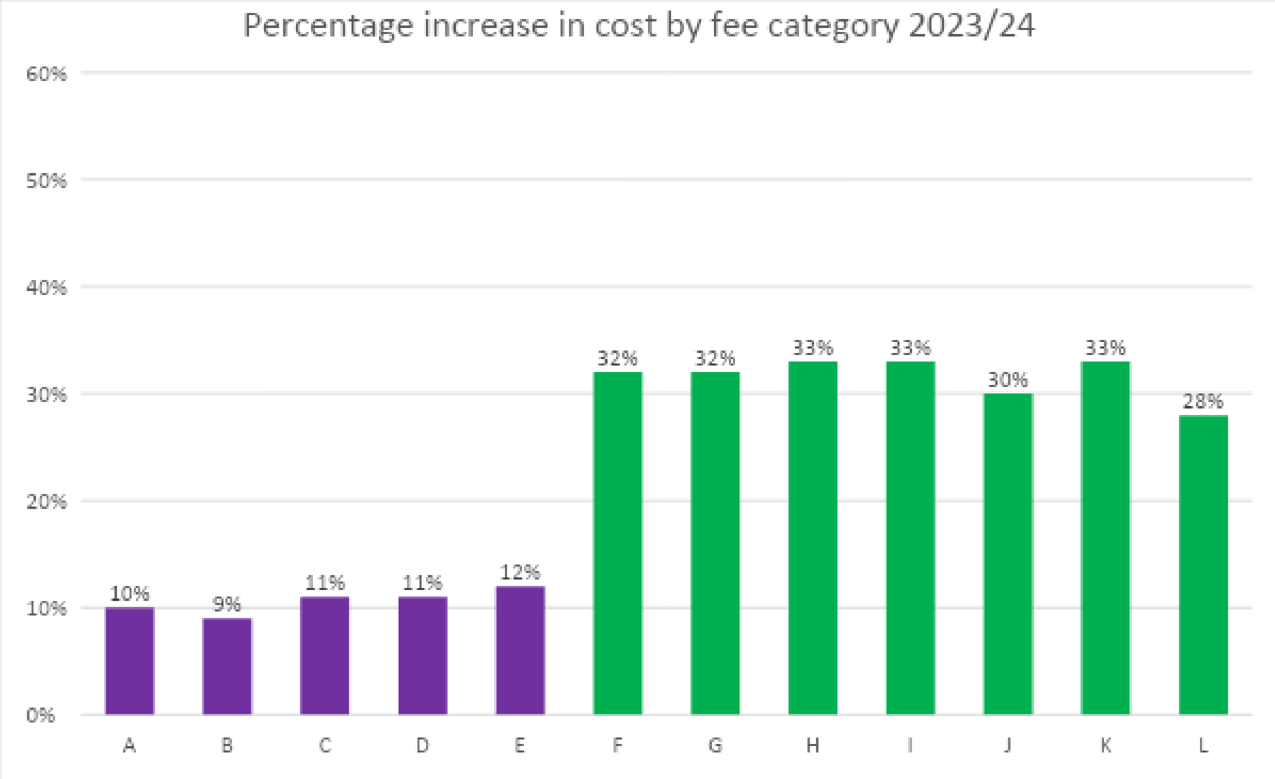

Figure 1: Percentage increase in cost by fee category (Option 2)

120. Figure 1 sets out the percentage increase in cost for all fee categories, forecasted for FY 2023/24, split across all fee categories for Option 2.

121. For non-remote fee categories (A to E) the burden of impact of the fee changes is lower on the smaller fee categories (ie those non-remote businesses with the smallest GGYs would, overall, have the smallest fee increases in percentage terms).

122. For the remote space, the categories differ in percentage increase, with category F incurring a 32% increase overall which is marginally, but not disproportionately, higher than the percentage increases seen by some other remote fee categories.

Option 3

123. Operators in categories A and F make up almost two-thirds of the number of licence holders, and in our preferred option (Option 3) around 26% of the cost to industry would be borne by these operators.

Non remote – Category A

Table 15: Cost to SMBs (Category A) under preferred option (Option 3)

Category A	Financial year			
	2021/22 £000s	2022/23 £000s	2023/24 £000s	Total £000s
Total income (current fee level)	2,534	2,679	2,679	7,892
Total income (proposed fee level)	2,534	2,976	3,197	8,707
Total cost to industry (fees)	0	297	518	815
Familiarisation costs	19	0	0	19
Total costs	19	297	518	834

Total real, discounted cost to industry	19	287	484	**790**

124. Expressed in real, present value terms, (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book) the total cost to Category A is £0.8 million (FY19/20 prices), across FY21/22 to FY23/24.

Remote – Category F

Table 16: Cost to SMBs (Category F) under preferred option (Option 3)

Category F	Financial year			
	2021/22 £000s	2022/23 £000s	2023/24 £000s	Total £000s
Total income (current fee level)	1,492	1,443	1,443	4,378
Total income (proposed fee level)	1,659	2,201	2,283	6,143
Total cost to industry (fees)	167	758	840	1,765
Familiarisation costs	7	0	0	7
Total costs	174	758	840	1,772
Total real, discounted cost to industry	174	732	784	**1,691**

125. Expressed in real, present value terms, (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book) the total cost to Category F is £1.7 million (FY19/20 prices), across FY21/22 to FY23/24.

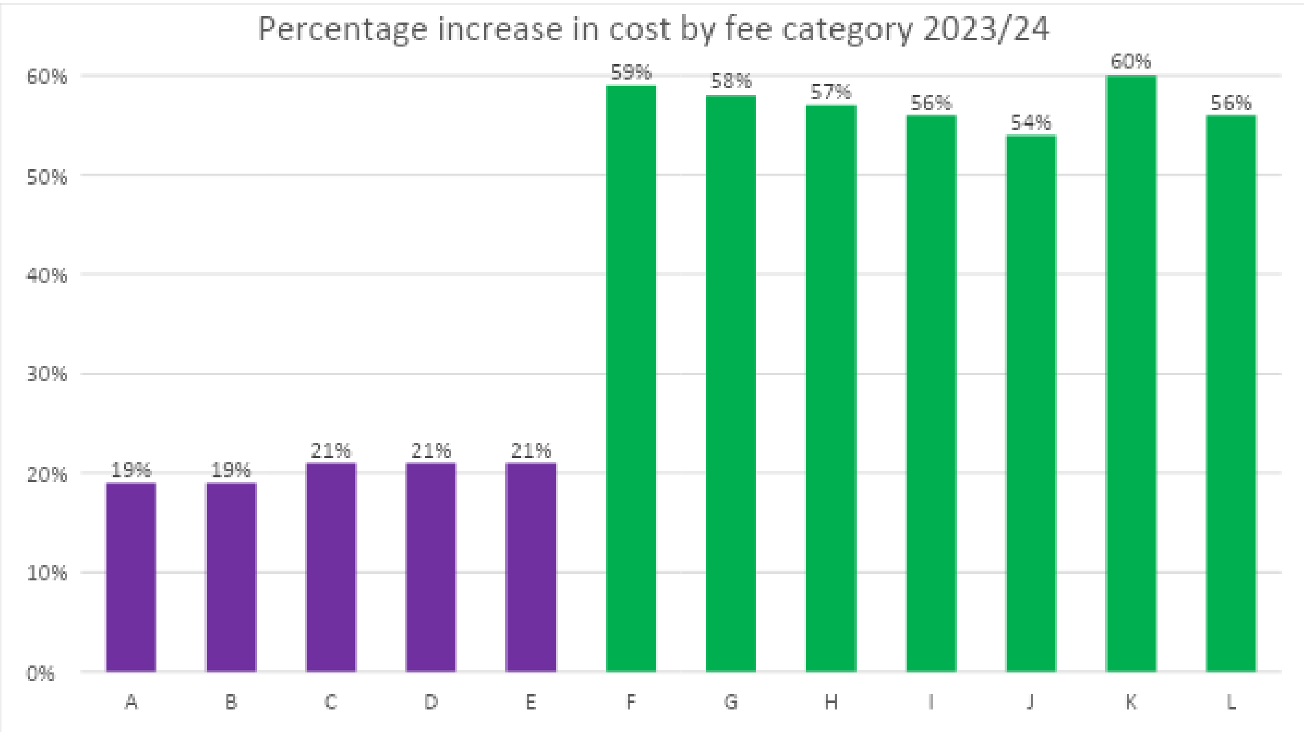

Figure2: Percentage increase in cost by fee category (Option 3)

126. Figure 2 sets out the percentage increase in cost for all fee categories, forecasted for FY 2023/24, split across all fee categories for Option 3.

127. For non-remote fee categories (A to E) the burden of impact of the fee changes is lower on the smaller fee categories (ie those non-remote businesses with the smallest GGYs would, overall, have the smallest fee increases in percentage terms).

128. For the remote space, the categories differ in percentage increase, with category F incurring a 59% increase which is marginally, but not disproportionately, higher than the percentage increases seen by other remote fee categories. This demonstrates that the changes to fees are not disproportionally impacting smaller operators.

Option 4

129. Operators in categories A and F make up almost two-thirds of the number of licence holders, and in Option 4 around 26% of the cost to industry would be borne by these operators.

Non remote – Category A

Table 17: Cost to SMBs (Category A) under Option 4

Category A	Financial year			
	2021/22 £000s	2022/23 £000s	2023/24 £000s	Total £000s
Total income (current fee level)	2,534	2,679	2,679	7,892
Total income (proposed fee level)	2,548	3,067	3,366	8,981
Total cost to industry (fees)	14	388	687	1,089
Familiarisation costs	19	0	0	19
Total costs	33	388	687	1,108
Total real, discounted cost to industry	33	375	641	**1,049**

130. Expressed in real, present value terms, (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book) the total cost to Category A would be £1.0 million (FY19/20 prices), across FY21/22 to FY23/24.

Remote – Category F

Table 18: Cost to SMBs (Category F) under Option 4

Category F	Financial year			
	2021/22 £000s	2022/23 £000s	2023/24 £000s	Total £000s
Total income (current fee level)	1,492	1,443	1,443	4,378
Total income (proposed fee level)	1,679	2,356	2,457	6,492
Total cost to industry (fees)	187	913	1,014	2,114
Familiarisation costs	7	0	0	7
Total costs	194	913	1,014	2,121
Total real, discounted cost to industry	194	882	947	**2,023**

131. Expressed in real, present value terms, (using a discount rate equal to the social time preference rate of 3.5% as per the Green Book) the total cost to Category F would be £2.0 million (FY19/20 prices), across FY21/22 to FY23/24.

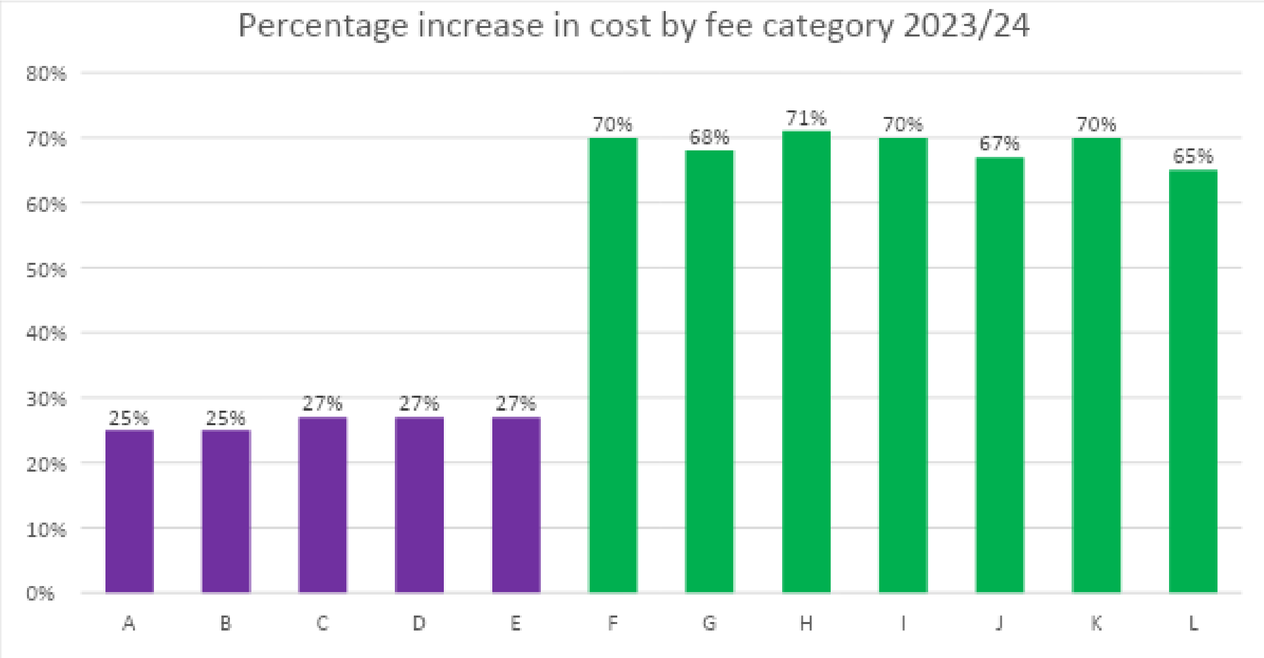

Figure 3: Percentage increase in cost by fee category (Option 4)

132. Figure 3 sets out the percentage increase in cost for all fee categories, forecasted for FY 2023/24, split across all fee categories for Option 4.

133. For non-remote fee categories (A to E) the burden of impact of the fee changes is lower on the smaller fee categories (ie those non-remote businesses with the smallest GGYs would, overall, have the smallest fee increases in percentage terms).

134. For the remote space, the categories differ in percentage increase, with category F incurring a 70% increase which is marginally, but not disproportionately, higher than the range of percentage increases seen by other remote fee categories.

Wider impacts (consider the impacts of your proposals)

135. The total fees payable by the gambling industry as a percentage of industry GGY (excluding the National Lottery), would increase to 0.22% of GGY. Therefore, it is highly unlikely that there will be any impact on employees or competition from our proposals.

A summary of the potential trade implications of measure

136. There are no potential trade implications of the fee proposals

Monitoring and Evaluation

137. The Commission is currently developing a suite of overarching metrics which will enable it to measure its progress and demonstrate the impact the Commission has as a regulator. These measures relate closely to the outcomes we expect to see from the Licensing objectives. As stated in the Gambling Commission's National Strategic Assessment, some examples of areas in which the Commission is exploring establishing metrics include:

138. To ensure gambling is kept free from crime and from being associated with crime

- data on prevalence of and access to unlicensed/illegal operators by British consumers
- data on crimes committed to fund gambling
- data on instances or reports of suspected money laundering
- data on instances or reports of Sports Betting Integrity issues

139. To ensure gambling is conducted in a fair and open way

- data on public trust that gambling is fair and transparent
- complaints data about the conduct of licensees and the conduct of the Gambling Commission
- data on the proportion of consumers that wanted to make a complaint, but were put off or unable to do so
- data or information from our compliance and enforcement work that demonstrates the extent to which licensees are compliant with regulatory and legal requirements
- data from the ASA to monitor complaints about gambling advertising.

140. To protect children and other vulnerable people from being harmed or exploited by gambling

- data on underage gambling participation on age-restricted products
- data to assess children's exposure to gambling advertising
- data on problem and at-risk gambling rates
- data on the prevalence and severity of specific gambling related harms in Great Britain - financial, health, relationship
- data on licensees' actions around KYC checks and affordability
- data on patterns of play.

141. Note: Data is not currently available on all of the things we think will best measure our impact, so we will need to consider and develop further these areas.