



Isle of Man
Government
Keelrys Eilfan Vannin

Gambling Supervision Commission Department Financial Plan 2024/25

Contents

1. Executive summary.....	2
2. Background	2
3. Overview of funding assessment	4
4. Cost and savings analysis.....	4
5. Summary of expected benefits	5
6. Total funding request	6
7. Approvals	6

1. Executive summary

Our Island Plan was approved in February 2022 and includes The Economic Strategy, an ambitious, wide-reaching 10-15 year strategy to build a secure, vibrant and sustainable future for the Isle of Man. It sets out a vision for the next 10-15 years, including the creation of 5,000 new jobs across new, enabling and existing key sectors, by 2032, reaching an overall GDP of £10bn. With an overall aim to generate over £200m of additional annual income to reinvest in services and quality of life by 2032, by actively investing in skills, productivity, infrastructure, businesses and sectors to deliver a strong and diverse economy.

With a straightforward delivery on the issues that matter most, with clear emphasis on creating a sustainable future and being an attractive destination for people and business, the Gambling Supervision Commission (GSC) seek to deliver a framework not only aligned to our core objectives but to support the Island Plan by;

- Servicing our current estate of c100 licenced online operators and local terrestrial sector including betting shops and casino, ensuring retention of staff and business on island assisting in ensuring our economy is secure
- Facilitate new applications for the gambling sector and the islands emerging medicinal cannabis sector, encouraging investment and growth and nurturing our Islands resources
- Proactively working within cross-Government groups to ensure the island is in the best possible position for our next Moneyval assessment (2024)

Our recent restructure provides the GSC with a landscape to function effectively as a dual regulator providing straightforward delivery of core values and Moneyval preparation and subsequent outcomes and with a clear emphasis on ensuring the Island Plan and Economic Strategy are embedded in our planning and decision-making.

Within this paper, the two elements under discussion are:

- An increase in funding in the sum of £165,333 to support the day-to-day operation of the GSC during 2024/25
- Treasury cut up 395/23, Treasury Paper 23/449 funding to support the GSC with regard to Moneyval AML/CFT work of £492,760.

2. Background

The GSC receives income from our licence holders and is supported by Treasury to ensure it has sufficient funding to operate. The differential between income and expenditure has for many years been a continually increasing and significant positive payback to Treasury.

Year	Positive Differential To Treasury
23/24 (Estimate)	£1,380,714
22/23	£1,339,675
21/22	£1,248,097
20/21	£1,039,223
19/20	£ 902,260
18/19	£ 702,155

The GSC has, in recent years, managed its estate within budget and with growth to c100 online operators. Ensuring we oversee these operators to meet local and global AML/CFT standards, facilitating sector growth whilst working collaboratively with the Department of Enterprise Digital Agency and Business Agency teams, ensuring one vision and path for the islands gaming and medicinal cannabis sectors.

The GSC is required to deliver effective AML/CFT Supervision of gambling operators that form part of the Designated Non-Financial Businesses and Professions sector and therefore require AML/CFT supervision. Legal vires for supervision is set out in Schedule 4 of the Proceeds of Crime Act 2008. The requirements of effective supervision are part of the global Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) standards set out by the Financial Action Task Force (FATF). The IOM is a member/signatory to those global standards.

The IOM was assessed by Moneyval (the relevant regional body of FATF) in 2016 and narrowly avoided being listed as a country with strategic weaknesses. Significant and prolonged work (multi agency and Government) was required until 2021 to try to mitigate the findings and weaknesses from the 2016 Moneyval assessment. During this time, the Island was in 'enhanced supervision' requiring annual progress reports to Moneyval. The 2016 assessment used 'round 5' standards focused on the technical compliance of countries to have legislation and relevant agencies in place, and less on how effective those measures and activities were.

FATF standards and expectations have moved on in the last 7 years, and 'round 6' assessments will focus more on countries' effectiveness in preventing Money Laundering, Terrorist Financing and Proliferation Financing. This will require the IOM law enforcement agencies, Government, Regulators and industries to evidence the risks faced, their understanding of those risks and how their actions mitigate the risks.

The Cabinet Office (through the IOM AML/CFT Effectiveness Group and the Financial Crime Strategy Board) has already set out the current position and risks of grey listing, including the views and recommended actions for the recent mock assessment of the Island by AML/CFT Consultants FTA.

The FTA recommendations include eight areas in which the GSC is the lead agency, two of which are rate red-red (making AML/CFT an institutions priority and resourcing accordingly; imposing regulatory sanctions for non-compliance). In addition to these actions, there are a much larger number of actions where the GSC is a secondary agency and would need to make significant contributions (e.g. National Risk Assessment) or where the GSC would be required to take action as a result (e.g. updating on policies, guidance, etc. in response to the National Risk Assessment).

A gradual headcount increase by the GSC has led to the need for additional floor space, coupled with inflation related costs for staff and supplies and services we have prudently managed our costs and ensured we have met our budget differential to date. The GSC are in a fortunate position in that we have already re-aligned many of our processes in preparation to meet our day-to-day requirements.

Staff requirements (AML and nonAML) 2024/25 were considered during the budget process for 2023/24 and our recent restructure and headcount increase facilitated this. The required increase in dedicated AML/CFT staff, following the mock assessment undertaken by FTA, was not envisaged within the budget and is discussed in more detail within this paper.

The GSC are aware that the more that can be successfully delivered on the FTA recommendations before the Moneyval inspection, the less the risk of grey listing (or at least a likely reduction in the number of years the Island will be on the grey list/suffering economic harm). The current view of the AML/CFT Effectiveness Group is that without significant action before the assessment, grey listing is more than likely.

Overview of funding assessment

The breadth and volume of recently advised FTA actions requiring GSC input and resources is beyond what can be managed and delivered from existing resources within the GSC which also needs to maintain its non AML/CFT regulatory functions (protecting the young and vulnerable and ensuring gambling is true and fair).

In order to develop and deliver against the GSC relevant actions in the FTA recommendations, the GSC will need an further increase in headcount and AML/CFT and enforcement specialist staff for:

- Separating the AML/CFT and Enforcement functions from other GSC functions;
- Upgrading the GSC's Enforcement framework and progressing Enforcement cases;
- Extending face-to-face- inspections to lower risk gambling operators;
- Conducting outreach to stakeholders regarding AML/CFT matters;
- Projects on legal/policy and guidance changes;
- Work on the development of multiple risk assessments.

As a statutory board, the GSC has no retained assets or funds, and has no legal powers to raise funds independently. Funding of additional resources, for all roles, must come from within the current process of income over expenses leading to a differential to Treasury.

3. Cost and savings analysis

Costs incurred during 2023/24 have led the GSC to revisit its needs for 2024/25, and to request additional funding to support its functions;

Item	Cost
Basic pay increase (inc 5% 23/24 pay rise when 2% was budgeted)	£153,978
Headcount increase (restructure and AML/CFT team)	£251,918
ERNI ERSA on above	£109,592
Phased recruitment during 2024/25	£350,156
Total	£165,333

Treasury agreed to provide the GSC with an additional £285,700 to cover additional permanent roles for Moneyval preparation work for the remainder of 2023/24 - see Treasury cut up 395/23, Treasury Paper 23/449. The GSC were advised to claim (from treasury) up to this amount at year-

end 2023/24, only if current budget is not sufficient and that for future years, all AML/CFT roles need to be included in the annual budget process. An additional £492,760 for 2024/25 onwards.

An additional £584,840 (£497,840 basic pay and £87,000 supplies and services) over 3 years is being made available from the Seized Asset Fund (SAF), see Ministerial Decision 23/388 and Council of Ministers Minute Reference 569/2023. The GSC are to claim (from SAF) up to this amount split over 3 years, but only if the GSC current budget is not sufficient; confirmation of process is awaited from the Cabinet Office to confirm if this is line item specific or whether the GSC must have a £0 differential before a claim can be made. This funding is not part of this bid request or reference to differential decreases made later in paper.

4. Summary of expected benefits and risks

Moneyval assessment preparation and facilitating the 2024 assessment has been agreed as the number one priority for the GSC for 2023/24 and 2024/25.

The GSC have c100 licensed online operators, a local terrestrial sector and a casino to oversee. The GSC has embarked on providing a structure with sufficient staff and other resources in place to ensure new applications can be processed, that the core objectives including general supervision of the estate, AML/CFT and more recently known Moneyval needs can be met.

A failure to deliver against the AML/CFT actions related to the GSC is likely to cost the Island in immediate outcome, make grey listing even more likely, and is likely to cause reputational damage the GSC and IOM Government. This is because failures to meet the standards mean the Island has been unable to show that is doing enough to prevent or discourage money launderers or terrorist financiers from using the Island and its businesses.

This reputational damage will not be mitigated if the standards have not been met because the GSC did not have the relevant funding to carry out its supervision and enforcement activities effectively. As small jurisdictions have found out the hard way, being small and having limited resources are not factors that the international assessors take into account, if anything, as an international finance centre (offshore), we are held to an even higher standard compared to onshore (larger) jurisdictions.

5. Total funding request

The funding request is made up of two distinct elements;

1. Funding required to support the GSC during 2024/25 in excess of the published 2023/24 pink book model, this element will reduce the budgeted differential by 12%.

	2024/25 funding from Pink Book	Anticipated additional income/cost savings	Additional cost pressures identified	Net position 2024/25
Income	£5,473,908	£0	£0	£5,473,908
Employee costs (1)	£3,187,766	£0	£165,333	£3,353,099
Infrastructure costs	£102,937	£0	£0	£102,937
Transport costs	£0	£0	£0	£0
Supplies & services	£769,092	£0	£0	£769,092
Other	£5,784	£0	£0	£5,784
Net expenditure	£1,408,329	£0	£165,333	£1,224,996


2. Funding via Treasury to support Moneyval preparation and ongoing work, Treasury cut up 395/23, Treasury Paper 23/449, if this element is provided as extra within employee costs within the 2024/25 budget for the GSC it will not reduce the differential.

Should the costs be subject to a £0 differential prior to drawdown then this funding request could reduce the differential by 47% to £750,235


	2024/25 funding from Pink Book	Anticipated additional income/cost savings	Additional cost pressures identified	Net position 2024/25
Employee costs (2)	£0	£0	£492,760	£492,760

6. Approvals

Designated Finance Officer

Name:	Linda Alton-Heath
Title:	Director
Date:	7 September 2023
Signature:	

Accountable Officer/Chief Officer

Name:	Steve Brennan
Title:	Chief Executive Officer
Date:	7 September 2023
Signature:	

Minister/Chair

Name:	
Title:	
Date:	
Signature:	