

BUSINESS CASE SUMMARY – 2025/26 BUDGET ROUND		
Business Case – Revenue Bid		
Department	Gambling Supervision Commission	
Division	N/a	
Dept. Priority	1	
Prepared by	Linda Alton-Heath	
Funding Requested	Revenue / Capital	
Revenue Funding	£'000	
	2025/26	Future Years (if different)
Income	(778k)	Continuously being monitored
Pay	312k	PDR process & % increase to manage
Non-Pay	(312k)	Similar
Total	(778k)	Depending on above
Is the funding single year or recurring?	Single-Year / Recurring	
What is the function this funding for?	Statutory / Discretionary	
Is this a new function, or an improvement to an existing function?	New- / Improvement	
Capital Funding	£'000	
New-Discrete (Total)		
Existing-Discrete (Uplift)		
New-Rolling (Single-Year)		
Existing-Rolling (Uplift)		
PDF		
Is the funding single year or recurring?	Single-Year / Recurring	
What is the function this funding for?	Statutory / Discretionary	
Is this a new function, or an improvement to an existing function?	New / Improvement	
Overview		
<p>Income</p> <p>The GSC's income is derived from annually recurring licence fees and new business applications. As of the start of the 2025/26 period, the number of licences carried forward is realistically expected to be 109, significantly lower than the originally projected figure of 148. A full year income shortfall is anticipated for 2025/26 of £778k below the Treasury forecast within the issued target tables.</p> <p>Factors contributing to this shortfall include the GSC not meeting its new licence applications targets for the 2022/23 (envisaged to be 39 but was actually 22 and to end the year with 102 licences but was actually 89) and 2023/24 (envisaged to be 39 but was actually 26 and to end with 127 licences but actual number was 99) periods.</p> <p>The envisaged number of licences that the GSC lose each year is budgeted at 15%. In 2022/23 it was 8%, 2023/24 it was 17%)</p> <p>The GSC rely on the conversion by the Department for Enterprise (DforE) Digital Agency and the Corporate Service Providers on island of pipeline prospects into actual applications received by the GSC. Sector expectations relating to volumes of leads from Curacao operators during 2022/2023 and 2023/2024 has not materialised as anticipated.</p>		

The GSC are the regulator of the sector and rely on Digital Agency to address the needs of licence holders and to ensure a healthy pipeline of high-quality applicants' worthy of an IOM licence.

The strategic direction for the eGaming sector will be heavily influenced by the development of a new comprehensive strategy within DforE. The anticipated appointment of a consultancy in September 2024 will commence a six-month project to formulate this strategic plan, with completion expected by April 2025. This plan will be vital for the GSC in meeting its retention and new business targets for 2025/26, despite potential budgetary constraints within DforE that may impact the process.

During the 2023/24 fiscal year and the first two quarters of 2024/25, a higher-than-expected number of applications failed to meet the required standards for approval by the GSC, leading to resource strain without a corresponding increase in issued licenses. 7 applications were received and processed but were not passed to the Commission for consideration of approval.

The recent well publicised revocation by the GSC of licenses for King Gaming has further complicated the outlook for new business, with seizures and prosecutions a possibility. The establishment of a dedicated enforcement team within the GSC may result in fines and penalties for both current and revoked licence holders. These fines and penalties will be processed as income for the GSC. However, this could also reduce the Isle of Man's attractiveness as a preferred jurisdiction, potentially leading to fewer new applicants and the loss of existing licence holders if the GSC is compelled to revoke additional licenses.

The upcoming MoneyVal evaluation of the Isle of Man in 2026 is expected to further impact the pipeline of new business.

The GSC must adopt a prudent approach, budgeting for £0 income from the casino sector due to the CoMin-approved fee structure, which prioritises payments to Customs over the GSC up to a certain threshold.

As a result of the above challenges, income targets were reassessed as part of the GSCs budget process for 2025/26. The projected number of new license holders for 2025/26 has been reduced to 27, down from the originally planned 39. This will impact income streams for 2025/26 and beyond.

Fee income from the medicinal cannabis sector has yet to materialise for the GSC. The current legislation does not provide for a licence application fee, and despite the GSC's active engagement with several potential licence holders, only two have advanced to the stage of obtaining a licence in principle. One application has been with the planning department for a longer period than anticipated, resulting in no income for the GSC or Treasury during the 2022/23 and 2023/24 fiscal years. As a result, there is no assurance that a licence fee will be received in 2024/25.

We acknowledge that this is the first licence to undergo this process, which requires coordination among DEFA, DforE, and the GSC. Although we are aware that there is a pipeline of business for this sector delays in submission are outside of the control of the GSC; we are prepared to handle additional applications once the current planning approval is secured and to supervise the estate once our first licence holder is active.

These adjustments reflect the most recent data available to the GSC.

Pay

Our teams have been upskilled, leading to a reduction in the need for outsourcing for professional services and resulting in improved budget management and savings. The operations team now includes an in-house lawyer and a policy expert, and a full-time DPO, which has facilitated budget reductions in 3rd party spend.

With a dedicated enforcement team of 3 now in place, the issuance of fines and penalties may occur, although these cannot be reflected or offset in our budget income forecasts. Our focus is on ensuring the GSC is adequately resourced to meet its MoneyVal obligations.

Since 2018, we have implemented a PDR process in collaboration with Smart HR, effectively managed by Directors. Objectives are set for all staff each January, and progress through grades is contingent upon meeting these objectives. Recruitment remains challenging, particularly for vacant positions, as we compete against the eGaming and compliance sectors, who offer higher salaries for skilled staff. Given the small talent pool on island, we often need to offer onboarding salaries at the upper range available. As of 1 April 2025, the organisation is fully staffed with 51 employees. Additionally, 3 headcount positions are on LTA contracts, funded under the SAF-approved budget through the MoneyVal project (Ministerial Decision 23/388 and Council of Ministers Minute Reference 569/2023), totalling £497,840 over the two-year period ending 31 March 2026.

Our 2024/25 financial management strategy is further strengthened by the ability to reallocate budgeted funds internally. We have successfully transferred £40k from Professional Fees—Accountancy, £40k from Professional Fees—Legal, and £120k from Professional Fees—Expert Advice to cover the costs associated with migrating our host system, CRM-Atlas, from On-Premise to Cloud. This migration, approved by the CFO on 27th August 2024, was accomplished without the need for additional funding from Treasury.

2025/26 ERNI and ERSA have been adjusted accordingly to reflect this basic pay change request.

Non-Pay

Infrastructure costs for 2025/26, we have reduced the budget by £2,221.

Supplies and Services are reduced by £242,073 to support the increase in basic pay costs, facilitated in a reduction in our budgeted costs of £20k Professional Fees—Accountancy, £91k from Professional Fees—Legal, and £81k from Professional Fees—Expert Advice, explained above two-fold as now being provided inhouse and a drop off in our estate size.

Climate Impact Assessment (CIA) (<https://www.netsero.im/resources/public-bodies/>)

Has a CIA been completed?	Y/N
Have all review actions been explained/justified?	Y/N

Equality Act implications assessment

Are there Equality Act implications?	Y/N
If yes, then please include a copy of the screening/impact assessment with the business case	

Data Protection Impact assessment

Is a Data Protection Impact Assessment required?	Y/N
If yes, please include a copy with the business case. If no, then please provide brief rationale below:	

Political Considerations and Comments

The GSC serves as the regulatory authority for both the eGaming and Medicinal Cannabis sectors on the island. Our primary mandate is to ensure robust regulation, rather than to engage in business development activities or to generate profit from our regulatory functions. In recent years, the GSC has consistently contributed positively to Treasury through a favourable financial differential, reflecting our commitment to efficient and effective regulation.

However, a confluence of economic factors has necessitated a reassessment of our income targets. A decline in the expected number of applications resulting in lower than expected numbers of granted licenses, coupled with recent developments concerning King Gaming and

numbers of granted licenses, coupled with recent developments concerning King Gaming and its associated estate, has compelled the GSC to adopt a more prudent and realistic approach to setting its financial projections.

In response to these challenges, we have undertaken a comprehensive review to align our income expectations with the current economic realities, ensuring that our regulatory objectives continue to be met without overestimating potential revenue.



Isle of Man
Government
Keeltyl T'Ellan Vannin

DEPARTMENT: _____ **Gambling Supervision Commission** _____

BUSINESS CASE FOR: __Reduction in income targets, small realignment of expenditure from non-pay codes to pay codes_____

Service Area	GSC
Date	27 th August 2024
Monies Requested One-off Project Costs: Ongoing Revenue Costs:	 £778k – reduction in income budget target £0 - realigned of expenditure
Funding Source (Capital/Revenue/Project Development Fund)	Revenue
Author:	Linda Alton-Heath (DFO)
Owner:	Steve Brennan (AO/BH)

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Background	<p>The GSC's income is primarily derived from recurring license fees and new business applications.</p> <p>At the onset of the 2025/26 period, the realistic projection for the number of licenses carried forward is 109, significantly lower than the originally projected 148. This shortfall is anticipated to result in a full-year income deficit of £778k, below the Treasury's forecast outlined in the issued target tables.</p> <p>Several factors have contributed to this shortfall, including the islands failure to meet its new licence application targets for the 2022/23 and 2023/24 periods and the loss of licence holders. For instance, the expected additional of 39 new licenses to our existing estate for 2022/23 ended with only 89, and similarly, the target for 2023/24 was not met, ending with 99 licences.</p>
Options and implications	<p>To address the income shortfall, the GSC can either maintain its current projections, risking further financial discrepancies, or revise its income targets to align with current actual numbers, market conditions and realistic expectations.</p> <p>Revising the income targets is the preferred option to ensure financial reporting stability and operational efficiency.</p>
Funding Mechanism <i>* Including how this proposal meets its Terms of Reference</i>	<p>Capital</p> <p><u>Revenue</u></p> <p>Other Fund *</p>

Benefits expected (if identifiable and tangible)	<p>Adopting a more conservative income projection and realigning expenditure will enable the GSC to maintain financial stability, ensuring that essential regulatory functions are sustained without disruption.</p> <p>This strategy will also allow for more accurate financial planning and better resource allocation, ultimately supporting the long-term viability of the GSC's regulatory mission and its wish to be best placed for MoneyVal in 2026.</p>
Risks	<p>The risks of not revising our targets for 2025/26 are significant. If we fail to adjust our income projections, we estimate that we could inaccurately report a contribution of c£778k to Treasury, a figure that we now know will not materialise.</p> <p>This could lead to financial discrepancies, misaligned budgetary planning, and potentially undermine the credibility of our island's financial management.</p>
Impact on the environment (including climate change implications) and planned mitigation	<p>There are no direct environmental impacts associated with the revised income targets or the internal budget adjustments.</p> <p>The GSC's regulatory activities will continue to adhere to all relevant environmental standards.</p>
Are there Equality Act implications?	<p>Yes/<u>No</u></p> <p>[If the answer is Yes then please include a copy of the screening/impact assessment with the business case, if the answer is No then provide a brief rationale for the decision.]</p>
Is a Data Protection Impact Assessment Required?	<p>Yes/<u>No</u></p> <p>[If the answer is Yes then please include a copy with the business case, if the answer is No then provide a brief rationale for the decision.]</p>
Impact on Stakeholders and any consultation	<p>The revision of income targets and budget allocations has been communicated to all relevant internal GSC stakeholders; there is no proposed impact on external stake holders.</p>
Inter-departmental or Cross Departmental implications	<p>The revised income targets have been prepared and include information relating to DforE, the Director of Operations at DforE is aware that the GSC are revisiting income targets. She has advised that the DforE target for licences held by the GSC is to retain the level of 100.</p>
Timescales	<p>The revised income targets and budget adjustments will be implemented for the 2025/26 fiscal year.</p> <p>Monthly and HY reviews will assess the effectiveness of the changes and determine if further adjustments, either way, are necessary.</p>
Investment appraisal – expected payback period	<p>Investment appraisal is not directly applicable, as the focus is on adjusting income targets rather than capital investment. However, the GSC will continue to evaluate opportunities for cost-effective investments that enhance its regulatory capabilities.</p>

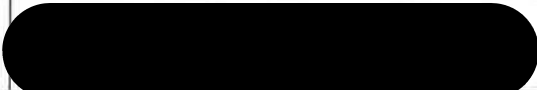
Costs (including analysis between on-going and one-off costs and costs related to environmental considerations) and Personnel implications	<p>The costs associated with the revised income targets are primarily related to internal budget adjustment only.</p> <p>Realignment of expenditure to increase Basic Pay is facilitated from a reduction in Professional Fees—Accountancy by £20k, Professional Fees—Legal by £91k, and Professional Fees—Expert Advice by £81k, by bringing these services in-house and the unfortunate reduction in estate size this can be accommodated.</p>
How will success be measured? (include plan for review)	<p>A comprehensive review plan is in place to assess the effectiveness of the revised income targets and budget adjustments. This plan includes:</p> <ul style="list-style-type: none"> • Regular financial reporting - Conducted internally by the DFO and presented to SMT within the GSC. • Quarterly reporting updates are provided to the Commission to ensure ongoing oversight and transparency. • Formal evaluation is performed at year-end in conjunction with Treasury and during the commencement of the budget process for 2026/27 to determine if further adjustments are required. <p>Additionally, the GSC and DforE will continue to meet regularly to discuss the pipeline of new licence applications and address any emerging issues. The GSC do not currently actively engage with the CSP sector.</p> <p>Success will be measured by:</p> <ul style="list-style-type: none"> • Budgetary projections are aligned with actuals. • The effective management of the estate in compliance with the GSC's regulatory objectives. • The achievement of a positive outcome in the upcoming MoneyVal evaluation, which will further validate the success of these plans.
Recommendation	<p>It is recommended the GSC proceed with the revised income targets and budget adjustments to ensure financial stability and maintain the integrity of its regulatory functions.</p> <p>This approach will allow the GSC to effectively navigate previous and current economic challenges while continuing to fulfil its regulatory mandate.</p>

APPROVALS

DESIGNATED FINANCE OFFICER (for all business cases):

Name:	Linda Alton-Heath
Title:	Designated Finance Officer / Director
Comments:	This paper has been prepared to support the GSC's request for a reduced income target and a realignment of costs for the 2025/26 budget year
Date:	28 th August 2024
Signature:	

ACCOUNTABLE OFFICER (for all business cases):

Name:	Steve Brennan
Title:	CEO/Budget Holder/Accountable Officer
Comments:	This paper has been prepared to support the GSC's request for a reduced income target and a realignment of costs for the 2025/26 budget year
Date:	28 th August 2024
Signature:	

MINISTER (for all departmental business cases):

Name:	
Title:	
Comments:	
Date:	
Signature:	