

To respond to this consultation there is an online form to complete. I have downloaded the principal questions from the form and populated our final and agreed text, highlighted in **green text** as below.

Consultation Questions

- 1. To what extent do you agree with the proposal to amend section 2.39 of Statement of Principles for Determining Financial Penalties to make it clear that in future all regulatory settlements agreed as part of Gambling Commission enforcement action will be directed to the Consolidated Fund as financial penalties are?**

Multiple choice answer

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- **Strongly disagree**
- Please give your reasons for your previous answer below

- 2. Can you foresee any issues related to amending the destination for future regulatory settlements to the Consolidated Fund?**

If our understanding is correct, moving regulatory settlements to the Consolidated Fund, as opposed to using the settlement monies to fund evidenced-based and evaluated activities to minimise gambling-related harm, is a missed opportunity. This missed opportunity, rational and evidence is described below.

- 3. Do you consider that there is an alternative destination for future regulatory settlements that we have not considered?**

We strongly believe there is an alternative destination for regulatory settlements and one that enables grass-root, start-up organisations, often led by people with experience of gambling-harm, as a personal development opportunity and pathway for their organisation to be in a strong position to apply for formal levy funding.

The new levy commissioning system and individual commissioning bodies potentially provide a coherent, planned and structured vehicle to commission what will principally be multi-year research, prevention and treatment programmes. Such a body of work will ensure population-wide themes of work are maintained, centrally co-ordinated and most importantly delivered at scale.

However this type of formal commissioning does not necessarily support (i) start-up organisations; (ii) not-for-profit start-up organisations or (iii) niche organisations within the safer gambling space.

Examples of this lack of support include organisations who wish to pilot an innovation; or people

with lived experience of gambling-harm (or entrepreneurs), who may wish to incorporate their own organisation, but do not have the skills and knowledge of incorporating and leading an organisation (including applying for commissioned funds). These examples illustrate potentially how regulatory settlements can be used in a constructive manner to (i) foster innovation and bolster inclusivity; (ii) position start-ups or pilots for future levy funding opportunities or (iii) provide important development opportunities for entrepreneurs entering this space.

We believe that future regulatory settlements can bridge the gap between a formal commissioning process and what is effectively, a purposeful, transparent, structured and well-governed innovation grant process in a powerful and purposeful manner. A collaborative approach to working with the two current commissioners should continue and what we are proposing here should be viewed as a ringfenced 'grant-enabler', not an alternative to the levy or population-wide programmes.

Many not-for-profit, start-up organisations are led by passionate, but often inexperienced (third) sector leaders who 'fall' into the role. These passionate people want to contribute and often have direct or indirect lived experience of gambling-harm. In these circumstances an innovation grant, together with a tailored training programme for the entrepreneur could be a powerful and purposeful way for them to give back, find purpose and learn. A formally certified and mandated training programme to accompany the grant offered could cover all principal aspects of organisational development from governance, strategy, budgeting, quality assurance, evaluation and sustainability. Facilitated and certified by a specialist social entrepreneurial training provider (as suggested below) could bring confidence and rigour to this pathway.

Modelled on similar funding streams, training and mentoring as offered by UnLtd, Virgin Start-up, or the School of Social Entrepreneurs etc, could add value to the wider commissioning bodies by giving an alternative route for start-ups or pilot themes of work. It would also suit the irregular pattern of regulatory settlements as programmes would only be commissioned and awarded once a settlement has been agreed.

Parameters around the size of innovation grant (i.e. up to £80,000 maximum) and timeline of grant (i.e. up to 16 months) would enable entrepreneurs to draw a Living Wage and invest in their product (or research), pilot it and deliver an evaluation. Sixteen months is also a helpful timeframe for a meaningful programme of personal development and formal certification / qualification for the founding entrepreneur.

The current rules around regulatory settlements would remain in place for Operators to avoid any promotion of such a proposed innovation grant process. The organisation tasked with the development of this programme and the commissioning and awarding of innovation grants would benefit from also being a not-for-profit organisation. The organisation should be independent, not in receipt of any levy funds, well-governed, have grant giving as an object within their articles of association and have a strong board of directors with the lived experience of gambling-harm, social entrepreneurship, grant distribution and evaluation. The organisation and its people should reflect the very spirit of what is being proposed here.

Such a proposal strengthens the current regulatory settlements process, by removing the emphasis on the Gambling Commission to support the administration of the current system and ensures innovation grants are awarded following a transparent process with no say from licensed operators. GREO recently awarded innovation grants from a regulatory settlement. We propose a similar process, but aimed initially at first-time entrepreneurs with lived experience of gambling-harms, coupled with a training programme and certification programme of learning.

For logistics we would also propose this should be a UK incorporated and based organisation. To model good governance and value for money, the organisation tasked to complete this should spend no more than 5% - 8% of regulatory settlement income awarded, on the establishment and administration of such innovation grants. A co-created commissioning plan should also be proposed and published

and all grants published and administered via an on-line portal similar to the National Lottery. Annual reporting of programmes supported, their impact and transparent financial reporting would also give confidence to all stakeholders. The proposed grant body could receive payments of the regulatory settlements directly from the Gambling Commission. The Gambling Commission's remit would be to forward these payments to the grant body only.

Finally the proposed grant body should do nothing more than distribute grants, support and train grantees and publish all grantee evaluations and their own annual report. Keeping running costs to no more than 5% - 8% should help to ensure absolute focus of this organisation. Therefore the remit of the new organisation is not a 'new' GambleAware, but has a very specific focus on grant commissioning, distribution of funds, evaluation of grants awarded and develop / training for grant holders.

4. Are there any additional issues related to amending the destination for future regulatory settlements that we should consider?

To support this new and focused approach, we have also considered the evidence from the wider third sector.

The proposed £100+ million statutory levy to fund research, prevention and treatment of gambling-related harms represents a significant reform of the current system. As illustrated a centrally coordinated levy commissioning system offers predictability, transparency and long-term planning for multi-year programmes. However, there remains a substantial risk that such a model will disproportionately benefit established providers capable of securing multi-year statutory contracts, while excluding small charities, start-ups and lived-experience-led organisations. Evidence from the UK third sector demonstrates that without *dedicated small-grant funding and tailored capacity-building support*, these organisations are structurally disadvantaged and effectively locked out of formal, multi-year commissioning process.

Structural Barriers in Statutory Commissioning

The UK not for profit sector includes over 168,000 registered and regulated charities and 32,500 registered and regulated community interest companies. 82% of registered charities which are small or micro-charities have incomes below £100,000 (NCVO, 2024). These organisations are often volunteer-led and lack specialist expertise in procurement, compliance and complex bid writing. However, public sector commissioning increasingly favours large, outcome-based contracts requiring financial resilience, advanced governance systems and the ability to manage delayed payments (NCVO, 2022).

Commissioning has moved towards the models of consolidation, and prime contractors which exclude smaller providers (Rees et al., 2018). Lloyds Bank Foundation (2023) points out that it has an administrative weight that is disproportionately presented on small (select) charities such as complex tenders, strict monitoring criteria, and unmet working capital demands. The National Audit Office (2022) adds that the structure of commissions is frequently linked with emphasising scale and financial strength instead of reaching the community and creating innovation. This structurally disadvantages grassroots, lived experience-led organisations in areas like gambling harm.

The distinct value of small, lived-experience led, not-for-profit organisations

Nevertheless, even with these obstacles, small not-for-profit organisations are very critical in accessing marginalised groups and creating trust where stigma prevents participation (NCVO, 2024; GambleAware, 2023). According to Pro Bono Economics (2023), the high social returns provided by small organisations are the result of community networks and volunteering. They can be instrumental in creating a new way of doing things, which becomes responsive at a later stage (Young Foundation, 2022).

Impact of grants as compared to statutory contracts

It is evident that small organisations are better suited to flexible grants funding as opposed to large statutory contracts. IVAR (2021) concluded that unconstrained grants enhance organisational resilience, help strategic development and enhance long-term sustainability, and tight-fitting contracts may cause mission drift and financial unsustainability. A similar response is noted by that of Lloyds Bank Foundation (2023) who report that small grants (less than £100,000) help small organisations to meet their core expenses, invest in governance and develop evaluation capacity- areas that are rarely financed in contract-based commissioning, where much of the financial and cashflow risk is concentrated in the hands of the contracting organisation. This plays into the notion of Innovation grants being a purposeful pathway to the levy for start-up organisations.

Evidence is in line with the suggested innovation grant model, up to £80,000 in 16 months. With help of such funding, start-ups would be able to experiment with interventions, establish safeguarding and quality assurance controls, and produce meaningful impact data. Importantly, provision of grants is accompanied by formal training that is indicative of social venture practice. Programmes provided by UnLtd and the School for Social Entrepreneurs show that seed funding with mentoring has a high chance of increasing the levels of leadership confidence, as well as governance standards and survival rates of start-up (and often lived-experience led) organisations (Ecorys, 2021; UnLtd, 2023; SSE, 2022).

Equity, inclusion and lived-experience.

Opportunities in grants must be made available so that lived-experience-led start-up organisations do not feel left out of service provision. Community groups are often ignored during the official commissioning cycles, although they have shown to be empowering and healing (Power to Change, 2022). The problem of complex procurement systems tends to favour known infrastructure at the expense of a community understanding, which establishes a structural disparity against smaller providers.

To balance this imperfection, an innovation grant programme would provide a systematic development, governance, and well-managed capacity-building in a structured and co-ordinated manner. This would allow such start-up organisations to generate audited statements and evidence deliverables, making them more competitive in securing levy-funded future contracts. Diversity, responsiveness and long-term resiliency in the sector are bolstered by a mixed funding ecosystem that incorporates large-scale commissioning with small, specific grants (NCVO, 2022).

Financial prudence and public value

Concerns about fragmentation are understandable; however, regulatory settlements are irregular and finite by nature. Ring-fencing these funds for time-limited innovation grants aligns with their episodic character and avoids destabilising core levy-funded programmes. This approach ensures settlement monies continue to generate transparent and independent public benefit.

There can be administrative responsibility vested in an independent and well-governed not-for-profit organisation, removing the licensed operator or Gambling Commission to get involved.

With respect to the public value approach, small structured investments can yield high social payoffs. Preventative, lived-experience-based and early-phase interventions have a high potential of minimising the lifetime exploitation of statutory treatment services (Pro Bono Economics, 2023).

Conclusion

Large-scale statutory contracts are structurally inaccessible to the majority of small not-for-profit organisations and start-ups. Lived-experience-based and community-based organisations will get left out without the support of a complementary innovation grant pathway, or specially designed entrepreneurial training. A clear, small grants programme financed by regulatory settlements would increase the capacity of the sector, innovativeness and make the levy provide inclusion, diversity and long-term sustainability in addition to scale and coordination.

References – see appendix A

1. Do you have any views on the proposed timetable for implementation?

We believe there are live and pending regulatory settlements pending and that it would be realistic to have this new process (and organisation) in place by 01 September 2026.

References – appendix A

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