



Department for Culture, Media and Sport

# Government Response to the Select Committee Report: The Gambling Act 2005: A Bet Worth Taking?





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Presented to Parliament by the Secretary of State for Culture,  
Media and Sport by Command of Her Majesty  
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## Introduction

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1. The Government welcomes the opportunity to respond to the conclusions and recommendations of the Culture, Media and Sport Select Committee (“the Committee”) report on the implementation of the Gambling Act 2005. Like the Committee, we recognise the importance of gambling as a legitimate part of the leisure industry and the contribution it makes to the economy, both as part of local tourism and leisure offers and as a significant employer nationally.
  2. Nonetheless, while we recognise that for the majority of people gambling is a harmless pastime, for some people it can be a source of serious harm and distress: we believe there is an obligation on the industry to address the social issues associated with gambling.
  3. The Government therefore welcomes the new voluntary arrangements put in place by the gambling industry for funding, as well as for commissioning and evaluating research, education and treatment into problem gambling. It is important that the whole industry delivers on the funding commitment made as part of the new arrangements which it agreed to as an alternative to a statutory levy.
  4. We hope these new arrangements will, in the medium to longer term, put in place an improved evidence base to help us evaluate what works in terms of education and treatment. Having such an evidence base may justify a shift in the emphasis of regulation towards more adaptable and flexible harm-minimisation measures which can incorporate technological innovation and are tailored to individual players and their circumstances.
  5. Alongside this, online gambling is a prominent part of the agenda and the Government remains committed to ensuring customers are protected by consistent regulation of the online market. We are therefore proceeding with proposed changes to the regulation of remote gambling to ensure that all gambling operators selling into the British market are licensed by the Gambling Commission and have asked the Committee to scrutinise the draft Bill published on 3 December 2012.
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## The Government's Response to the Recommendations

6. In this section the Government sets out its responses to the conclusions and recommendations of the Committee's Report ("the Report"). In referencing the Committee's recommendations we use the paragraph numbers given in the body of the Report. In the interests of clarity, we have occasionally grouped recommendations.

### **Problem Gambling**

**We recommend that the Government works with the Gambling Commission to provide a clear indication of how it intends to ensure that sufficient high-quality research on problem gambling is available to policy-makers. It is particularly important that research is seen to be independent and comparable over time to show whether or not there is a change in the levels of problem gambling. (Paragraph 32)**

7. The Government agrees with the Committee that research into problem gambling must be objective and consistent; we are equally concerned to ensure policy decisions are made on the basis of sound evidence. The new arrangements for commissioning and evaluating research will help us to achieve these objectives.
8. Under the arrangements, the Gambling Commission's advisory body on research, education and treatment, the Responsible Gambling Strategy Board (RGSB) now sets strategic priorities for research needed to understand problem gambling; its strategy for 2013/14 to 2015/16 was published on 3 December 2012. Within this strategic framework, research into the risk factors associated with gambling and the most effective harm prevention and treatment for problem gambling will be commissioned by the Responsible Gambling Trust (RGT).
9. These arrangements are set out in a Statement of Intent published in August 2012 and which can be accessed at <http://www.rgsb.org.uk>. The arrangements are designed to ensure the objectivity and consistency required to deliver the necessary evidence base. In particular, the arrangements for working collaboration and transparency will enable the RGSB to provide assurance on the quality and independence of the work commissioned by the RGT. We also welcome the recent appointment of a number of new trustees to the RGT from outside of the gambling industry as a demonstration of its commitment to objectivity.

10. The Gambling Commission advises on the prevalence of gambling and of problem gambling. It has been developing new methods of data collection which have the potential to provide more frequent information in relation to gambling prevalence and trends in problem gambling. Improved quarterly omnibus surveys will provide information about participation, whilst gambling questions in the Health Survey for England and Scottish Health Survey will provide problem gambling data. The individual components are designed to ensure that the research is independent and will give comparisons over time. Both the Health Survey for England and the Scottish Health Survey are currently in the field and will begin to report their findings from December 2013. Similar data is not collected in the Welsh Health Survey, although the absence of data collected from Wales should have limited statistical impact on the results for Great Britain and their comparability with previous surveys.
11. As well as these methods of assessing participation and problem gambling rates, the Gambling Commission has also explored and piloted the use of a problem gambling mini-screen (PGSI short-form) as an additional and different means of tracking changes to the problem gambling rate. The mini-screen continues to be piloted in the Commission's telephone omnibus surveys and could, over time help to identify emerging trends in problem gambling rates.

### **Under-age Gambling**

**We recommend that the Gambling Commission continue to monitor the ability of children to access gambling premises through regular test-purchasing schemes rather than handing the responsibility to monitor and enforce age-restrictions to the gambling industry. The Gambling Commission, working with local authorities, should also take swift enforcement action where an operator fails to introduce sufficient access and age-verification controls. (Paragraph 38)**

**There has been insufficient data collected to establish whether or not the 2005 Act has been successful in its aim of protecting children from gambling. This highlights a particular need for more research in this area. (Paragraph 39)**

12. The Government welcomes the Committee's recommendations in this area: ensuring gambling sectors have adequate age verification procedures is an area on which both we and the Gambling Commission place great importance.
13. In 2009, the Gambling Commission conducted a test purchasing scheme in major operator betting shops. The failure rate – 98% of shops failed to prevent a young person placing a bet even after deliberate interaction with

counter staff – was of enormous concern and the Commission pushed the betting operators concerned to address these very serious failures. Operators subsequently invested heavily in improved training, analysis and customer awareness programmes to improve controls on underage access, resulting in a very significant increase in the numbers of people challenged in betting shops and unable to prove their age.

14. As a result, retesting on major betting operators in December 2009 showed the failure rate had reduced to 35% (with a spread of around 25-40%). In 2009, as noted by the Committee, the failure rate in Adult Gaming Centres was approximately 29%<sup>1</sup>. While any level of failure is a matter of concern, the gross failures that had been evident previously appear to have been eliminated and performance in the betting sector is now broadly comparable to that of the retail of other age restricted products. The Gambling Commission will continue to work with the industry to secure further improvements.
15. As a result of the Gambling Commission's intervention, major operators (and a growing number of medium size operators) now test the effectiveness of their controls through the use of independent third party test purchasing. This allows for test purchasing on a much larger scale than had been completed by the Commission. Since February 2010, over 22,000 independent tests have been commissioned by operators. The Commission, working with local authorities, ensures the industry provides the necessary information on third-party testing to enable the local authorities and the Commission to monitor compliance and take enforcement action when necessary. The Commission undertakes a further limited amount of test purchasing to cross check the effectiveness and accuracy of the third-party testing and act as an additional deterrent.
16. The Gambling Commission has also published advice to licensing authorities on test purchasing in the gambling sector and continues to work with authorities across Great Britain to produce a more complete picture of test purchasing work. One area of concern highlighted in part by the industry's own test purchasing work and also in exercises carried out by some licensing authorities, is that there may be vulnerabilities in terms of access by under-18s to gaming machines in betting shops. The Commission will therefore be focusing on this aspect of underage access over the coming year. This may involve the Commission carrying out its own test purchasing or partnering with licensing authorities to do so.

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<sup>1</sup> The Committee's report quotes a 65% failure rate for betting operators in 2010. However, the failure rate for major betting operators in 2010 was actually 35%, reducing from 98% in 2009. A limited sample of small independent operators who were tested at the same time for the first occasion did have a 65% failure rate. The Gambling Commission is working with local authorities to ensure that smaller betting shops/arcades are targeted for underage testing, both to act as an incentive for compliance and to respond to local intelligence of potential problems.



17. In addition to the collection of data which illustrates the risk of underage people accessing gambling inappropriately, the Gambling Commission and the RGSB has identified children and young people and gambling as a priority area for research and for the development of effective education and harm prevention strategies. An expert group on young people's harm prevention is being funded to ensure that the strategies chosen are the most effective.

### **Gaming Machines**

**Casinos are the most highly-regulated sector and they are therefore the most appropriate venue for hard, high-stake forms of gaming. We believe that it is illogical to restrict the games available in highly regulated land-based casinos when B2s, with high stakes and prizes, can be accessed in betting shops. The Government should address the current imbalance by permitting casinos to operate up to twenty B2-type machines with a maximum stake of £100. (Paragraph 53)**

18. The Government agrees with the Committee that casinos are the most appropriate venues for high stakes gambling. That is why casinos are already permitted to offer up to twenty Category B2 machines if they so wish. However, in practice the majority of gaming machines made available in casinos are category B1 rather than B2. Casinos are also uniquely permitted to offer semi-automated and fully-automated table games.

**We recommend that research be commissioned by the Gambling Commission to assess the potential of types of gambling to contribute to problem gambling levels, in particular whether there is a link between features including speed of play, stake and prize levels, accessibility and numbers of gaming machines, and problem gambling. (Paragraph 57)**

19. The Government agrees with the Committee about the importance of understanding better the relationship between different types of gambling, including machine gaming, and problem gambling. This has been a longstanding priority area for the Gambling Commission which has asked its advisors, the RGSB, to see what more can be done to better understand the risks that machine gaming might pose to public protection objectives. The RGSB's strategy prioritises this area, and the RGT will commission independent machines research starting with a scoping study which was announced on 30 November 2012. Information on the study is available on the RGT's website at [www.responsiblegamblingtrust.org.uk](http://www.responsiblegamblingtrust.org.uk). The work is still in its early stages, but will ultimately help to:

- Benchmark the impact of current and new machine structural features on gaming machine play;

- Explore the potential of machine player data to identify markers of problematic machine gambling behaviour;
- Understand the feasibility and effectiveness of new player-led harm minimisation tools;
- Understand the wider needs in terms of wider prevention and treatment activities to support any changes in the impact from gaming machines upon problem gambling levels and the corresponding need for treatment services.

20. The overall aim is to ensure there is a well-structured multi-faceted research programme for machines which helps inform and guide policy decisions.

**The 2005 Act has had the unintended consequence of encouraging the clustering of betting shops in some high streets by removing the demand test and limiting the number of B2 machines permitted in each premises. The clustering of betting shops is a local problem which calls for a local solution. We therefore recommend that local authorities be given the power to allow betting shops to have more than the current limit of four B2 machines per premises if they believe that it will help to deal with the issue of clustering.**

**The limit of four B2 machines under current legislation should be maintained as a minimum limit to create certainty for operators. However, if problems arise with individual betting shop chains or premises in connection with B2 machine use, local authorities should have—as a safeguard—the right to require the removal of any machines over the minimum allowance. (Paragraph 66)**

**We support the original vision behind the 2001 Gambling Review Report in which bingo halls were to be maintained as social, soft gambling environments. In the case of Adult Gaming Centres we believe that they provide a controlled adult environment and have robust access controls, as demonstrated by their low failure rate in the Gambling Commission's test-purchasing scheme. We therefore recommend that Adult Gaming Centres are permitted B2 machines on the same basis as betting shops. (Paragraph 69)**

21. The Government also acknowledges the widespread concern many have about the impact of betting shops and category B2 machines on local communities. These concerns have increased in profile following the publication of the Committee's report. However, the causal links around these types of machines and problem gambling, and ways to mitigate the risks, remain poorly understood. It would not be right for the Government to consider any liberalisation with regard to category B2 machines until evidence is in place, potential options for harm mitigation are better

understood and the industry has demonstrated its capability to manage better the harm its products may cause to some customers. The research announced by the RGT will inform longer term policy decisions but, in the shorter term, the Government will also review evidence around B2 machines and problem gambling and has asked for evidence as part of its consultation on changes to gaming machine stake and prize limits.

**It is clear that commercial snooker clubs have suffered disproportionately from the removal of B3 machines and are now struggling to remain profitable. We therefore recommend that commercial snooker clubs be permitted to offer B3 machines. (Paragraph 71)**

22. It is not clear that the difficulties experienced by some commercial snooker clubs can be attributed in whole or in large part to the lack of access to B3 gaming machines. Nor is it clear that those difficulties would be relieved by permitting such clubs to offer B3 machines.
23. Moreover, in the absence of a better understanding of causal links between gaming machine and problem gambling, category B machines should remain the preserve of genuine gambling operators, subject to the strict controls expressed in the Gambling Act, licence conditions and codes of practice. It would be wrong to permit snooker clubs – which are environments in which alcohol is available – to make such machines available without requiring them to meet the same requirements as other operators. It would also be extremely difficult to justify making this privilege available solely to snooker clubs and not to the many thousands of other clubs up and down the country, many of which may also be struggling. Better evidence needs to be available about problem gambling before any increase in the availability of B3 machines can be considered.

**We welcome the Government's position that further changes to machine stakes and prizes should be evidence-based. (Paragraph 73)**

**It is important that the likely effectiveness of any measures for tackling problem gambling is assessed before such measures are put in place. We recommend that the Department for Culture, Media and Sport seek to learn from the experiences of other jurisdictions, such as Australia, which have implemented measures to combat problem gambling including educational programmes and machine displays showing time spent on them. (Paragraph 74)**

24. The Government strongly supports and encourages the development of player-focused harm mitigation measures: the feedback of information about play sessions to players (such as machine displays showing time and money spent) is one example which we understand to be already feasible

in technological terms. There are other examples of such measures perhaps slightly further away from the current British market such as card based systems that would pool play information across a range of operators, providing players with much better tools to manage their own behaviour (for example by setting financial limits) and developing the industry's capability to identify those who get into difficulty with their gambling and to intervene appropriately. We see this as the key to unlocking the scope for future innovation in the gambling market.

25. The Government also welcomes the Committee's acknowledgement of the importance of evidence-based research. The Gambling Commission (in its position as statutory advisor) constantly reviews developments, including the research from international jurisdictions. As called for by the Commission's review of research, education and treatment, its advisor, the RGSB is working on the creation of a national responsible gambling information hub, which will provide a central point of access to research and statistical information dealing with gambling-related harm. This will cut duplication and streamline activities aimed at improving our collective understanding of the evidence
26. The Gambling Commission also works actively to encourage the sharing of information and best practice amongst international regulators. This happens through the Gaming Regulators European Forum and the International Association of Gaming Regulators, as well as meeting with international visitors when in Britain. The Commission is also a member of the European Association for the Study of Gambling which allows the Commission access to a wide range of international research and best practice and an extensive network of researchers.
27. The Government published a consultation on proposed changes to gaming machine stakes and prizes in January 2013 as a result of the reintroduction of the triennial review process. Increases in the stakes and prizes are proposed where we, and the Gambling Commission, believe there is low public protection risk, but we will take a more cautious approach in other areas, most notably with category B2 machines where we will review the evidence around links to problem gambling and ask for evidence as part of the consultation. We also think that the development and trialling of measures such as individual player protection are an important part of the direction of future regulation and, as part of the triennial review, we have asked for views on whether such approaches could be trialled as part of B1 machine stake and prize level changes in casinos.

### **Tackling Problem Gambling**

**We recommend that the Department for Culture, Media and Sport develop a public information campaign outside of gambling premises to**

**highlight sources of help for problem gamblers and their relatives. The Government should also make an assessment of the ability of existing support and advice centres to deal with any significant resulting rise in demand. If a significant increase is expected then the industry should fund, out of the existing voluntary levy, increased provision of advice and support by these existing centres. (Paragraph 77)**

28. The Government notes the Committee's recommendations on the need to highlight sources of help for problem gamblers and their relatives, and to ensure that appropriate levels of advice and support is available to those who seek assistance as a result. The Government and the Gambling Commission agree strongly that effective harm prevention and mitigation measures are critical. The Commission has therefore considered prevention and treatment of problem gambling by a range of measures a key priority since it began operation. The measures which have and are being taken to achieve this aim include: licence conditions to ensure the signposting of assistance to gamblers in gambling premises and on websites, information required to be made available on all gambling advertising and the creation of a national problem gambling helpline and online equivalent, with appropriate levels of support available through those sources.
29. The RGT allocates funding to research, education and treatment programmes in line with the RGSB strategy. The Government notes, for example, that the RGT has recently signed a new three-year agreement with GamCare to secure the provision of treatment services for gamblers and others adversely affected by gambling. This agreement offers the opportunity for GamCare to improve and expand the services that it has put in place over the last 15 years with the potential of a £500,000 (26%) increase by 2014/15.
30. The Gambling Commission has further asked the RGSB to provide advice on how best to get advice and help to those who need it. The experience of other countries in this area is highly relevant to this advice.
31. Ultimately, however, it is in the industry's own interests to identify and implement measures that provide genuinely effective protection for those of its customers who, for whatever reason, cannot manage their gambling behaviour effectively. Success in this area will be critical to generating the public confidence that lend more support to the industry's proposals to the way that it is currently regulated.

**We recognise the significant practical challenges that introducing a national "universal" self-exclusion system would involve, including confidentiality and legal issues. However, the Government should support the development of a system which would allow a customer to**

**self-exclude from all forms of gambling regulated by the Gambling Commission. (Paragraph 81)**

32. The Government considers self-exclusion a useful tool to help those who are experiencing problems with their gambling and welcomes the Committee's contribution to the issue. Under current requirements set by the Gambling Commission, operators must offer self-exclusion and encourage the customer to exclude from relevant local operators, as well as refer the individual to the treatment options open to them. A number of operators offer self-exclusion across all of their company's premises and products, but there is currently no national self-exclusion database.
33. As the Committee has identified, a national self-exclusion programme presents issues with confidentiality and legal concerns. The Gambling Commission is concerned about the potential unintentional consequences of a national programme if based on staff recognising those excluded, which could make exclusion at a local level less effective. This is especially true in a retail environment where it becomes more difficult for staff to identify self-excluded individuals if they have to consider all those who have been excluded across the country. It is a priority that individuals find that a self-exclusion agreement is 'enforced' effectively in their local environment. A national programme could therefore make self-exclusion less effective in a retail environment, such as betting and arcades, unless players have to register and establish their identity before playing.
34. It is highly desirable to identify schemes that cover a large proportion of gambling outlets to help those at risk exercise self-control. The Gambling Commission continues to explore ways to extend self-exclusion across operators and is actively pursuing this with the industry. The development of technologies, such as the use of loyalty cards, may offer advantages for self-exclusion and the Commission continues to explore these options as they emerge. In addition, the Commission is also working with the industry to identify where sector-wide self-exclusion databases may be appropriate and could be enforced effectively.

**While it is important that the option of enforcing a compulsory research, education and treatment levy be maintained, we recommend that the current voluntary levy is continued. However, should one or more sectors of the gambling industry fall short in their duty to fund research, education and treatment programmes, the Government should implement a compulsory levy on those sectors. (Paragraph 84)**

35. The Government welcomes the Committee's acknowledgement that the voluntary levy has the potential to be successful. The Government maintains that the industry must meet the agreed funding targets and retains the option of introducing a compulsory levy on one or more sectors

should the voluntary system fail. In this respect, it should be noted that although the RGT (the industry-led body charged with raising funds from the industry and disbursing them in line with the strategy recommended to the Gambling Commission by the RGSB) has made very good progress in broadening the funding base, it remains the case that the vast majority of the funding comes from comparatively few operators.

**We recommend that, in designing successor arrangements to the tripartite agreement for the funding of research, education and treatment, the Department for Culture, Media and Sport and the Gambling Commission focus on minimising overlap between the responsibilities and activities of the bodies involved as well as ensuring effective communication between them. While the Responsible Gambling Strategy Board continues to advise the Gambling Commission, and through it the Government, we believe that the Department for Culture, Media and Sport should also take a more proactive role in identifying the research needed for strategic policy development and ensuring that these needs are reflected in the research being carried out. (Paragraph 91)**

36. The Government agrees with the Committee that the overlap between the relevant bodies should be minimised and since the Committee's report was published, new arrangements for research, education and treatment have been implemented, which are aimed at promoting collaboration. The Department looks to the success of these new arrangements as a mitigation against the need to introduce a statutory levy at this time. A key test of the new arrangements will be the extent to which they deliver the evidence that the Government needs to make decisions about regulatory policy, in particular to provide confidence that decisions to increase or reduce regulatory burden can be made with the fullest possible understanding of the risks to children and vulnerable people and how they might be mitigated.
37. We welcome the joint Statement of Intent published in August 2012 by the Gambling Commission, the RGSB and the RGT which demonstrates the renewed commitment each of these organisations have to effective and transparent partnership. The Government, through the Department for Culture, Media and Sport, has been involved in developing strategies for research to inform policy development, for example contributing to Gambling Commission and the RGSB's work to identify the necessary research to inform the triennial review of stakes and prizes. It remains the case, however, that the Gambling Act creates a specific duty for the Gambling Commission to advise the Government on matters relating to gambling and its regulation, which it carries out with energy and professionalism; it would be a costly duplication for the Government not to rely on its statutory advisors.

**We support the recommendations of the Responsible Gambling Strategy Board for the principles which should apply to the successor arrangements to the tripartite agreement as laid out in its 2011 Strategy document. In addition, the advice from the Responsible Gambling Strategy Board regarding the amount required for future research, education and treatment, if accepted, must be clearly communicated to the gambling industry. This advice should set out how the money donated by the industry will be spent. We await with interest proposals from the Gambling Commission for a replacement for the now defunct system for funding and commissioning research, education and treatment programmes. (Paragraph 92)**

38. The Government welcomes the Committee's support of the principles of the new arrangements as set out by the RGSB. Its strategy, published on 3 December 2012, reiterated the need for funding and the research, education and treatment programmes which are necessary to tackle gambling-related harm. In implementing that strategy, the RGT has started and will continue to articulate to its donors the importance of its funded work and explain how the money is being spent. In addition, the RGSB's Treatment Expert Panel recommends mechanisms that the RGT could adopt to improve value for money.

**The Gambling Commission should make an assessment of the available gambling education programmes aimed at under 16 year olds—including that which has been developed by GamCare—and make a recommendation on their merits, based on projected cost and level of impact. (Paragraph 96)**

39. The Government agrees with the Committee on the need to assess whether gambling education programmes for under 16 year olds are effective. The Gambling Commission has previously sought the RGSB's advice on the proposal to include gambling within the Personal, Social and Health Education (PSHE) curriculum. Their advice indicated that the available evidence base did not provide a clear rationale for committing limited resources to its inclusion in the curriculum. Indeed, some international experience suggests that there is potential for curriculum-based education programmes to be counterproductive.

40. However, the RGSB's strategy for 2013/14 to 2015/16 will identify as a priority plans to build on the work done here and overseas to develop more effective ways of preventing gambling-related harm amongst young people – whether that be curriculum-based education or other methods.



### **The Industry, Tax and Regulation**

**We recognise that the Bingo sector remains highly taxed in comparison with other sectors despite its status as one of the softest forms of gambling. In principle we believe that bingo should be taxed in line with other forms of gambling at 15%.**

**Moreover, we recommend that the Treasury make an assessment, within the next financial year, of the likelihood that a reduction in bingo duty, to 15%, would result in increased investment in the bingo sector and a rise in net tax take. (Paragraph 104)**

41. The rate of bingo duty was set by the previous Government. When it comes into effect in February 2013, the standard rate of Machine Games Duty (MGD) of 20% will be the same as the rate of bingo duty.
42. The Government keeps all taxes under review and currently estimates that a reduction in the rate of bingo duty to 15% would cost the Exchequer approximately £30 million per annum.
43. The Government continues to actively engage with the bingo industry as part of the usual budget process. Ministers and officials have met with representatives of the industry, and consider all representations received on the impact of duty changes on the industry.

**We are not convinced by arguments from the Treasury that measures to allow the offsetting of Gross Profits Tax against VAT on capital investment for gambling machines cannot currently be implemented. The Treasury should carry out further work in this area and identify a means by which such offsetting could be achieved.**

**We also recommend that the Treasury make judicious use of industry analysis of the likely impacts of its proposed taxation measures. As it is in the public interest to maximise the tax take from the gambling industry, the Treasury should set tax at a level which allows investment in the industry and does not stifle growth. We recommend that the Treasury also take into account the likely impact on investment by the gambling industry in future tax-rate calculations. We recommend that any changes to machine gaming duty should be revenue neutral as the Economic Secretary to the Treasury assured us that they would be. If the rate of machine gaming duty raises more than a revenue neutral figure, the Chancellor should reduce the new rate to ensure that revenue neutrality is achieved. (Paragraph 109)**

44. The Government decided not to adopt the proposal to allow businesses to offset otherwise irrecoverable VAT against MGD liabilities. Doing so would

complicate the legislation for MGD, and increase administrative burdens. Recoverable input VAT was taken into account by the Government when MGD rates were set. If that had not been done, MGD rates would have been set at higher levels.

45. The rates of MGD have been set in a way which is intended to achieve revenue neutrality for the Exchequer, based on a thorough analysis of all the available evidence, including industry analysis. The policy costings document published alongside the Budget outlines how rates have been calculated. The costings have been independently scrutinised by the Office of Budget Responsibility. The Government has also published a technical note describing the data and methodology used to calculate the lower and standard rates of MGD in greater detail.
46. The data used in HMRC's modelling has been collected from many sources. Data from the Gambling Commission underpin many of the inputs, where necessary corroborated by and adjusted for other sources of information, including consultation responses.

**To give certainty to online operators, and their investment plans, we urge the Government to adhere to its timetable for implementation by December, 2014 and to make plans to deal with any challenges to the proposed new system. However, the Treasury still needs to work with industry stakeholders to establish the correct level for online gambling taxation, taking into account the need to encourage companies to accept UK regulation and taxation and to discourage the formation of a grey market. (Paragraph 117)**

47. A place of consumption basis of taxation will level the playing field in terms of UK duty liability and provide a fairer basis for competition between remote gambling operators based in the UK and overseas. It will further enhance the competitiveness of the UK tax system by excluding from the scope of tax any profits from transactions with non-UK customers. The reform will also help improve the sustainability of the UK's tax base by ensuring that remote gambling, alongside other gambling products, makes a fair contribution to public finances.
48. A consultation on policy design for the place of consumption tax reforms closed in June 2012, and the responses received are being analysed. The Government will continue to work with the industry to consider their concerns ahead of the implementation of the reforms.

### **Regulation and the Impact of the Act**

**We welcome the reinstatement of the Triennial Review system for gambling machine stakes and prizes. These reviews should be designed**

**to maintain the value in real terms of stakes and prizes, as is the case with other industries where prices are controlled by the Government, rather than as a means of increasing industry profitability. A Triennial Review system has the potential to lead to significant calls from all sectors of the industry that they should have their machine allowances and/or stakes and prizes increased on a regular basis. It is important therefore that these reviews are carried out on the basis of evidence, are as open and depoliticised as possible. (Paragraph 124)**

49. The Government welcomes the Committee's support for the Triennial Review system. We agree that all reviews should be carried out on a solid evidence base and as a fully open and transparent process. A periodic review will allow the Government to take into account and act on the research as outlined by the RGSB and taken forward by the RGT. This includes considering reductions in stake and prize limits should any causal links found between machine characteristics and problem gambling.

50. However, the Government also agrees with the Gambling Commission that in the longer term there might be better ways to regulate stakes and prizes for gaming machines than simply using blanket controls such as centrally set limits on stakes and prizes. Therefore, the review process will also look at new technologies across the industry and the scope they may offer to enable more effectively and efficiently targeted regulation.

**We consider that a vital aspect of gambling regulation is controlling the significant, and growing, online sector with its unlimited stakes and prizes, and its potential to cause problem gambling. The Commission's plans for licensing online operators will rely heavily on other regulators which the Commission has very limited means of monitoring. The Commission should aim to improve its links with overseas regulators for the purpose of spreading best-practice in terms of customer protection and problem gambling prevention. (Paragraph 133)**

**We recommend that the Gambling Commission should consider, as a part of efforts to communicate to online gamblers the potential risks to their funds, introducing a kite-marking system for gambling websites, indicating which sites are regulated in the UK. This could protect consumers by encouraging them to use UK-regulated sites and by incentivising suppliers to choose to be regulated here. (Paragraph 138)**

**In the light of the Full Tilt case, however, the Gambling Commission should consult the industry as to what form of 'ring fencing' or protection of player accounts, by all UK-regulated online gambling operators, would be a proportionate response to the worries arising from this unfortunate episode. (Paragraph 139)**

**It is therefore important that effective enforcement methods are put in place to prevent unlicensed companies from operating into the UK and that the Department for Culture, Media and Sport and other agencies also work to encourage international co-operation and a common approach. (Paragraph 151)**

**It is vital for the Government to recognise that the success of any new regulatory regime for online gambling will rest on the development and implementation of effective enforcement mechanisms for regulation. The Government's proposals for the regulation of remote gambling remain very unclear particularly with regard to how the Gambling Commission intends either to approve and monitor regulators in other jurisdictions or to directly regulate and licence all the individual companies which operate in the UK. It is not currently clear whether the Gambling Commission intends to carry out licensing checks on all companies that apply to operate in the UK. We recognise that it would be unrealistic for the Commission to inspect directly individual regulators across all other jurisdictions. We recommend that the Commission should approve certain overseas regulators and continue to monitor their performance where they meet its requirements. The Commission should undertake test purchasing exercises to ensure that these national regulators continue to carry out sufficient licensing checks. Such an approach would have the merit of encouraging international co-operation leading, in due course, to a more harmonised, consistent and less bureaucratic regulatory system across the 27 member states. For the sake of confidence and market knowledge, the Gambling Commission should also test whether regulators it has not yet approved carry out sufficient licensing checks. (Paragraph 154)**

51. The Government agrees with the Committee that there should be an effective enforcement mechanism for regulating online gambling, and will work closely with the Gambling Commission to ensure this is the case. The Government believes, however, that comparisons between restrictions in stakes and prizes in terrestrial gambling outlets and the absence of such limits online miss an important point. In the online environment, account-based play is ubiquitous. That enables much more sophisticated and powerful tools to manage, for example, underage access, money laundering and problem gambling, than is generally the case in terrestrial environments where the player is usually anonymous and the play is cash rather than account based.
52. The ability to "capture every click" online has the potential to provide, from the regulator's point of view, a highly accurate and accessible audit trail for regulatory purposes. The Government and the Gambling Commission believe there is an alternative argument that, if the terrestrial industry were able to replicate the targeted controls that account-based play and

electronic payment offers, there may be more scope for it to develop in the ways it would like to see. However, it is acknowledged that there is a strong bias towards the concept of anonymity in terrestrial gambling in Great Britain and that it is a principle that some sectors of the industry have fought hard to preserve.

53. The Government has published draft legislation (available at <http://www.official-documents.gov.uk/document/cm84/8497/8497.asp>) which would oblige all gambling operators selling into the British market – whether based in Great Britain or abroad – to obtain a licence from the Gambling Commission. The reforms would ensure consistency in terms of public protection. We hope to introduce the Bill as soon as the legislative timetable allows.
54. We are clear that the proposals will not duplicate the work of other regulators or unnecessarily increase burdens imposed on operators. Rather, the proposed system will avoid duplication by relying on the information provided to, and testing already undertaken for, other regulators, subject to sufficient on-going assurance of quality and rigour. The Gambling Commission has been very active in European and international regulatory bodies in sharing knowledge and promoting appropriate collaboration. However, the proposed licensing requirement will provide an important safeguard that would allow the Commission to intervene directly where problems occur which are not sufficiently dealt with by other regulators. This is the approach the Government has consistently adopted in discussions in Europe and represents the model we hope other European jurisdictions, who are opening up their own gambling markets, will adopt.
55. Under current Gambling Commission requirements, operators are required to state on their website that they are regulated by the Commission and provide a link to its website, where information is available to help the consumer and provide further signposting where appropriate. However, the Government notes the Committee's recommendation that further emphasis is placed on the information made available to the consumer about where gambling is regulated and the Commission will consider this issue further as it implements the planned changes to regulation of remote gambling.
56. The Government notes the helpful suggestions from the Committee about the regulation and enforcement of the new regime and looks forward to receiving the Committee's comments on the draft Bill and accompanying documentation.

**The Department for Culture, Media and Sport should make clear how the Gambling Commission will assess the effectiveness of other national regulators and what the Commission will require of its agents. Any**

**additional regulatory activities will have resource implications which the Gambling Commission will have to address within its existing budget. (Paragraph 155)**

**Given that most UK operators have located their online operations offshore, this inquiry has heard concerns regarding the expertise of the Gambling Commission to monitor effectively a much larger number of online licence holders under the proposed changes to the regulatory regime. The Commission will, therefore, need to bolster its capability to do so, from within existing resources, as supplemented by licence income from the online operators it approves. (Paragraph 156)**

57. The Gambling Commission will determine whether businesses are suitable to obtain or continue to hold a licence in Great Britain. However, the Government and the Gambling Commission have made clear that it would not be proportionate to duplicate enquiries or investigations already carried out elsewhere; the Commission will therefore use information provided by other regulators where that information is available, up to date and relevant.
58. The Gambling Commission is actively engaged bilaterally with overseas regulators to better understand the possible information available; for example, with the regulatory forums of Gaming Regulators European Forum and the International Association of Gaming Regulators to explore areas for reducing duplication of regulation. However, the Commission's focus under the remote reforms will be on the suitability of operators, not jurisdictions, and the white-list will be phased out.
59. The Gambling Commission will be consulting on the appropriate measures that can be required of operators to protect customer funds against fraud or insolvency and to communicate any potential risks to customers. This may lead to amendments to the licence conditions and codes of practice.

### **Casinos**

**The Government should reconsider its plans to test the impact of the new casinos. Given that casinos have some of the most comprehensive measures for tackling problem gambling and in the light of some of our other recommendations we believe that casino operators will already be doing enough to enable the industry to grow safely. (Paragraph 163)**

60. The Government will continue to work with the sixteen local authorities permitted to award the new licences and with the Gambling Commission and operators to determine when enough local data might be available to inform policy decisions in this area

61. The new types of premises permitted by the Gambling Act, especially large casinos, are on a far larger scale than existing casino premises with a view to providing a wider range of gambling facilities. This includes a much more liberal gaming machine allowance. It would be wrong for the Government to roll out these licences more widely until it has a better understanding of the potential effect of these new premises on communities, both economically and socially, as well as some firm support from local authorities for casino developments in their area.

**The Government should review the licensing process for Small and Large Casinos with a view to developing a new simplified and less expensive licensing process. (Paragraph 164)**

62. The Government agrees with the Committee that the licensing process for small and large casinos has proved to be complicated and time consuming. Once there is a better understanding of how these new types of premises might impact on local areas, then the Government will consider its next steps. Should the evidence suggest that simplification is possible then we would consider a range of factors, including the best way to award any new licences.

**We believe that the decision as to whether a casino would be of benefit to a local area should be made by local authorities rather than central diktat. We recommend that any local authority be able to make the decision as to whether or not they want a casino. As a step towards this, we recommend that existing 1968 Act Casino licences are made portable, allowing operators to relocate to any local authority provided that they have the consent of that local authority. The portability of these licences would be constrained by the existing 'triple lock' contained in the Gambling Act: the need to obtain local authority approval, a premises licence and planning permission. (Paragraph 165)**

63. The Government welcomes the Committee's contribution to this issue. The casino industry has already approached the Government with a proposal to relax restrictions on the locations of casinos operating under a converted casino premises licence. Such a proposal is not uncontroversial and any case for change would have to have support locally. The industry must engage constructively with local government to secure local agreement to any proposals it might put forward to advance its objectives. The Government will support such engagement, although any agreed approach should not be detrimental to the work already being undertaken by the sixteen local authorities permitted to award new licences or risk destabilising the competitive balance across the casino sector.

**We note that not one Small Casino has been developed. It was not Parliament's intention in 2005 to make Small Casinos completely**

**unviable. Given the fact that all casinos are highly regulated and access is limited regardless of the size, we see no rationale for the different gaming machine allowance. As 5:1 is the ratio presently in the legislation, we recommend that the Government introduce a single ratio of five machines to one table for both Small and Large Casinos. Local authorities should have the power to increase the number of machines permitted per table if they wish to do so and an operator requests it. (Paragraph 169)**

64. Local authority competitions to award the new casino licences are currently underway. Changing the gaming machine to gaming table ratio for small casinos at this stage would undermine that process as it would significantly alter the basis on which operators have prepared bids. Once there is clarity about the number of new licences that will be awarded and developed, plus a better understanding of the potential impact of new casinos on communities, the Government will consider whether there is a case to roll out the new types of premises more widely. A range of factors would have to be considered, including evidence about the economic viability of the different types of licence, as well as demand from local authorities to issue casino licences.

**There is currently no way of assessing what impact allowing 1968 Act Casinos the same freedoms would have. In principle, we see no logical reason for maintaining different regulatory regimes and believe that 1968 Act Casinos should be given the same freedoms as new ones. Paragraph 172)**

65. The Government does recognise that the lack of evidence about the impact of Gambling Act casinos may be restricting the market and potential investment. Over the coming months, officials will work with the industry and local authorities to identify what steps need to be taken to reach a point where a case could be presented to Ministers to allow them to make an informed decision, consulting the Gambling Commission as necessary. This does not mean that the Government supports the case for harmonisation at this stage, but does signal that we are willing to look at the evidence.

**We conclude therefore, that the opportunity to establish one or more Regional Casinos in the UK has passed and, without a change in the political and economic climate, is unlikely to reoccur. (Paragraph 183)**

66. The Government agrees with the Committee's view that a Regional Casino is not something the industry sees as a priority. We have no plans to revisit the issue.



### **The Gambling Commission**

**The Gambling Commission needs to provide greater clarity about what it means by moving away from a blanket stake and prize regime. We are concerned that a move towards allowing individual venues or operators to have stakes and prizes set at a different level to the rest of the market—because the Gambling Commission considers that they are well controlled—could destabilise the regulatory pyramid. (Paragraph 197)**

67. Gaming machine regulation currently takes the form of controls on stake and prize limits, technical standards, and restrictions on the numbers of machines that may be sited in various types of gambling establishment (although with no overall limit on the total numbers available in the community). These methods of control have to date been the best available to governments and regulators. However, these controls could be seen to be blunt tools which restrict innovation, constrain consumer experience and hamper the ability of policy makers and regulators to make real progress on problem gambling.
68. The Gambling Commission is working with the RGSB Machines Experts Group and the industry to explore whether it would be more effective to tailor harm-prevention measures to the individual player, either alone or alongside traditional controls such as stake and prize limits. These measures, which would target those at risk, may be possible due to technological developments and could range from increased provision of information to players about their play to more sophisticated player tracking systems to identify potentially problematic behaviour. Behaviour such as chasing losses could trigger customer intervention, whether in person, or the automatic provision of information to players about their current play session.
69. The Government and the Gambling Commission are clear that any changes in this area must be made on the basis of evidence. Any movement towards greater scope for innovation will depend heavily on industry's commitment to identify and implement much better harm minimisation measures. The Commission is monitoring developments and research in these areas domestically and internationally, and possible harm-prevention measures are a priority within the RGSB's strategy for 2013/14 to 2015/16.

**We recommend that the Gambling Commission provide the gambling industry with a clear and easily accessible summary of where the fees it charges are spent as a part of its Annual Report (Paragraph 202)**

70. The Government agrees with the Committee that the Gambling Commission must be transparent about its fees and costs. For the first time this year, the Commission is distributing a short, clear and accessible annual summary of where licence fees are spent to operators at the time their annual fee payment falls due. It is looking at ways to more openly publicise the extent and purpose of routine licensing, compliance and enforcement activity to licence holders. Fee levels are kept under review and there is a full consultation process setting out the cost basis for fees whenever changes are proposed. These measures are consistent with the Chancellor of the Exchequer's announcement as part of the Autumn Statement that regulators will be asked to bear down on costs and be more transparent about how fees levels are established. We will explore with the Commission whether it can do more in this area as a result of the Chancellor's statement.

**The Commission should introduce a new licence fee structure which gives a much clearer reflection of the amounts charged per shop. Small independent operators should certainly be paying less than they are now. The Commission should also be looking to charge large operators less than they currently are. (Paragraph 203)**

71. The Government is pleased to receive the Committee's views on this subject and glad that the report acknowledges the work the Gambling Commission has done to engage with the industry in this area.

72. The Gambling Commission regulates the licensed operating entity, not the premises from which gambling is offered, There are large economies of scale available to them when dealing with larger operators that it must take advantage of, and reflect in its fees structure. The Commission must therefore decide where the delineation between fee bands should most appropriately fall, based on its assessment of such economies.

73. Fees are made up of the need to recover two sorts of costs: those which do not directly vary with the size of the operator, such as premises visits, where there are high economies of scale where premises can be sampled; and thematic costs which are not directly related to costs of regulating individual licensed entities, but are costs that need to be recovered from operators equitably such as tackling illegal machine supply, and providing advice to Government. The Gambling Commission therefore uses fee bands (grouping operators by the number of premises they have as the best proxy measure of the impact of gambling currently available) to ensure that the fees relate as closely as possible to the compliance costs associated with them.

74. In recommending fee bands to Ministers, the Gambling Commission does carefully consider the dynamics of each industry sector and the cost of

regulating differing types and sizes of operator using a proportionate risk-based approach. The Commission recognises that there will be individual operators who will face rises in their fees when they move between fee bands. To mitigate this effect, the Commission has demonstrated its willingness to work with operators who face a band-related increase in fees by, for example, being willing to licence parts of the business as separate legal entities if that proved cheaper than a single licence covering the whole business.

**We consider that the Commission has not gone far enough, in particular, in its efforts to reduce its operating costs. We recommend that an independent review of Gambling Commission expenditure be carried out as soon as possible after a new system for remote licensing is in place. We consider that it is important for such a review to be carried out externally so that the industry has confidence in its conclusions. The reviewing body should have the power to recommend changes to the Commission with a view to reducing its costs and the regulatory and fees burden imposed on the industry taking into account the Commission's ability to fulfil its licensing objectives. (Paragraph 204)**

75. The Government notes with interest the Committee's views and will consider further following the introduction of the new system for remote licensing. The Government agrees that it is important the costs of regulation are appropriately assessed. That is why fee proposals are already subject to extensive consultation with stakeholders and independent scrutiny by the Department for Culture, Media and Sport, the Regulatory Policy Committee and by Parliament.
76. With the 2011/12 review of its licence fees, the Gambling Commission had initially intended to maintain the overall fee burden at the levels that were set in cash terms in 2009, which would have represented a reduction in real terms of around 7%. In light of the responses received to that consultation on fees, and its continuing efforts to reduce cost and improve efficiency, the Commission implemented further fee reductions which enabled it to reduce its overall fee burden by around £715,000 compared to 2009 levels for the fiscal year 2012/13. This is a reduction of approximately 5% of the overall Gambling Commission budget. Of approximately 3,850 operators licensed by the Gambling Commission, only 33 of those operators were subject to fees increases. In many of those cases the bulk of the fee increase stemmed from a more equitable distribution of costs between operators in that sector. Around 45% of licensees were subject to fees decreases of some level (including the smaller betting, bingo and arcade operators and remote society lotteries that benefited from the new ancillary licence) and fees for the remaining 2,100 operators were unchanged from 2009 levels, i.e. a reduction in real terms.

**Whilst we believe that the Gambling Commission's primary objectives, and its ability to maintain a good relationship with all gambling stakeholders, are best served by it remaining as an impartial regulator, there is no such barrier to the Department for Culture, Media and Sport having a more supportive role towards the industry. Despite the statement, displayed on the website for the Department for Culture, Media and Sport, that it is a sponsor for the gambling industry, it makes no mention of the gambling industry in its Departmental Business Plan of 2011/15. We call on the Government clearly to set out its position on whether the gambling industry constitutes a legitimate mainstream leisure pursuit and whether it intends to be a pro-active sponsor of, or simply to tolerate, the UK gambling industry. (Paragraph 208)**

77. The Government agrees with the Committee's conclusion about the importance of the Gambling Commission remaining an independent regulator which should not have a role in promoting the gambling industry.
78. While gambling is not specifically mentioned in the Department for Culture, Media and Sport's high level business plan, it is part of our contribution to creating the conditions for growth through reducing and reforming regulations which impact on sport, recreation and leisure.

**During this inquiry we have found the Gambling Commission's website, which should be a significant tool for communication, frustrating. This should not be the case with a modern regulator and we recommend that the Commission move quickly to rectify any technical or design issues which prevent its website from being an effective communication tool. Specifically, the Gambling Commission should ensure that the search engine built into its website is functional and that links are maintained. (Paragraph 212)**

79. This is a matter for the Gambling Commission which actively seeks feedback on the usefulness of its website and other forms of communications. The Commission has plans to provide cost-effective improvements and has already implemented changes to its website to make content searches easier, including a quick links page featuring the top three destination pages for each sector and removing a number of pages to reduce the number of clicks users have to make to get to the information required. The effectiveness of these changes is being closely monitored through user analysis and direct consumer feedback.
80. The Commission has also made changes to some of the terminology used throughout the site, such as inclusion of terms like 'online' alongside 'remote', 'raffles' alongside 'lotteries' and 'fruit machines' alongside 'gaming machines'.

**The Gambling Commission needs to continue to make improvements in the way it communicates with the businesses it regulates, particularly when conveying the reasons behind its regulatory activity. In particular, it should ensure that the purpose of requests for data are made clear. (Paragraph 214)**

81. The Government agrees with the Committee that the Gambling Commission's purpose for data collection should be transparent and focussed. The Commission itself recognises that improvements in its communications with stakeholders can always be made. This is why their 2012/13 Business Plan includes a programme to improve understanding of the regulatory framework and the Commission's role and risk-based approach.
82. The information the Gambling Commission collects from operators is used to help assess the risk posed by operators, as part of the compliance programme. In addition, the Government relies strongly on the data collected from the industry from regulatory returns to inform policy decisions. The Commission also provides the industry with data from the returns in the form of the annual industry statistics publication, as well as providing specific provisional figures throughout the year. These figures are widely used by the industry, media and other stakeholders.
83. However, the Gambling Commission recognises the importance of ensuring all data requests from the industry remain tied to specific regulatory requirements or fulfil its role as advisor to the Government on gambling. It will therefore continue to strive to explain the rationale for collecting, analysing and publicising key regulatory data.

**The Commission should provide clear, accessible guidance to operators and local authorities, setting out its regulatory responsibilities and those of the local authorities. This would help to avoid regulatory and enforcement activity falling between the two responsible bodies. (Paragraph 218)**

84. The Government agrees with the Committee that good lines of communication between the Gambling Commission and Local Authorities are important if the Gambling Act is to function properly. We welcome the creation of the Commission's Local Authority Liaison Unit, which works closely with local councils. Feedback to the Commission from local authorities and the industry suggests that the Unit is being seen as a valuable resource.
85. Since the Committee's report was published, the Commission has released the 4<sup>th</sup> edition of the Guidance to Licensing Authorities (September 2012) to

take account of emerging themes and clarify any areas of uncertainty. The Guidance is supplemented by a range of publications, as well as day-to-day technical support and cooperation.

**The Government and both Commissions should clarify what effect the planned merger of the Gambling Commission and the National Lottery Commission will have on the objectives, regulatory policies and practices of the resulting unified regulator, in particular the newly merged regulator's approach to society and charitable lotteries and the National Lottery. (Paragraph 222)**

86. The Government can confirm that any merged body will retain the existing statutory duties of the Gambling Commission and the National Lottery Commission. The regulation of the gambling industry and the National Lottery operator will not be amended as a result of the merger.
87. It will be a matter for the Government and Parliament, advised as necessary by the relevant regulator, to determine whether there should be any changes to the existing legislation governing society lotteries or the National Lottery.

**The Gambling Commission should continue to effect cost-saving measures as a part of its merger with the National Lottery Commission wherever these would not interfere with its statutory objectives. (Paragraph 225)**

88. The Government agrees that the co-location of the National Lottery Commission and the Gambling Commission has been an opportunity to deliver important cost-savings. We are currently considering responses to a consultation which ran to 23 October 2012 on the plans to implement the provisions for the merger (as set out in the Public Bodies Bill which received Royal Assent in December 2011). The impact assessment for the consultation set out the cost-savings which have already been implemented and the estimated proposed cost-savings over time. The merged body will continue to seek cost-savings where possible.

**The Government should provide clarity one way or the other as to what constitutes a national lottery and what constitutes a local lottery connected to other local lotteries. If the Government decides to allow more than one national lottery then it should ensure fair competition by requiring any new national lottery provider to pay lottery duty and meet the same legal requirements as the existing National Lottery operator. (Paragraph 230)**

89. The Government believes that the key aim of legislation relating to the National Lottery and society lotteries should be to ensure the efficient and

effective generation of valuable resources for charities, voluntary organisations and other good causes. We have been looking at the current regulation in light of recent developments in the society lottery market and have announced our intention to consult on possible changes to the minimum percentage of income that society lotteries are required to pass onto their good causes.

**We recommend the immediate and practical solution of making ancillary remote licences free of charge for small society lotteries. This would not, however, have any effect on the amount of bureaucracy involved in small lotteries making licence applications and renewals. (Paragraph 233)**

90. The Government agrees that the fees for society lotteries which sell tickets by both remote and non-remote means should be proportionate and in line with the compliance costs associated with the additional work by the Gambling Commission. With the introduction of the ancillary remote operating licence for society lotteries in April 2012 (which attracts an annual fee of £50), the fees for around 150 societies were reduced. Of these 150 societies, the fee reduction for small lotteries is at least £280 per annum. In some instances for medium sized lotteries, the ancillary licence allowed fees to be reduced by over £600.

91. The Government is pleased to see the introduction of this more proportionate cost for ancillary lottery licences. It would not be appropriate for the annual fee for this particular ancillary licence to be reduced to zero, because there are compliance costs associated with the licence. The society lottery ancillary remote operating licence allows tickets to be sold by any means of communication, and allows lottery proceeds up to £250,000 per annum, which could exceed the proceeds of the non-remote licence<sup>2</sup>.

**We recommend that the Department for Culture, Media and Sport work with local licensing authorities to review the registration process for small society and charity lotteries with a view to reducing their administrative burdens. (Paragraph 233)**

92. The Government agrees that the current process of registration for small lotteries and raffles should be reviewed and is considering this area as part of its response to the Red Tape Challenge.

**We recommend that the Government should establish whether there is evidence that the National Lottery would be adversely affected by society lotteries with the right to offer increased or unlimited prizes. If it**

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<sup>2</sup> All other ancillary licences are more restricted in the means of remote communication which is permitted, and on the proportion of proceeds which may come from non-remote means.

**cannot be demonstrated that the current limits on small lotteries are necessary to protect the National Lottery from competition, then they should be reduced or removed. If the limits on small lotteries are removed then they should be subject to lottery duty on the same basis as the National Lottery. (Paragraph 235)**

93. The Government agrees that it is important to understand the impact of a developing society lottery sector on the National Lottery. Research was commissioned in 2012 on the impact of the Health Lottery and similar types of lottery are having/would have on the National Lottery. As noted above, the Government intends to consult on possible changes to the proportion of income that society lotteries are required to pass on to their good causes.











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