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Report of the GAMING BOARD FOR GREAT BRITAIN 1998-99

LONDON: The Stationery Office

525

**REPORT OF THE GAMING BOARD
FOR
GREAT BRITAIN 1998-99**

Presented pursuant to Act Eliz. II 1968 c. 65 s. 50

Ordered by the House of Commons to be printed 14 July 1999

LONDON: The Stationery Office

Previous Reports

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MEMBERS OF THE GAMING BOARD FOR GREAT BRITAIN IN 1998-99

MR P H DEAN CBE, Chairman from 1.7.98

LADY S LITTLER, Chairman until 30.6.98

MR B P AUSTIN

MR D ELLIOTT CBE, QPM

MR W B KIRKPATRICK OBE until 31.1.99

MR R C LOCKWOOD JP

MR D M C E STEEN from 1.3.99

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ANNUAL REPORT OF THE GAMING BOARD FOR GREAT BRITAIN

To:

Her Majesty's Secretary of State for the Home Department,

and

Her Majesty's Secretary of State for Scotland

In pursuance of Section 50 of the Gaming Act 1968 I have the honour to present the thirtieth report of the Gaming Board for Great Britain, covering the period 1 April 1998 to 31 March 1999. In this opening statement I highlight some matters of topical interest.

Tribute to Lady Littler

This is my first report as Chairman, and I should like to pay tribute to my predecessor. Lady Littler retired on 30 June 1998 having led the Board with distinction for six years. Her term of office covered a period of significant change, which she presided over with notable wisdom and firmness of purpose, leaving me a legacy which I have been glad to inherit. The Board's reputation for regulatory efficiency stands high at home and overseas.

Climate of change

The climate of change is set to continue, presenting challenges both to the Board and to those it regulates. Some significant changes by way of deregulation have been made in recent years and more are in the pipeline. Enterprises engaged in the industry are understandably keen to improve their competitive position by ridding themselves of what they see as needless regulatory shackles. They may expect support from the Board in this endeavour provided the changes proposed do not conflict with the three principles underlying gaming regulation: that crime should be kept out of gaming; players should be treated fairly; and children and the vulnerable should be protected.

Demand

One example of change, or at least shifting emphasis, concerns the question of demand in relation to the establishment of new casinos. The policy underlying the 1968 Gaming Act was that no more casinos (or for that matter bingo clubs) should be permitted than necessary to meet the "unstimulated demand" for them. The Board has therefore traditionally objected to new casino licences on grounds of lack of demand if it believes that demand is already adequately met. For this purpose "demand" is measured quite crudely by reference to the numbers of players present at specified times in casinos in the locality. Until recently a finding of lack of unmet demand tended to be regarded by the licensing authorities as conclusive in leading them to refuse a licence under the Gaming Act. But these authorities also have a residual discretion to grant a licence, notwithstanding the position on demand, if a satisfactory case is made out for them to do so, and in recent cases they have begun to show themselves more ready to exercise this discretion. The Board for its part will continue to present statistics to licensing hearings as it has in the past. It does not, however, regard itself as an economic regulator and has no quarrel with the final discretion resting with the local licensing authorities. Indeed it is not in a position to judge specific circumstances relating to the locality. The key protection afforded by the Board is that applicants must, before their case gets to

the justices, first have obtained the Board's certificate of consent. This is granted only if the Board is able, after investigation, to satisfy itself that the applicant is fit and proper and likely to be diligent in undertaking the responsibilities concerned.

Gaming machines and children

Access by children to gaming machines intended for use by adults continues to concern the Board. There have been welcome signs of tightening controls in places such as some motorway service areas, but progress is patchy. The Board itself has no powers to impose or enforce controls in such cases: those are matters for local licensing authorities and the police, who have other priorities. Another question of concern to the Board and the industry is how to categorise machines which are harmless to children and for which no age limits are necessary. Children have for many decades had access to amusement-with-prizes gaming machines, and seaside amusement centres often depend on such machines for their prosperity. Many in the industry agree that children and gambling should be kept apart, but argue that machines with low stakes and prizes are too trivial to be classified as gambling for this purpose. The Board seeks to arrive at an understanding with the industry about what machines are and are not suitable to be played by children, and discussions to that end with the industry's representative association are under way.

The Internet

Regulators around the world are grappling with the difficult problems raised by gaming on the Internet. Existing terrestrial regulatory systems are ill equipped to deal with Internet gaming, the current extent of which is unknown. The Board has an obligation to advise the Home Secretary on developments in gaming. It will continue to review and analyse the issues, taking advantage of the findings and experience of overseas regulators, in order to decide what policy advice should be tendered to Ministers.

Reform of gambling laws

The process of deregulation mentioned earlier is useful as far as it goes, but it is slow and patchy and will be no substitute for fundamental law reform. The statutes governing the Board's activities were enacted 25 years or more ago and, because of the cultural and technological changes that have occurred in the interim, are now in significant respects out of date. Attitudes towards gambling have become generally more relaxed – as witness the Government-sponsored and heavily promoted National Lottery – and the policy on “unstimulated demand” mentioned earlier looks increasingly threadbare. At the same time microprocessors and the Internet are affecting the industry in ways undreamt of by the makers of the current laws. The Board has already called for a wide-ranging review of gambling legislation to be undertaken. While acknowledging the pressures on the Parliamentary timetable, I would urge the Government to set a firm time-scale for the process of reform, rather than allow anachronisms to become more and more glaring to the point where the law risks falling into disrepute. Over the next year the Board will be developing its own suggestions on some of the areas in need of reform.

Funding of the Board

The arrangements for the Board's funding have long been recognised as unsatisfactory. The essence of the problem is that although the Board raises from the industry fees to cover the costs of regulation, these fees do not go to the Board and are not taken into account in determining the Board's budget. Instead the Board receives from the Home Office a grant-in-aid set with insufficient regard to the resources the Board actually needs to carry out its statutory obligations. In recent years the grant has been successively cut in real terms, to the point where the Board has hoisted warning cones about the threat to orderly regulation. I am glad to say that the Home Office has agreed that the current funding arrangements are unsatisfactory and is working with the Board towards establishing a better régime. This is a long-term exercise, but some useful progress has been made.

Members and staff

Mr William Kirkpatrick retired from the Board during the period under review, having given excellent service over eight years. He has been replaced by Mr Michael Steen, who brings to the Board a valuable range of financial and other expertise.

Over my first year in office I have been greatly impressed by the enthusiasm and dedication of the Board's members and staff. I am grateful for their support and glad to take this opportunity to record my appreciation and thanks for all their sterling work.

PETER DEAN
Chairman

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THE GAMING INDUSTRY 1998/99: SOME KEY STATISTICS AT A GLANCE

Casinos:	Number operating	116
	Drop (money exchanged for gaming chips)	£2.67 billion
	Number employed	11,600
	Duty paid	£92.4 million*
Bingo Clubs:	Number operating	751
	Money staked	£1.04 billion
	Number employed	c24,000
	Duty paid	£102.0 million*
Gaming Machines:	Number of machines	250,000+
	Number certificated to sell, supply or maintain machines	781
	Money retained by suppliers and site owners	£1.5 billion
	Number employed	c25,000
	Duty paid	£130.9 million*
Charity Lotteries:	Ticket sales	£161 million
	Number of registered societies and local authorities	634
Gaming Board:	Cost of operations	£3.60 million
	Number of staff	71

* Customs and Excise figures for 1997/98

1: Introduction and general

Introduction

1.1 This is the thirtieth Annual Report of the Gaming Board for Great Britain since it was established by the Gaming Act 1968. The Board is the regulatory body for casinos, bingo clubs, gaming machines and the larger society and all local authority lotteries in Great Britain. This first chapter concentrates on the main developments during the year, the issues of most current interest or concern to the Board and certain other matters of general interest. Chapters 2 to 7 report in turn on each of the main areas of Board work: casino gaming; licensed bingo; certification of employees; gaming machines; lotteries; and the Inspectorate. Appendix I, entitled "The work of the Board, its organisation and procedures", gives an overview of the Board's responsibilities and how it carries these out.

1.2 This chapter contains sections on the following subjects:-

- Size of the industry (paragraphs 1.3 to 1.8).
- The need for regulation (1.9 to 1.11).
- Progress with derestrictions: (a) Casinos and bingo clubs (1.12 to 1.15).
(b) Gaming machines (1.16 and 1.17).
- Need for review of gambling legislation (1.18 to 1.21).
- Problem gambling and gambling by children (1.22 to 1.27).
- Internet gambling (1.28 to 1.31).
- Method of funding the Board and Board resources (1.32 to 1.36).
- Giving of reasons (1.37).
- Membership of the Board (1.38).
- International activities (1.39).
- The Board's costs and fee levels (1.40 to 1.42).
- Performance targets (1.43).
- Audits and reviews of the Board's work (1.44 to 1.46).
- Investors in People (1.47).

Size of the industry

1.3 The industry which the Board regulates is a very substantial one. Figures produced at the Centre for the Study of Gambling and Commercial Gaming at the University of Salford gave the gross gaming yield (ie the amount retained by operators after the payment of winnings but before deduction of the costs of the operations) of all betting and gaming in the

United Kingdom in 1996 as £6.8 billion. Almost £2.5 billion or over one-third of this was contributed by the gaming industries and lotteries for which the Board has regulatory responsibility, a further one-third by the National Lottery and the remainder by horserace and other betting. Whilst the total figure will have increased somewhat since 1996 to perhaps somewhere in excess of £7 billion, the distribution between sectors is thought to have remained broadly similar.

1.4 There were 116 casinos open in Great Britain at 31 March 1999, more than in any other European country with the exception of France. London has 23 casinos, which is unique for a capital city anywhere in the world. Drop (ie money exchanged for chips) was £2.7 billion in 1998/99. Operators retained about 17 per cent of this, or £464 million. Nearly 12,000 staff are estimated to be employed by British casinos and around 11.5 million separate visits to casinos were made by members and their guests in 1998/99.

1.5 Great Britain had 751 commercial bingo clubs operating at 31 March 1999, with total stakes amounting to over £1 billion in 1998/99. Bingo clubs have some 3 million active members, with an average daily attendance of about 250,000 members and guests, and they employ an estimated 24,000 people.

1.6 Over 250,000 gaming machines are sited around the country in a large number of different locations. It is estimated that about £8 billion a year is fed into these machines of which around £1.5 billion is retained by suppliers and site owners. Direct employment is estimated at nearly 25,000 people.

1.7 The larger society and all local authority lottery schemes which the Board regulates had combined total ticket sales of £161 million in 1998/99.

1.8 A selection of key industry and Board statistics is given at Appendix II and more detailed information is given in the individual chapters relating to each industry.

The need for regulation

1.9 As the Board has repeatedly emphasised, gambling is an activity which involves the circulation of large sums of money and as a consequence, if not properly controlled, is susceptible to fraud, money laundering, other criminal activity and malpractice. The events of the 1960s in this country, when a measure intended to provide a relatively small relaxation in the controls surrounding gaming resulted in an uncontrolled proliferation of casinos and other gaming with attendant malpractices and criminal involvement, illustrate the problems which can occur.

1.10 Individuals can, and in some cases do, become addicted to gambling, with adverse effects for themselves, their families and society in general. The small minority of gamblers who have problems in controlling their gambling can cause damage to themselves and those near them. A significant proportion of problem gamblers also commit illegal acts to enable them to pursue their gambling.

1.11 All developed countries therefore regulate gambling, on both criminal and social policy grounds, with the three common objectives of ensuring that

- gambling is crime-free (both in terms of those who operate it and the players it attracts), conducted in accordance with regulation and honest.
- players know what to expect, can be confident that they will get it and are not exploited.
- there is protection for children and vulnerable persons.

In Great Britain, this regulation has been successfully achieved for gaming through the 1968 Gaming Act and for society and local authority lotteries through the 1976 Lotteries and Amusements Act. The Gaming Act established the Board. Its purposes are:

- to ensure that those involved in organising gaming and lotteries are fit and proper to do so and to keep gaming free from criminal infiltration.
- to ensure that gaming and lotteries are run fairly and in accordance with the law.
- to advise the Secretary of State on developments in gaming and lotteries so that the law can respond to change.

Progress with derestrictions: (a) Casinos and bingo clubs

1.12 With the Gaming Act now over 30 years old, the Home Office has been considering and consulting in recent years on the scope within the current regulatory framework for updating the controls and for relaxing some of the statutory restrictions. As a consequence, Parliamentary Orders under the 1994 Deregulation and Contracting Out Act came into effect in April 1997 easing restrictions applicable to casino and bingo gaming by removing all controls on bingo advertising; permitting casinos and bingo clubs to use debit cards for gaming payments; allowing casinos to serve alcohol after midnight; and reducing the waiting period after which new members of casinos can game to 24 hours. None of the changes has caused the Board any regulatory problems. The bingo industry has begun to make extensive use of the new freedom to advertise, including a national television campaign launched at Easter 1999.

1.13 Further progress has been relatively slow. Following a consultation paper on casino deregulation issued in August 1998, the Home Office laid, in April 1999, proposals for a Deregulation Order under the 1994 Act which will:-

- Allow application for casino membership by post and similar means, rather than only in person as now.
- Permit limited advertising in newspapers, magazines, etc, giving factual information about casinos – name, address, contact numbers and limited details about the facilities available.
- Increase the number of jackpot gaming machines permitted in casinos from six to ten.

It is expected that the changes will come into effect around the end of the year. A further proposal in the consultation paper, to permit persons to make a single application to become a member of all casinos within a company group, has not been pursued for the time being. To

date, there has been no further progress on two other earlier proposals that casinos should be allowed to have substantial numbers of high prize, high stake slot machines and that new “permitted areas” should be added to the current list of areas where casinos can be located. On the latter, Mr. George Howarth, the Minister responsible for gambling policy, announced on 15 July 1998 that the Government did not consider it appropriate to designate a large number of additional areas but might be prepared to provide for a small number of new areas where there was a good case on population grounds and there was local authority and public support. As for slot machines, Mr. Howarth said that there was no objection in principle to casinos having the same type of slot machines as are common in other countries, but that there should be a staged approach with a smaller number of machines initially to allow the impact to be assessed. Further consideration is currently being given to this.

1.14 Changes were made with effect from October 1998 to ease the restrictions on the frequency and maximum prizes for the National Bingo Game (see paragraph 3.11). The bingo industry continues to press for wider changes:

- To remove all limits on prize levels and frequency of the National Game, to permit added prize money in the game, and to be able to make a levy on stakes to provide a greater range of and higher prizes.
- To permit bingo clubs to site both amusement-with-prizes and up to four jackpot gaming machines in each club.
- To bring forward to noon the hours on Sunday during which bingo may be played.

The Board has indicated that it has no objections of principle to any of these changes, although more is said in paragraph 1.17 about concerns about piecemeal amendments to gaming machines legislation.

1.15 As foreshadowed in last year’s report, the Board has been considering with the bingo industry the current controls on levels of, and notification of, charges. As explained more fully in paragraphs 3.18 to 3.19, the Board has recommended to the Home Office radical changes to the arrangements which would:

- Abolish the current controls which limit the amounts which may be charged by bingo clubs per two hour period.
- Establish a statutorily based, customer notification system specifying the form in which charges must be notified so that they are as simple and clear as possible.
- Abolish the requirement to give licensing justices 14 days notice of changes to charges so that bingo clubs can react more flexibly when they believe alterations should be made.

(b) Gaming machines

1.16 Since the introduction of “all cash” amusement-with-prizes (AWP) machines in June 1996 (which permitted machines with higher cash prizes than for the traditional cash/token machines in adult environments), there has been little further progress towards further derestriction, but substantial increases in prize limits for both all cash and jackpot

machines were introduced from October 1998 as a result of the Triennial Review (see paragraphs 5.4 to 5.8). Proposals from BACTA (the trade association for the pay-to-play leisure machine industry in Great Britain) to modernise the payment systems allowed in gaming machines are currently with the Home Office as a prelude to the issue of a consultation paper (see paragraphs 5.12 to 5.14). If introduced these would permit the manufacture and siting of machines which only accept £1, or £2, coins; the use of bank note acceptors in machines; the use of electronic and other non-monetary methods of playing machines; and the re-playing of winnings in the machine's bank without paying out first. The Board has indicated that it is content in principle with the first of three of these but that it has reservations about the fourth. The industry has been seeking to address these reservations by a requirement that players take a positive decision at regular intervals to continue to play.

1.17 Over the last year, the Board has been approached with a range of proposals about the numbers and types of gaming machines which may be sited in various types of premises. Hence, representatives of betting offices have proposed that they should be permitted to site jackpot machines or a designated betting office machine offering higher prizes than the all-cash AWP machine. Bingo clubs would, as mentioned above, like to be able to site a mixture of jackpot and AWP machines. It has been suggested that public houses be permitted to site as of right up to four all-cash AWP's or possibly even jackpot machines. Whilst the Board can support at least some of these in principle, it is concerned at further piecemeal changes to the legislation governing machines and believes that such extensive proposals are better considered as part of a wider review of gambling legislation (see paragraphs 1.18 to 1.20 below).

Need for review of gambling legislation

1.18 The principal Acts governing gambling are the 1963 Betting, Gaming and Lotteries Act, the 1968 Gaming Act and the 1976 Lotteries and Amusements Act. The youngest is therefore nearly a quarter of a century old. The last major review of the legislation was by the Royal Commission on Gambling chaired by Lord Rothschild which published its conclusions in July 1978 and few of whose recommendations were implemented. Whilst, as explained earlier in this chapter, the Deregulation and Contracting Out Act procedures have allowed some limited easing of outdated controls, this process of piecemeal amendment has complicated the legislation, highlighted inadequacies and left inconsistencies. The Deregulation Committees of both Houses of Parliament have commented on the complexity of the present law, the piecemeal attempts at amendment and the need for simplification and consolidation.

1.19 Granted that the gambling industry remains, in the Board's belief, for the most part legitimate and crime-free, there are nonetheless a range of aspects of the current legislation which appear outmoded and outdated and would benefit from review. Some of the types of issues which the Board thinks could be addressed include the following:

- Strict separation still generally exists between types of gambling premises. For instance, no fixed odds betting transactions may take place in a casino. Many other parts of the world have moved away from such rigid demarcations.
- The certification and licensing requirements are different for casinos and bingo clubs on the one hand and betting offices and bookmakers on the other. A single system might be more sensible.

- Much of the original legislation is based on the concept known as “unstimulated demand”: in other words, that gambling facilities should be sufficient, but no more than sufficient, to meet the unstimulated demand for them. Some recent changes, and in particular the introduction of the heavily promoted National Lottery, call into question the continued relevance of the principle.
- Gaming machines legislation was framed when machines were entirely mechanised, of the original one-arm bandit type. It is ill-equipped to cope with the modern electronic micro-processor driven machine. The legislation also uses the concept of a club as the distinction as to which types of premises may have higher prizes or jackpot machines. This may no longer be the appropriate distinction.
- As described in more detail below, there are concerns about the potential proliferation of uncontrolled and unregulated gambling on the Internet.
- Concerns about problem gambling and addiction, particularly amongst young people, are growing as gambling opportunities increase (see paragraphs 1.22 to 1.27 below). In turn, this raises the question of whether there should be a single minimum legal age, of 18, for gambling.

1.20 In the light of the foregoing considerations, as well as the continuing pressures for a range of deregulation measures from the gambling industry, the Board believes that the need has developed for a thorough review of all the gambling legislation by an independent review body. As reported last year, the Government has told the Board that it has a heavy legislative programme but the Board recommends the Government at least to decide soon what priority to give to a review of gambling and when it should be set in train.

1.21 In the meantime and as indicated earlier, there are several outstanding proposals already in the queue for possible implementation by the Deregulation Act route. This route is proving slow and cumbersome and it is thus likely to take some considerable time to implement these: for instance the first of these outstanding proposals, on advertising and membership of casinos, were first subject to consultation in February 1996 and are not expected to come to fruition until around the end of the year. The Board hopes that every effort will be made to clear the backlog. Until this happens, it must be recognised that bringing forward further proposals, however desirable, will simply lengthen the queue.

Problem gambling and gambling by children

1.22 Some individuals can become addicted to gambling and it can cause others financial and other problems even if they are not addicted. A small minority of people, “problem gamblers”, gamble in a way which compromises, disrupts or damages family, personal or recreational pursuits and a significant proportion of these commit illegal acts to pursue their gambling. Whilst problem gambling has been limited in the past in this country by the restrictive regime applied to gambling generally and to gaming in particular, concerns have been raised latterly about the potentially adverse consequences which may arise from relaxations in the regime. Besides the National Lottery, and in particular its scratchcard

games, other relaxations, both already made and in prospect, have raised worries because they increase the availability and accessibility of gambling opportunities.

1.23 The Board has said in recent years that it would like to see greater public understanding of the effects of increased gambling opportunities of particular kinds and that, as problem gambling concerns all sectors of the industry, a co-ordinated approach to research and action should be promoted. The Board therefore welcomed the establishment in April 1997 and official launch in October 1997 of GamCare (the National Association for Gambling Care, Educational Resources and Training). This is a registered charity which aims to improve the understanding of the social impact of gambling, to promote a responsible approach to gambling and to address the needs of those adversely affected by a gambling dependency. Examples of the ways in which it approaches its aims are the operation of a national helpline for problem gamblers and their families and the provision of social education, problem prevention and information programmes, training courses and workshops. A number of sectors of the gambling industry have made contributions to GamCare to support its work: the Board welcomes this.

1.24 One of GamCare's early initiatives has been to launch a nationwide study to provide good quality benchmark data on the prevalence of gambling throughout Great Britain. The objectives of the research are to:

- Undertake a study of the prevalence of the extent to which people aged 16 or over partake in all recognised forms of commercial and private gambling; and
- Study the prevalence and degree of problem gambling activities by type and venue.

Work on the study is being co-ordinated by a steering committee chaired by GamCare and including representatives of government, the industry, the Board and the National Lottery Commission. Following a competitive tender, the contract to conduct the study has been let to Social and Community Planning Research (now called the National Centre for Social Research). Despite some initial reservations, substantial contributions towards the costs of the research have been made by industry bodies. The Home Office and the Gaming Board have both made contributions, of £5,000 and £1,000 respectively, to demonstrate their commitment to the aims of the survey. The final report is expected in the Spring of 2000.

1.25 The Board also welcomes the positive attitude taken by some bodies in the gambling industry towards the question of problem gambling. The British Casino Association (BCA) has issued a position statement on the issue and has provided notices which are displayed in all casinos along with a leaflet indicating where people with problems can get help. BACTA has produced a "responsible gaming" guide and poster for arcades under the title "Playing the Machines: Staying in Control". The Betting Offices Licencees Association (BOLA) has also produced a leaflet on the subject which has been made available in its members' betting offices.

1.26 Gambling by children is a matter which raises particular issues and concerns. The Board has commented in recent years on the different minimum ages applicable to different types of gambling (for instance 18 and over for casinos, betting and cash bingo but 16 for lotteries, including scratchcards) and continues to believe that, on the grounds of consistency,

there should be a single legal minimum age of 18 for all types. This would ensure that there is no confusion in people's minds about what is the appropriate minimum age and it would reduce significantly underage gambling by those aged 14 or 15 on the grounds that they appear older. The launch of the nationwide CitizenCard scheme is also welcome as a contribution to reducing underage gambling, particularly as it has the flexibility to cover a wide range of different age-restricted products with six separate cards at ages 12, 14, 15, 16, 18 and 21.

1.27 The Board mentioned last year, and in its report on the triennial review of gaming machine stakes and prizes, that it believes there is a need to address the question of whether gaming machines should be available to children at all. Whilst this is an issue appropriate for the general review of gambling legislation for which the Board has called, the Board has in the meantime agreed to set up a working party with BACTA to establish whether a consensus can be reached on which types of machines might be regarded as "non-gambling" machines suitable for play by children (see also paragraphs 5.6 and 5.7).

Internet gambling

1.28 A large number of sites on the Internet contain references to gaming and gambling. The vast majority are simply informational with details of such things as gambling opportunities and companies or results of races and lotteries. But an apparently increasing number offer the opportunity actually to gamble. These can be characterised as of two kinds.

- (i) Sites which offer entry via the Internet to terrestrial gambling opportunities. These are usually just alternatives to other means of entry such as the post or telephone. Examples are football pools entries and credit betting on horseracing.
- (ii) Interactive gaming run exclusively on the Internet, in particular sites which offer virtual casino table and slot machine gaming.

This potential of the Internet to offer unregulated, unlicensed and low tax gambling has been causing great concerns amongst Governments, regulators and operators. The Internet pays no respect to international borders. It is as easy, and as cheap, for a person to contact a site many thousands of miles away as it is one in the nearest town. The potential for the loss of large sums of money, and the related tax revenues, to offshore gambling sites is clear. And concerns about potential criminal involvement and money laundering arise if these sites are not properly regulated and controlled.

1.29 Approaches to this threat from Internet gambling by governmental authorities fall into one of three regulatory models, the American, the Australasian and the European.

- (i) **AMERICAN** Attempts have been made in the United States to ban Internet gambling by making it an offence to offer, or take part in, such gambling. Draft legislation failed last year as it was considered unworkable but the sponsor is understood to be reintroducing an amended version. The Presidential National Gambling Impact Study Commission is expected to cover the issue in its forthcoming report.

- (ii) AUSTRALASIAN Australian and New Zealand regulatory authorities have developed model legislation under which any of them could legalise, regulate and tax Internet gambling offered from their territories and make it available to players anywhere in the world. At least three Australian states have passed their own laws, based on this model, to permit Internet gaming.
- (iii) EUROPEAN Some countries in Europe are permitting their gambling operators to offer their products on the Internet but only to residents of their own countries, by controlling who is able to play through such means as social security numbers and resident bank accounts. The Gaming Regulators European Forum, under the Chairmanship of the Board's then Chairman, drew up a position statement on gambling on the Internet. The statement, which was agreed by regulators from 15 countries, is not a binding document but it does seek to set down the main features of the European model. Hence, it is a matter for individual Governments whether or not they want to legalise Internet gambling on their territories. But, if they do, they should respect other countries' desires to prevent it and should not offer their Internet gambling opportunities to those countries. A copy of the statement was published as an Appendix to last year's Board Report.

1.30 The current legal position in Great Britain for the various gambling sectors is broadly as follows:

- (i) Bookmakers have for many years been able to accept telephone bets from clients with credit accounts. There is therefore nothing to prevent them accepting such bets by e-mail. Likewise, football pools have always been able to accept entries by post and could therefore also use e-mail.
- (ii) Casino, bingo and machine gaming can only be conducted on licensed or registered premises and players have to be present on the premises when gaming. Hence for instance no licence could be granted in Britain to an Internet casino and it would be illegal to operate one here.
- (iii) Lottery tickets can be sold by post or telephone but not by means of a machine. This has led to the Board giving permission for a lottery managing company to operate lotteries over the Internet as long as it is merely used, rather like a telephone, as a means of communication connecting the buyers and sellers of tickets and the actual sale is carried out by human agency.

1.31 There are three main options with regard to the regulation of Internet gambling in Great Britain:

- (i) RETAIN THE STATUS QUO There remain respectable arguments for this approach, at least for the time being. Whilst there is little firm information available, anecdotal evidence does not suggest any major use yet of Internet gambling opportunities in this country. Reasons probably include slow response times, lack of security in the arrangements for money transmission (with many sites requiring the player to volunteer credit card details) and lack of confidence either in the likelihood of winnings being paid or, with

interactive games at least, in the fairness of the gaming. And both of the other options would be hard to implement.

- (ii) ENCOURAGE MEASURES TO PREVENT OFFSHORE INTERNET GAMBLING FROM THIS COUNTRY This approach could be justified on the grounds that there is a social policy need to prevent the proliferation of hard gambling in the home, particularly where it involves credit. The police, and some overseas authorities, have had some success in areas such as child pornography in placing the onus on service providers to block access to undesirable offshore sites, and similar measures could be considered for gambling.
- (iii) LEGISLATE TO PERMIT REGULATED, AND TAXED, INTERNET GAMBLING IN GREAT BRITAIN This could follow either the European or the Australasian model but could raise concerns about proliferation and consequential increases in problem gambling. The advantages of such legislation are that it would allow any safeguards (such as a bar on credit and limits on losses) believed to be essential and would protect the Government's gambling revenues.

The Board has initiated discussions with other public authorities with an interest and concern in the subject to establish whether any consensus exists. The Board is also pursuing means of obtaining firm data on the extent of Internet gambling in Great Britain.

Method of funding the Board and Board resources

1.32 For many years the Board has been unhappy about the way it is funded. In recent months it has expressed to the Home Office its strong desire to find solutions to the problems, and some useful progress has been made.

1.33 The Board receives a grant-in-aid from the Home Office for its work. Although it seeks to recover its expenditure through the fees charged for certificates, registrations and licences, that money is surrendered to the Government and is not made available to the Board or taken into account in setting the grant. Instead the amount of the grant is determined by the Home Office by reference to what it can afford from its overall budget and in competition with other, more conspicuous demands such as crime policy, prisons and immigration. This means that little regard is paid to the resources the Board needs to carry out its duties properly. Further, some desirable deregulation measures have not been able to be taken forward, in part because the necessary regulatory resources could not be furnished by the Home Office even though those resources would have been funded by the industry which supported the measures and was content with the financing arrangements.

1.34 The Home Office appreciates the difficulties that the current regime presents for the Board, and is actively seeking ways of making the Board more independent and self-standing in the manner of its financing, without prejudice to its accountability. It has told the Board that it hopes that a mutually acceptable solution can be found, but that as legislation is likely to be required this must be regarded as a longer term project.

1.35 Meanwhile, pursuant to the expenditure constraints which have borne and continue to bear on the Home Office, the Board has in recent years faced a succession of reductions in its budget in real terms. At the same time it has taken on a considerable amount of extra work,

and costs, without compensating resources, and has instituted substantial efficiency savings. The Board has signalled to the Home Office its concerns about the cumulative effect of the cuts on its ability to regulate gaming and lotteries effectively.

1.36 The Home Office has responded helpfully by

- granting supplementary resources which the Board has requested to meet immediate needs;
- agreeing that any further such requests will be considered on their merits;
- confirming that, pending the establishment in the longer term of a more satisfactory system of funding, it will not set the Board's grant without first giving proper consideration to a budget to be submitted by the Board;
- acknowledging the need for the Board to have the resources reasonably required by it to carry out its statutory obligations.

Giving of reasons

1.37 The Board has been considering the implications for its work of various Government initiatives relating to citizens' rights, including the incorporation of the European Convention on Human Rights into British law. As a consequence, it has decided with effect from 1 April 1999 to give formal reasons for its decisions in all cases where it refuses or revokes a certificate or registration. Although these reasons have generally in the past been fairly clear from the letters to those concerned about the Board's intention to refuse or revoke and from any subsequent interview, the Board now gives the reasons for the decisions in the formal decision letter of refusal or revocation.

Membership of the Board

1.38 The full list of Board members appears at the beginning of this Report. During the year, two long-serving members of the Board retired, Lady Littler who had been its Chairman for six years and Mr William Kirkpatrick, who had been the Board member with special responsibility for Scotland for over 8 years. Both had made a valuable contribution to the Board's work and their knowledge and experience will be missed: the Board wishes to record its gratitude to them. Mr Kirkpatrick was awarded the OBE in 1998 in recognition of his contribution. Lady Littler was succeeded by Mr Peter Dean CBE on 1 July 1998. Mr Dean is also the Investment Ombudsman and was formerly a Deputy Chairman of the Monopolies and Mergers Commission. He is a non-Executive Director of Associated British Ports Holdings Plc and has a business and legal background. Mr Kirkpatrick was replaced by Mr Michael Steen on 1 March 1999. Mr Steen is a Chartered Accountant. He retired in 1998 as a senior partner with KPMG and is a non-Executive Director of Old Mutual South Africa Trust Plc. Mr Steen has been asked to take a special interest in all aspects of the gaming and lotteries industries in Scotland. The Home Secretary has also announced that he intends to appoint Mrs Marie Stevens to replace Mr Bryan Austin who retires later this year. Mrs Stevens is currently self-employed as a solicitor and was formerly Head of Legal Services at Ladbroke plc. She has wide experience of gambling regulation.

International activities

1.39 During the year, the Board continued its contacts with regulators and others concerned with gaming throughout the world. The Board considers such contacts to be essential in producing a basis for the exchange of views and information in what is an international industry. The Chairman, Secretary and Chief Inspector of the Board attended the tenth annual meeting of the Gaming Regulators European Forum in Helsinki in May 1998. Representatives of 15 countries were present. The Board's Secretary remains one of GREF's two Joint Secretaries. The Chairman, Secretary and Chief Inspector also attended the Annual Conference of the International Association of Gaming Attorneys/Regulators (IAGA/R) in Prague in October 1998. This annual conference includes a separate day for regulators only: the Secretary is a member of the organising committee for the day. The Board's Chief Inspector is a member of IAGR's Internet Gambling Working Party. Details of the Inspectorate's contacts with individual overseas regulatory bodies are given in paragraph 7.4.

The Board's costs and fee levels

1.40 The total cost of the Board's operations, including the salaries and other expenses of the Board members, amounted to £3.60 million in 1998/99. The Board is required to cover its expenditure through the fees charged for certification and licensing (see paragraph A20 of Appendix I).

1.41 Having considered the anticipated levels of applications for certificates and licences for 1999/2000 alongside forecast expenditure, it was calculated that, with an expected increase in casino licence applications, no increase in gaming fees was required from 1 April 1999. Gaming fees have only been increased twice in the last six years, by a total of around 5 per cent over the period. Current fee levels are given in Appendix IV.

1.42 Lotteries fees have been increased by 5 per cent from 1 April 1999. Whilst this will help reduce the deficit in income from such fees, there will still be a shortfall of about £50,000 in 1999/2000. Ministers have agreed that this deficit can be financed from public funds but have asked the Board to take steps to eliminate it over the next few years. Taken with the new fees structure introduced in May 1994, lotteries fees have increased on average by around 4 per cent per annum since April 1992. The current levels of lotteries fees are also set out in Appendix IV.

Performance targets

1.43 The Board has set performance targets for some of the regular duties carried out by its staff in return for fees. These targets and performance achieved against them are given in the following table:

Table 1

PERFORMANCE TARGETS: 1998/99

Section	Target	% Achieved (previous year's figures in brackets)
Casino Section		
determination of certificate of consent applications	within 4 months of receipt	81 (77)
Bingo Section		
determination of certificate of consent applications	within 8 weeks of receipt	79 (87)
Certification Section		
issue of certificates of approval to first time applicants	within 6 weeks of receipt	74 (79)
Machines Section		
determination of applications for new certificates	within 3 months	61 (63)
processing of renewal applications	before expiry date	92 (88)
Lotteries Section		
determination of applications to register lottery schemes	within 6 weeks	69 (76)

Audits and reviews of the Board's work

1.44 Internal audit of the Board's work is conducted on its behalf by the Home Office Audit and Assurance Unit. A long term audit plan covering 1994/95 to 1998/99 has just been completed. The audits have covered major aspects of the Board's work across all sections, such as casework and budget management, rather than concentrating on individual sections. The 1998/99 audit examined the Board's accounting systems and property management and office services. As part of a two year service level agreement established with Audit and Assurance Unit from March 1999, a full audit needs assessment exercise will be carried out in 1999 to inform the development of the next long term plan.

1.45 The National Audit Office completed the audit of the Board's accounts for 1998/99 in June 1999. The audited accounts are given in Appendix V. For the first time these accounts have been presented on an accruals basis, rather than on a cash basis as in previous years. Early in 1999, the National Audit Office agreed with the Board the terms of a "value for money" study of its work, following a pilot conducted in the second half of 1998. The NAO is expected to report by the end of 1999.

1.46 The Board's audit committee met twice in 1998/99 to consider Internal Audit and National Audit Office reports. A Board member (Mr Lockwood) chaired a review of Board

casework procedures during the year: its recommendations were agreed at a full Board meeting in April 1999. Details of reviews conducted by the Inspectorate are given in Chapter 7.

Investors in People

1.47 A Government White Paper, published in July 1996, set a target that by the year 2000 all civil servants should be employed in organisations recognised as Investors in People. Investors in People is the National Standard, and regarded as a benchmark of best practice, for effective investment in the training and development of staff in order to achieve organisational goals. The Board supports the Government's initiative and is undertaking its own programme to seek to obtain Investors in People status. It has produced an Action Plan and separate training and development strategies with a view to achieving that status by the end of 1999.

2: Casino gaming

Introduction

2.1 This chapter examines significant developments in the casino industry and its regulation during 1998/99, including significant policy developments and the work of the Casino Section at the Board. It contains sections on the following subjects:-

- Number of licensed casinos (paragraphs 2.2 to 2.4).
- Structure of casino ownership (2.5 and 2.6).
- Meetings with the BCA and casino operators (2.7).
- Applications for certificates of consent and their continuance (2.8 to 2.12).
- Demand for casino gaming (2.13 to 2.15).
- Ritz case and the use of residual discretion (2.16).
- New licence applications for additional casinos (2.17 to 2.21).
- The Board's Accounting and Control Guidance for Casinos (2.22).
- Derestriction of casino gaming (2.23 and 2.24).
- Gaming duty increase (2.25).
- Involvement of Board certificated companies in gaming overseas (2.26).
- Numbers of gaming machines in casinos (2.27).
- Employment within casinos (2.28).
- University of Salford certificate in casino management (2.29).
- Casino attendance (2.30).
- Drop (2.31 to 2.34).
- Numbers of certificates of consent and licence applications (2.35).

Number of licensed casinos

2.2 At 31 March 1999 there were 119 licensed clubs in Great Britain of which 116 were trading at that date. One of these provides card room games only. The distribution of the individual operating clubs by location is given at Appendix VI.

2.3 Two new licences in respect of entirely new additional casinos were granted during 1998/99 although only one of them had commenced operations by 31 March 1999. A further seven new concurrent licences were granted during the year in respect of premises that were being improved or relocated.

2.4 Two licenses in respect of casinos which had ceased to trade were relinquished during 1998/99. A further ten concurrent licences were surrendered or allowed to lapse on the opening of improved or relocated premises. There were four casinos with concurrent licenses at 31 March 1999.

Structure of casino ownership

2.5 Casino ownership in Great Britain at 31 March 1999 may be split into three broad categories as follows:-

- a) Listed Plcs operating mainly provincial casinos

Rank Group Plc	operated 30 casinos (4 in London)
Stanley Leisure Group Plc	operated 24 casinos (none in London)
Stakis Plc	operated 19 casinos (1 in London)

- b) Listed Plcs operating only London casinos

London Clubs International Plc	operated 7 London casinos
Ladbroke Group Plc	operated 5 London casinos
Capital Corporation Plc	operated 3 London casinos

- c) The remainder

A & S Leisure Group	operated 5 casinos (1 in London)
Tower Casino Group	operated 5 casinos (none in London)
Skyadd Limited	operated 3 casinos (none in London)
R J Bown Limited	operated 2 casinos (none in London)
Pellenfayre Limited	operated 2 casinos (none in London)
Singleton operators	operated 11 casinos (of which 1 is a card club only and 2 are in London)

2.6 At the end of the year however, two substantial changes in structure were in prospect. Ladbroke Group Plc had made a bid for Stakis Plc which was accepted, with the acquisition being completed on 7 April 1999. Stanley Leisure Group Plc had also made a bid for Capital Corporation Plc which became unconditional at the end of May 1999.

Meetings with the BCA and casino operators

2.7 Board officials met representatives of the BCA on a number of occasions during the year to discuss a range of matters, including deregulation, head office inspections and the Board's Accounting Guide reported elsewhere. The Board itself continued its programme of informal meetings with casino operators to discuss various regulatory and other issues. Two such meetings were held during 1998/99. These meetings are valued by the Board as they provide an opportunity to discuss various particular and general issues with long standing casino operators outside the formal certificate of consent interview structure. The operators can also use the occasion to air any areas of concern directly with Board members.

Applications for certificates of consent and their continuance

2.8 During 1998/99 the Board received 15 applications for certificates of consent or their continuance, four fewer than in 1997/98. There were 13 applications for new certificates, one for a certificate to transfer a licence and one continuance application.

2.9 Of the applications received for new certificates of consent, eight applications were in respect of proposed new casinos. The other five were from applicants wishing either to move their casinos to substitute premises or to make major alterations to or to extend existing premises. Ten of the applications were granted during the year with three still under consideration at the year end. The one transfer application was straightforward in nature and was granted. The continuance application arose from a purchase of a company's issued share capital and was linked to an application for a move of premises: it was also granted.

2.10 Four applications were outstanding at 31 March 1998 of which two were for new certificates (one for a new casino and the other for alterations to existing premises), one was for a certificate of consent to transfer the licence and one was for continuance of an existing certificate. These were all granted during 1998/99.

2.11 Detailed figures on the outcome of consent and licensing applications are given in the tables at the end of this chapter.

2.12 The Board's target for dealing with certificate of consent applications is four months and, as is shown in table 1 (paragraph 1.43), over 80 per cent of applications granted in 1998/99 were completed, within that time. However, there continues to be a tendency for existing casino operators to request that Certificate of Consent applications be processed within an unrealistic time frame so as to meet the date for a particular licence hearing. Whilst every endeavour is made to ensure that applications are dealt with as speedily as possible and strict monitoring of the progress of cases is undertaken by Board officials, it is recommended that when submission of a consent application is being considered, no matter how routine it may appear to be, the four month target be used as a guide as to the date for likely resolution of the case and as to which licence hearing is likely to be most appropriate.

Demand for casino gaming

2.13 Paragraph 18 of Schedule 2 to the Gaming Act 1968 states that the licensing authority may refuse to grant a new licence where it is not shown to their satisfaction that existing

casino gaming facilities are insufficient to meet the demand for such gaming. The Board for its part is empowered to object to the grant of a licence if it believes that demand is already adequately met. The Board has continued to monitor the policy to which it works when considering whether to object on demand grounds and made a minor amendment during the year to make clear that, where an existing casino is seeking an expansion of its facilities, the Board will want to assess the level of past expansion in addition to other factors in deciding whether an objection would be appropriate. The Board publishes its policy with its annual memorandum of advice to licensing justices, a copy of which can be obtained from the Board's headquarters at the address in Appendix III.

2.14 Whether or not the Board decides to object, where increases in the provision of gaming facilities are being sought by existing or prospective casino operators, the Board is entitled to, and will, provide advice to the licensing authority on the demand for gaming facilities in the area to assist their decision on whether extra facilities should be allowed. Specific demand advice was provided on 14 occasions during 1998/99.

2.15 There is no specific provision in the Gaming Act 1968 for Justices and Licensing Boards to limit the number of tables in a casino. There may, however, be occasions when licensing authorities are minded to grant new licences to existing licence holders to facilitate a transfer of a club to larger premises, or the enlargement of existing premises, but are not persuaded of the current need for additional tables and would not wish to see additional facilities introduced without further reference to the licensing authority. Similarly, an application for a licence for a new casino might propose a gaming area much larger than is, in the opinion of the licensing authority, justified by proven demand. In the Board's view the options available to licensing authorities in these circumstances are either to limit the size of the gaming area (as they are empowered by paragraph 25 of Schedule 2 to the Act to do) or to accept any undertakings as to table numbers that applicants for licences for new or enlarged premises may be prepared to offer. Either option can provide a method of preventing subsequent uncontrolled increases in gaming facilities.

Ritz case and the use of residual discretion

2.16 The circumstances of the application for a new licence for the casino premises at the Ritz in London were described at paragraph 3.21 of the 1997/98 Annual Report. The licence application heard in November/December 1997 was refused but the subsequent appeal was allowed in June 1998. This case helpfully clarified that licensing authorities have a residual discretion to grant a casino licence even if demand is not demonstrated to their satisfaction. In that case and subsequently, the Board has explained that it considered that there are four principles to which licensing authorities should operate in considering the use of their discretion.

- (i) The degree of disparity between the existing facilities and the proven demand is relevant to the exercise of discretion. Hence, if there is a wide spread of existing facilities catering to every taste it must be more difficult to overcome the presumption in favour of refusal than if there is only one, less attractive, club.
- (ii) The discretion should be exercised in a way which is consistent with the policy in the Gaming Act 1968 and not in a way that is opposed to it. For instance, one of the purposes of striking a balance between demand and supply is to

protect the public and prospective players from the attentions of competitive commercial operators anxious to drum up business. Thus it would not be justifiable to use the available discretion to grant a licence on the basis that the promotion of competition in the casino market is desirable in itself as that runs counter to the policy underpinning the Act.

- (iii) There must be some limit to the degree to which licencing authorities can look forward to factors expected to arise in the future when considering their discretion. Around a year would seem a reasonable period as that coincides with the length of a licence.
- (iv) The jurisdiction is a local one and the available case law stresses the importance of justices' local expertise. Hence, it would seem wrong for licencing authorities to take a national or non-local factor into account.

New licence applications for additional casinos

2.17 The circumstances of the refusal of an application for a new casino licence in Great Yarmouth, to which the Board objected on grounds of demand, were outlined at paragraph 3.23 of the 1997/98 Annual Report. At that time the applicant, Castelle Limited, had lodged an appeal although a date to hear it had not been set. In September 1998 the applicant decided to withdraw the appeal.

2.18 An application for a licence for a new casino in Hull submitted by A & S Leisure was heard by the Hull Licensing Committee over three days in November 1998. Having considered the position on demand, the Board lodged an objection to the application. The only existing operator in Hull, Stakis, was also an objector at the hearing. The arguments mainly centred on demand and the magistrate's residual discretion although there were some points on the procedure of the court raised by Stakis. After hearing the evidence the licensing committee decided to reject the application. A & S Leisure subsequently lodged an appeal. After reflecting on the transcript of the hearing and particularly the parties' closing submissions, the Board decided not to maintain its demand objection at appeal and wrote to the Court explaining its decision. The appeal was heard during April and May 1999 and granted at the end of May.

2.19 Grosvenor Casinos Limited submitted an application for a new casino in Walsall which was heard by the Walsall Betting and Gaming Licensing Committee in February 1999. The Board lodged an objection on grounds of lack of demand. Stanley Leisure, the only existing operator in Walsall, also lodged an objection. The applicant, in presenting evidence to the Committee, mainly argued that the Committee should use its residual discretion to grant drawing attention to the advantages of the proposed site, the car parking facilities available and the superior standard of facilities to be offered. Particular features mentioned included spacious accommodation, good air quality control, disabled access and good dining facilities and bars. The issue of customer choice was also raised. The licensing committee decided to grant the application on grounds of demand stating that demand was not met by the current facilities in terms of either quality or quantity.

2.20 The Tower Group made an application for a new licence in Southend-on-Sea via its subsidiary, Drawlink Limited, which had been due to be heard in April 1999. The Board had

lodged an objection on grounds of lack of demand after considering the position in Southend. The application also attracted a large number of local objectors in addition to the Board and the existing operator. Having reflected on the situation, the Tower Group withdrew the application in March 1999.

2.21 London Clubs, in taking forward its plan to expand its casino operations in Great Britain outside London, submitted an application for a new casino licence in Luton in December 1998. The Board lodged an objection on grounds of lack of demand. The application was withdrawn by London Clubs in March 1999 due to difficulties in obtaining planning consent for the proposed premises.

The Board's Accounting and Control Guidance for Casinos

2.22 Work continued on the preparation of this revised guide for casino operators and it was published in January 1999. More is said on this in paragraph 7.12.

Derestriction of casino gaming

2.23 The Home Office published a further consultation paper on Casino Deregulation in August 1998. It put forward proposals on the relaxation of controls on membership (covering group membership and postal applications), permitting of limited advertising and an increase in the number of jackpot machines permitted within casinos from six to ten. A deregulation order taking forward these proposals with the exception of group membership was laid before Parliament in April 1999. The Board has agreed with the industry appropriate guidelines to accompany the changes. More is said about deregulation initiatives and the need for a review of the legislation in paragraphs 1.12 to 1.21.

2.24 One consequence of the extension of permitted alcohol licensing hours in casinos in England and Wales to 3.00am in London and 2.00am elsewhere (detailed at paragraph 3.27 of the 1997/98 Annual Report) has been that casinos in some areas are attracting late drinkers wishing only to use their bar facilities. This had lead some casinos to decide not to take full advantage of the relaxations in this respect. The Board is monitoring the position.

Gaming duty increase

2.25 Following the increases in duty rates announced in the March 1998 budget, the casino gaming industry made strong representations to the Government concerning the impact on their businesses. Subsequently the Government announced amendments to some of the thresholds and gave an undertaking that, in the absence of other changes, thresholds would be increased each year in line with inflation. The March 1999 budget included the promised revision of thresholds in line with inflation.

Involvement of Board certificated companies in gaming overseas

2.26 The Board wishes to stress its views with regard to Board certificated companies who have also developed their gaming businesses overseas. Whilst the Board has no objections to operators licensed in Britain having overseas interests it nevertheless expects that:

- (a) Licensees will ensure that their foreign operations fully comply with the local law and regulations though it accepts that as far as gaming is concerned some jurisdictions may have less restrictive regulatory requirements.
- (b) In order to ensure that the standing, reputation and continued suitability of British operators are not adversely affected, competent and professional management operations and procedures will be maintained and in particular that these are sufficient to prevent criminal activity, fraud or money laundering by employees or players.
- (c) In cases where licensees enter into contracts with other organisations, such licensees are fully aware of the control and ownership of their partners, and satisfy themselves that their partners are not involved in or associated with criminal activity. Licensees are also advised to ensure that any contractual obligations can be cancelled in the event of a partner being found unsuitable.

In all cases the Board would expect licensees to discuss with it at an early stage any proposals to develop gaming activities outside Britain.

Numbers of gaming machines in casinos

2.27 The Board has again undertaken a count of the numbers of gaming machines in use in casinos (and bingo clubs). The results of this second census show that there were 582 jackpot machines operated in casinos in Great Britain as at 31 March 1999 of which 297 were £1000 prize machines.

Employment within casinos

2.28 The British Casino Association says that there are currently about 11,600 staff working in the casino industry in Great Britain, slightly less than in 1997. Of these, about 60 percent were directly involved in the conduct of gaming (ie croupiers, inspectors and casino managers) and the remainder were non gaming staff dealing with ancillary activities such as restaurant, bar and security work.

University of Salford certificate in casino management

2.29 The Board noted the initiative of the University of Salford, in collaboration with a number of casino operating companies, in establishing its postgraduate certificate in casino management. The first one-year part time course was completed successfully by thirty six candidates (some with distinction) who are to be awarded their certificates in July 1999.

Casino attendance

2.30 The figures on casino attendances for the last five years are given below. There were 11.4 million visits to casinos in Great Britain in 1998/99, 2 per cent less than in 1997/98.

Table 2

CASINO ATTENDANCE BY REGION: Number of Visits

	1994/95	1995/96	1996/97	1997/98	1998/99
Scotland	1,010,901	979,886	1,107,415	1,258,339	1,212,780
North	3,039,431	2,967,547	3,000,346	3,109,131	3,020,186
Midland & Wales	2,017,967	2,113,930	2,187,576	2,214,941	2,135,150
South	2,115,362	2,108,210	2,206,214	2,236,694	2,340,644
SUB-TOTAL	8,183,661	8,169,573	8,501,551	8,819,105	8,708,760
London	2,786,136	2,783,266	2,813,420	2,832,236	2,710,955
GREAT BRITAIN TOTAL	10,969,797	10,952,839	11,314,971	11,651,341	11,419,715

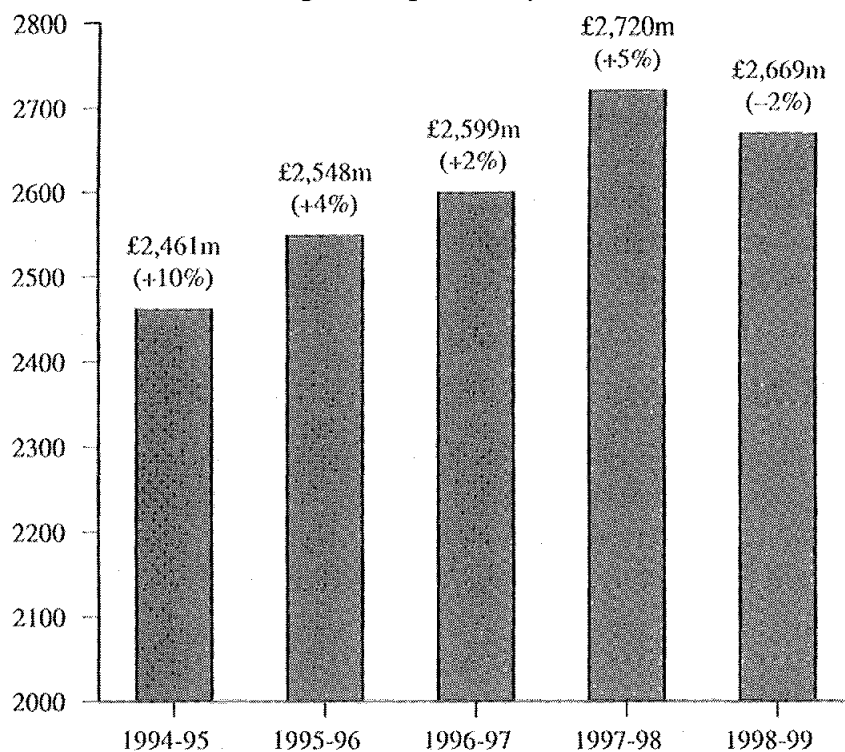
Drop

2.31 The total drop (money exchanged for chips) in casinos in Great Britain during the financial year 1998/99 was £2,669 million, a decrease of £51 million on the 1997/98 figures.

The totals for the last five years are as follows:-

Table 3

DROP PER YEAR: Overall (change from previous year in brackets)

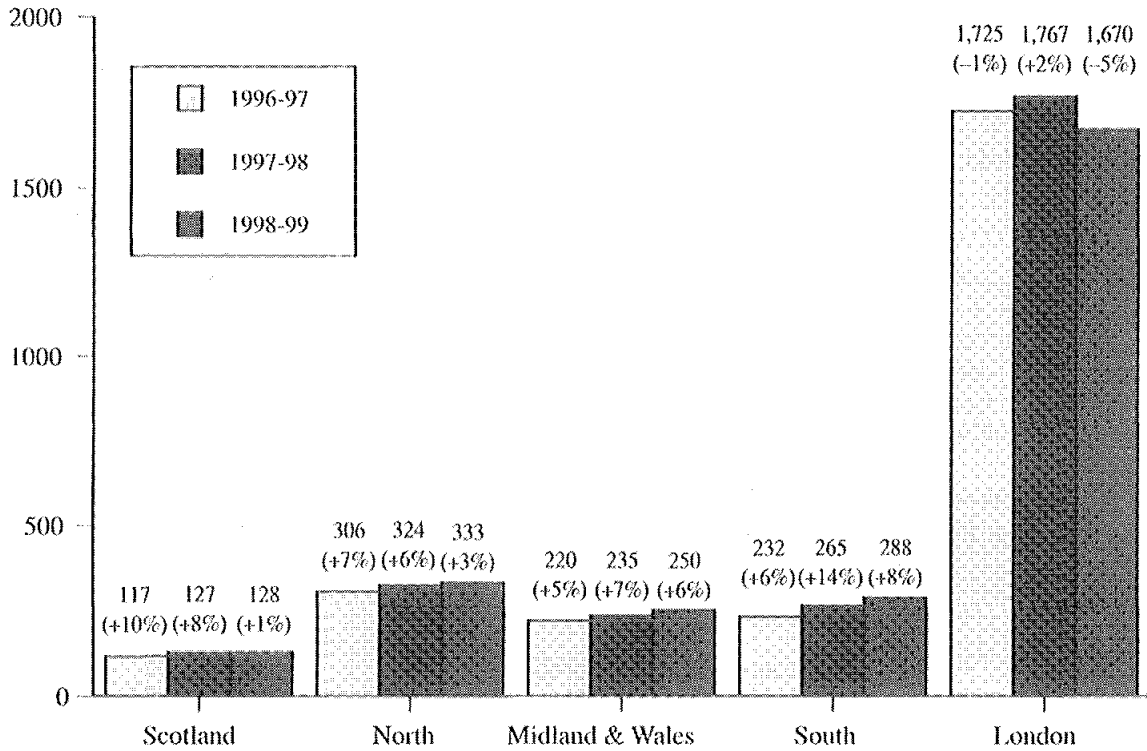


Note on Table 3 – Percentage figures are correct to the nearest whole number.

2.32 The drop in London casinos showed an decrease of £97 million for the year, while that for the provinces increased by £46 million. Approximately 63 per cent of the total drop produced by all the casinos in Great Britain occurred in the London casinos. The drop figures by region for the last three years were:-

Table 4

DROP PER YEAR £m: By region (change from previous year in brackets)



Note on Table 4 – Drop figures are rounded to the nearest £1 million, and the percentage change is based on the rounded figures and rounded to the nearest whole number.

2.33 The proportion of drop for each game for the last five years was:-

Table 5

PERCENTAGE DISTRIBUTION OF DROP BY GAMES

	1994/95	1995/96	1996/97	1997/98	1998/99
American Roulette	66.1	61.9	59.8	61.4	62.7
Punto Banco including Baccarat	14.5	13.5	16.7	17.6	12.8
Blackjack	17.5	16.7	16.3	13.9	17.2
Casino Stud Poker	0.7	6.8	6.3	6.2	6.2
Craps	1.0	0.9	0.9	0.9	1.1
Super Pan 9	0.1	0.1	0.1	0.0	0.0

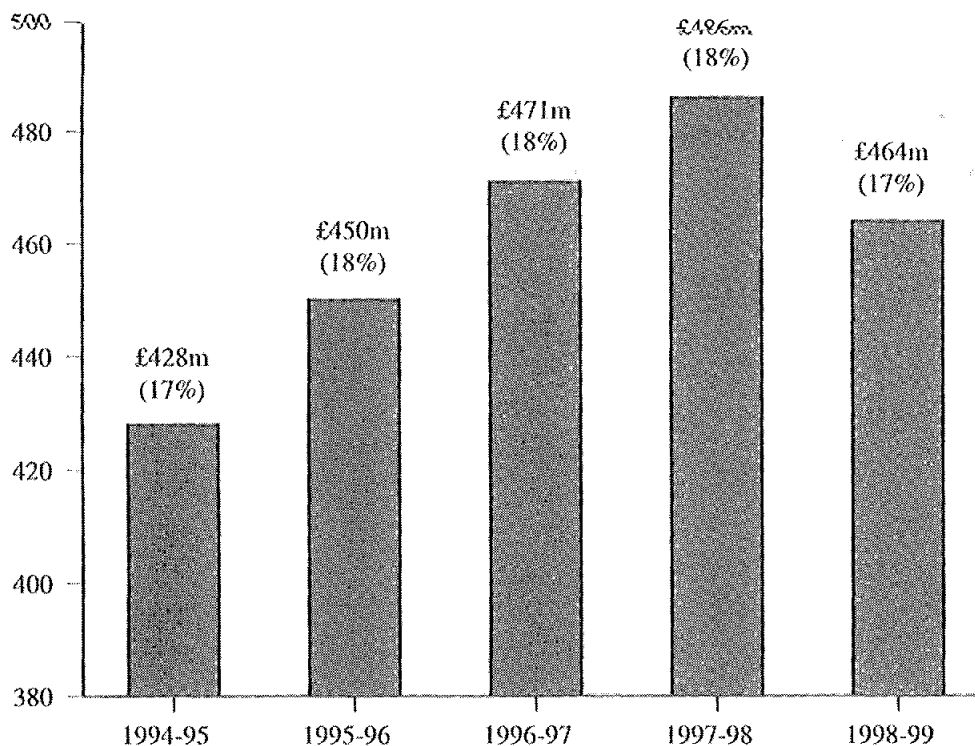
Notes on Table 5

- (a) The figures for each financial year do not include the unallocated drop received at the cash desk. Table 3, however, does include unallocated drop.
- (b) Casino Stud Poker and Super Pan 9 were only available from 1 January 1995 and the 1994/95 drop recorded therefore only represents the three months to 31 March 1995.

2.34 There was a decrease of £22 million (4.5 per cent) in the total retained by casinos as house win. The figures for house win over the last five years were:-

Table 6

HOUSE WIN: Overall (percentage of drop in brackets)



Note on Table 6 – Figures are rounded to the nearest £1 million, and percentage figures to the nearest whole number.

Numbers of certificates of consent and licence applications

2.35 The following tables show the results of consent applications made to the Board during the period 1 April 1998 to 31 March 1999 and the number and outcome of licence applications.

Table 7

NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1998	2	–	2
New applications received in 1998/99	13	–	13
TOTAL	15	–	15
Certificates issued	12	–	12
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 1999	3	–	3
TOTAL	15	–	15

Table 8

NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1998	3	–	3
New applications received in 1998/99	12	–	12
TOTAL	15	–	15
New Licences issued	9	–	9
Applications withdrawn	2	–	2
Applications refused	1	–	1
Applications not determined by 31 March 1999	3	–	3
TOTAL	15	–	15

Table 9

CERTIFICATES OF CONSENT TO TRANSFER A LICENCE

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1998	1	–	1
New applications received in 1998/99	1	–	1
TOTAL	2	–	2
Certificates issued	2	–	2
Applications withdrawn or fallen	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 1999	–	–	–
TOTAL	2	–	2

Table 10

TRANSFER OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1998	–	–	–
New applications received in 1998/99	2	–	2
TOTAL	2	–	2
Licences issued	2	–	2
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 1999	–	–	–
TOTAL	2	–	2

Table 11

RENEWAL OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1998	1	–	1
Applications received in respect of licences expiring in 1998/99	109	5	114
TOTAL	110	5	115
Licences renewed	109	5	114
Licences surrendered or allowed to lapse	12	–	12
Applications refused	–	–	–
Applications not determined by 31 March 1999	1	–	1
TOTAL	122	5	127

Table 12

CONTINUANCE OF CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1998	1	–	1
New applications received in 1998/99	1	–	1
TOTAL	2	–	2
Applications allowed	2	–	2
Applications withdrawn	–	–	–
Applications fell	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 1999	–	–	–
TOTAL	2	–	2

3: Licensed bingo

Introduction

3.1 This chapter reports on the regulation of, and significant developments in, the bingo industry and contains sections on the following subjects:

- Size and structure of the industry (paragraphs 3.2 to 3.4).
- Changes to the industry (3.5).
- Money staked (3.6).
- Linked bingo (3.7).
- The National Game (3.8 to 3.12).
- The industry trade associations (3.13).
- Meetings with the industry: Board/Bingo Industry Working Group (3.14 and 3.15).
- Deregulation of bingo: advertising and the use of debit cards (3.16).
- Three year licences (3.17).
- The charging arrangements for bingo (3.18 and 3.19).
- Mixing of S.31 and S.34 gaming machines (3.20).
- Hours of Sunday bingo (3.21).
- Increases in charges and prizes (3.22 and 3.23).
- Meetings with operators (3.24).
- The number of gaming machines in bingo clubs (3.25).
- Attendance at bingo clubs (3.26).
- Employment in the industry (3.27).
- Consent applications (3.28).
- Bingo played under sections 40 and 41 of the Gaming Act 1968 (3.29 and 3.30).

Size and structure of the industry

3.2 The number of clubs holding Board certificates at 31 March 1999 was 780 (see table 13). This represents a decrease of 65 clubs or 8 per cent from the figure at 31 March 1998.

At 31 March 1994 the number of such clubs was 964: there has thus been a decrease of 19 per cent in the numbers of such clubs over the last five years. Whilst no pertinent statistics are available, the Board believes that this reduction has been offset to some extent by an increase in the average size of the clubs. Of the 780 certificated clubs, 751 were operating.

3.3 The two largest operators amongst the 780 bingo clubs holding Gaming Board certificates of consent are Gala Clubs (formerly owned by Bass plc) which held certificates for 143 clubs, of which 141 were operating, and Mecca Bingo Limited (formerly known as Top Rank and part of the Rank Organisation) which held certificates for 131 clubs, of which 129 were operating. One other operator held certificates for 39 clubs; one operator held certificates for 29 clubs; four operators held certificates for between 15 and 19 clubs; three operators held certificates for between 10 and 14 clubs; ten operators held certificates for between 5 and 9 clubs; the remaining 283 certificates were held by "singleton" operators or in groups of less than five clubs. Around 93 of the clubs are those in holiday camps, some of which only operate on a seasonal basis.

3.4 The Board did not object to the issue of any bingo club licence during the period of this Report. The 1997/98 Report recorded that, for the first time in some years, the Board had objected to a renewal on the grounds that the licence holder was not fit and proper. An application to transfer the licence of the premises in question was subsequently received, and the renewal and transfer of the licence to a different operator was accomplished at the same court hearing.

Table 13

NUMBER OF BINGO CLUBS AT 31 MARCH 1999 (1998 IN BRACKETS)

	England and Wales	Scotland	Total
Holding Board certificates at 31 March 1999	672 (729)	108 (116)	780 (845)
Holding gaming licences at 31 March 1999	665 (707)	107 (111)	772 (818)
Known to be operating at 31 March 1999	647 (677)	104 (105)	751 (782)

Changes to the industry

3.5 It was reported in the 1997/98 Report that some of the larger leisure groups had disposed of their bingo clubs. This was seen as an indication of the potential difficulty of making a sufficient return on investment in bingo, but the management buyouts, involving in some cases very large injections of venture capital, indicated that there was confidence that the industry had a promising future. Events in 1998/99 have supported that view. As mentioned last year, Gala Leisure Limited and Gala Leisure (1991) Limited, previously owned by Bass, were the subject of a management buyout on 13 December 1997. The new owner, Cangard Limited, acquired the Ritz Bingo estate of 17 clubs in July 1998, making Gala the largest bingo operator.

Money staked

3.6 The figures below give the amount of money staked in licensed bingo clubs (including added prize money) over the latest five years and show a continuation of the upward trend. There was an increase of over 2 per cent in the latest year, bringing the increase during the last two years to over 7.5 per cent. The amount of money staked does not include cash staked on gaming machines.

Table 14

AMOUNT STAKED ON LICENSED BINGO BY YEAR

	Amount staked in £million	Percentage change from previous year
September 1993 to August 1994	811	3.0
September 1994 to August 1995	886	9.2
April 1994 to March 1995	844	—
April 1995 to March 1996	906	7.3
April 1996 to March 1997	967	6.7
April 1997 to March 1998	1019	5.4
April 1998 to March 1999	1041	2.1

Source: Customs and Excise. Figures include added prize money provided by the clubs as well as stakes from the players themselves.

Linked bingo

3.7 Linked bingo is where two or more clubs combine to play a joint game of bingo. The increases in the number of players and revenue which result allow the operators to offer greater prizes. The total number of clubs participating in some form of linked bingo has fallen slightly during the period, decreasing from 647 to 633. Nevertheless, it is clear that linked bingo remains popular.

The National Game

3.8 Multiple bingo, generally known as the National Game, is played by clubs across the country in accordance with the Gaming (Bingo) Act 1985.

3.9 The National Bingo Game Association Limited (NBGA) is currently the only holder of a Board certificate of approval to operate multiple bingo. Its certificate expires in June 2001. The number of clubs registered to play in the National Game was 573 at 31 March 1999, compared with 594 a year earlier.

3.10 All clubs participating in the National Game play to a single set of computer generated numbers. The large number of participating clubs allows for the payment of large prizes. Generally, the weekday games have a maximum national prize of about £100,000, with additional regional and house prizes: a 50p ticket game has been introduced on a Sunday for a prize of up to £200,000.

3.11 The 1997/98 Report reported that the NBGA had sought the Board's support for increases in both the game frequency and the maximum prize limits for the National Game, and that the Board had subsequently recommended to the Home Office that the frequency limits should be increased to three games per day from one a day and two on Saturday, and that the maximum permitted monetary prize be increased to £500,000 from £250,000. These changes came into force on 1 October 1998. There have been no increases yet in the frequency of the game, or the level of prizes, but the Board understands that this is being considered.

3.12 The NBGA has sought other changes to ease the restrictions on multiple bingo during the last year, including the removal of all limits on prize levels and the frequency of the game, freedom to add to prize money from the operator's own funds, and the ability to make a levy on stakes to allow a greater range of and larger prizes to be offered. The Board has given its support to these proposals and the matter is now with the Home Office to consider how this should be taken forward.

The industry trade associations

3.13 From 1996 there were two trade associations representing the industry, the Bingo Association of Great Britain (BAGB) and the British Bingo Operators Association (BBOA). In its 1996/97 Report the Board expressed a hope that an opportunity would arise in the future for the organisations to come together once again into a single association, and the Board therefore welcomed the merger of the two trade associations to form the Bingo Association during 1998. As expected, this has simplified the Board's dealings with the industry.

Meetings with the industry: Board/Bingo Industry Working Group

3.14 The Board/Bingo Industry Working Group continues to provide a useful forum for discussions between the Board and the industry. These meetings, where ideas and views can be exchanged without commitment on either side, have led over the years to formal agreement between the Board and industry on a range of operational and deregulation issues. The Group met on four occasions during 1998/99.

3.15 The first meeting, with representatives of both the Bingo Association of Great Britain (BAGB) and the British Bingo Operators Association (BBOA), was held on 23 June 1998, when the main items addressed were the transparency trial (see paragraphs 3.18 to 3.19) and the mixing of s.31 (club or jackpot) and s. 34 (amusement with prizes) machines in bingo clubs (see paragraph 3.20). These issues were pursued further at the meeting on 26 August 1998. The meeting held on 26 November 1998 concentrated on the annual "shopping list" items (see paragraphs 3.22 to 3.23 below). A further meeting was held on 3 February 1999 when machines documentation and the advertisement of 'guaranteed' prizes were also discussed.

Deregulation of bingo: advertising and the use of debit cards

3.16 Parliamentary Orders removing all restrictions on the advertising of bingo and permitting the use of debit cards to pay for bingo gaming came into force on 19 April 1997. The changes have raised no regulatory concerns for the Board and have been well received by the industry. Whereas most advertising campaigns have previously been conducted using local media, the NBGA has recently used a series of advertisements on national television to promote bingo, gaining access to a wider audience. During the year the Bingo Association raised the possibility of installing a type of Automated Teller Machine, installed and maintained by the operator, in bingo clubs, operating only on debit cards. At the end of the year the matter was still under consideration, but the indications are that this will go ahead.

Three year licences

3.17 The 1997/98 Report reported the formation of a working group to consider the possibility of three year, rather than annual, licences. Work continues, but various aspects remain to be resolved.

The charging arrangements for bingo

3.18 The Board has continued to pursue with the industry longer-term changes to the arrangements for the system of controlling bingo charges, with the intention of replacing the current participation (PAR) fee system, which limits the amounts operators may charge, with a more transparent system which would make it clearer to players what charges are made by the club. The 1997/98 Report gave notice of a three-month trial, commencing on 1 April 1998, in which the BAGB and the BBOA tested versions of clear and simple point of sale notices, setting out the return on each type of game. The pilot ended on 30 June 1998. The outcome of the trial was encouraging.

3.19 As a result and following further discussions with the industry, the Board has felt able to recommend to the Home Office radical changes to the charging arrangements. These would consist of three elements:

- (i) Abolition of the current controls which limit the amounts which may be charged per two hour period;
- (ii) Establishment of a statutorily based customer notification system which specifies the form in which charges must be notified so that they are as simple and clear as possible;
- (iii) Abolition of the requirement to give licensing justices 14 days notice of changes to charges so that bingo clubs can react more flexibly when they believe alterations should be made.

The matter now rests with the Home Office. Items (i) and (ii) can be changed by Statutory Instrument, but item (iii) will require the Deregulation Act procedures.

Mixing of S.31 and S.34 gaming machines

3.20 The Bingo Association has been pressing for a legislative change to allow clubs to deploy simultaneously both (all cash) AWP and up to four jackpot machines: currently

individual clubs may only have one or the other. The Board is of the opinion that such changes would be better considered as part of a wider review of gambling legislation, but has informed the industry and the Home Office that it has no objection of principle to the proposal. The Home Office is now considering this.

Hours of Sunday bingo

3.21 The Bingo Association has sought the Board's agreement to a proposal to bring forward from 2.00 p.m. to noon the hours on Sunday during which bingo may be played. The Board has indicated that it has no objection to the change and the matter is being given further consideration by the Association.

Increases in charges and prizes

3.22 The Board held its annual "shopping list" meeting with the industry on levels of charges and prizes on 26 November 1998, the first to take place since the merger of the BAGB and BBOA to form the Bingo Association. The Bingo Association sought an increase in the PAR fee limit from £8.50 (+ VAT) to £12.00 (+ VAT) per charging period, the same amount as requested by the BAGB for the two previous years. The Bingo Association also sought increases in the prize bingo stake and prize limits, requesting an increase in the maximum cash prize from £5 to £15; an increase in the prize bingo stake limit per game from 30p to 50p; and an increase in the prize bingo maximum total take and prize limits from £50 to £120. No increases in the prize bingo limits had been requested the previous year. On weekly added prize money, the Bingo Association sought an increase from £5500 to £6000. The Association sought to double the existing limit for weekly linked bingo prize money to £50,000, as had been requested by the BBOA the previous year.

3.23 In view of the progress made towards a more transparent system of charges, and the case made by the industry, the Board in most cases acceded to the Bingo Association's requests in making its recommendations to the Home Office. As a result, Ministers agreed the following Board recommended changes from 28 May 1999: an increase in admission (PAR) fees to £10.00 (+ VAT), reflecting the fact that full transparency of charges had not yet been achieved; in added prize money to £6000; in the weekly link prize limit to £50,000; and for prize bingo an increase in the maximum cash prize limit to £15, the prize bingo stake to 50p, and the maximum cumulative stake and prize limits to £60. The latter was half the figure requested by the Bingo Association: the Board was concerned that, if a much larger increase had been awarded, prize bingo would become a more substantial game in clubs, and might thereby threaten the character of bingo.

Meetings with operators

3.24 The Board is always willing to meet operators to discuss their plans and difficulties. In particular the Board wishes to be kept aware of re-organisations and proposals to rationalise operators' estates. The Board began a series of informal meetings with bingo operators in 1998 on a similar basis to those arranged for casinos. The first two were held on 2 June 1998 and on 17 September 1998. These proved useful and informative for both parties. Further meetings will be organised for the coming year.

The number of gaming machines in bingo clubs

3.25 The Board had been aware for some time that no definitive figures were available for the numbers of gaming machines in use in bingo clubs (and casinos). It decided last year to collect this information and publish it in its Annual Reports, and the first survey showed that a total of 17,770 gaming machines were sited in bingo clubs at 31 March 1998. The results of the second census, collected on a slightly different basis, show that the number of machines operated in bingo clubs in England, Wales and Scotland as at 31 March 1999 were as follows:-

Table 15

NUMBERS AND TYPES OF GAMING MACHINES IN BINGO CLUBS AT 31 MARCH 1999

AWP (whether Cash/Token or All-Cash)	£250 Jackpot	£500 Jackpot	Total
18,387	654	29	19,070

Attendance at bingo clubs

3.26 The industry estimates that there are some 3 million active members of bingo clubs with an average daily attendance at clubs of about 250,000 people.

Employment in the industry

3.27 No definitive figures are available, but industry estimates are that some 24,000 people are employed in the bingo industry.

Consent applications

3.28 The following tables show the results of consent applications made to the Board during the period 1 April 1998 to 31 March 1999 and the number and outcome of subsequent licence applications.

OUTCOME OF BINGO CONSENT AND LICENCE APPLICATIONS
1 APRIL 1998 – 31 MARCH 1999

Table 16

NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1998	2	1	3
New applications received in 1998/99	12	3	15
TOTAL	14	4	18
Certificates issued	12	3	15
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 1999	2	1	3
TOTAL	14	4	18

Table 17

NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1998	11	3	14
New applications made	13	1	14
TOTAL	24	4	28
Licences issued	11	–	11
Applications withdrawn	2	1	3
Applications refused	–	1	1
Applications not determined by 31 March 1999	11	2	13
TOTAL	24	4	28

Table 18

TRANSFER CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1998	30	2	32
New applications received in 1998/99	20	8	28
TOTAL	50	10	60
Certificates issued	47	8	55
Applications withdrawn	2	–	2
Applications refused	–	–	–
Applications not determined by 31 March 1999	1	2	3
TOTAL	50	10	60

Table 19

TRANSFER OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1998	14	–	14
New applications made in 1998/99	44	9	53
TOTAL	58	9	67
Licences issued	45	4	49
Applications withdrawn	–	1	1
Applications refused	–	–	–
Applications not determined by 31 March 1999	13	4	17
TOTAL	58	9	67

Bingo played under sections 40 and 41 of the Gaming Act 1968

3.29 In addition to licensed bingo, unlicensed bingo may be played in certain clubs and institutes and at entertainments not held for private gain and is lawful so long as it complies with sections 40 or 41 of the 1968 Gaming Act. Bingo played under these sections is subject to various restrictions and limitations and is intended to be small scale and non-commercial. In particular, bingo played under section 40 must be only one of the activities provided by the club. The proceeds of bingo played under section 41 must normally go to a charity or to the benefit of a non-proprietary members' club.

3.30 The financial limits for both section 40 and 41 bingo were last increased in December 1992. During the year the Board received representations to review the limits for section 41 bingo, and after consideration has recommended increases for both section 40 and section 41 entertainments to the Home Office. These are, for section 40, an increase in the maximum charge per player per day from 50p to 60p; and, for section 41, an increase in the maximum payment by each player from £3.00 to £4.00 per entertainment; an increase in the maximum total value of prizes from £300 to £400 per entertainment, and an increase in the provision for the maximum prize in the last of a series of entertainments taking place over a two day period from £600 to £700. The matter now rests with the Home Office.

4: Certification of employees

Introduction

4.1 This chapter reports on the certification of employees in the casino and bingo industries and contains sections on the following subjects:

- Policy and procedures (4.2 and 4.3).
- Applications (4.4).
- Issue of certificates (4.5 to 4.8).
- Quality of managerial applicants (4.9 and 4.10).
- Revocation of certificates (4.11 to 4.13).
- Interviews (4.14).
- Attendance at interviews (4.15).
- Revocation without interview (4.16).
- Reapplication after revocation action (4.17).
- Overseas enquiries (4.18).
- Contravention of section 23(6) of the Gaming Act 1968 (4.19).
- Decisions by outcome and issues by type, 1998/99 (4.20).

Policy and procedures

4.2 One of the main objectives of the Gaming Act 1968 and of the Gaming Board continues to be the prevention of criminals and undesirable persons from becoming involved in gaming. One part of this process is the section 19 certificate of approval procedure, which is designed to ensure that those who work on the gaming floor and/or who manage such employees are fit and proper to act in that capacity. The Act directly requires those who perform certain functions to hold a certificate of approval issued by the Board, and gives the Board power to require certain others performing managerial, organisational or supervisory duties to be certificated. A licence holder who employs staff in contravention of these procedures commits an offence under section 23(1) of the 1968 Act.

4.3 The Board issues certificates of approval as follows:

blue	for dealers and cashiers in casinos;
yellow:	for inspectors, pit bosses, security staff employed to watch gaming and head cashiers;
green	for casino supervisors (junior management);
grey	for casino managers;
white	for casino executives; and
pink	for bingo managers.

Applications

4.4 The following table gives details of the numbers of applications for certificates of approval received and the numbers of certificates issued between 1 April and 31 March for the last five years.

Table 20

APPLICATIONS FOR CERTIFICATES OF APPROVAL 1994/95 TO 1998/99

	Number of applications received	Number of certificates issued
1 April 1998 – 31 March 1999	5,509	5,056
1 April 1997 – 31 March 1998	3,992	3,574
1 April 1996 – 31 March 1997	5,518	5,051
1 April 1995 – 31 March 1996	5,755	5,233
1 April 1994 – 31 March 1995	4,847	4,396

The difference between the two columns is a result of applications withdrawn or refused.

Issue of certificates

4.5 It remains the Board's policy to make checks or obtain reports from the police and other authorities on all new applications for certificates of approval, in accordance with paragraph 3 of Schedule 5 to the Gaming Act 1968. This can delay the processing of applications. However, during the year 73.5 per cent of all first time applicants for the dealers' (blue) certificate received their certificates within six weeks of receipt of the application by the Board. This compares with 79 per cent in the previous year.

4.6 Enquiries are made of overseas employers before the issue of fresh certificates to previously certificated staff returning from working in casinos abroad; police checks are made

in tandem with these enquiries to reduce any delays to a minimum. The Board has particular concerns about certificated staff working in illegal casinos in other countries. Casino gaming is an international business and it is understandable that staff wish to work in different jurisdictions. The Board insists, however, that all applicants are properly vetted before the issue of any certificate.

4.7 When the Board issues a certificate, it sends an accompanying advisory letter to the certificate holder. This letter gives, in broad terms, the kinds of activities which might result in revocation of the certificate and also asks the certificate holder to inform the Board of any convictions and/or formal cautions which they might receive. Applicants are still required to declare all convictions, formal cautions and pending prosecutions on every application for a fresh certificate. The letter also requires certificate holders to notify the Board if they are made bankrupt, enter into a Composition with creditors, or make an Individual Voluntary Arrangement under the Insolvency Rules 1986. Not all bankruptcy or financial insolvency cases necessarily mean that a person is unfit to hold a Board certificate: each case is examined on its merits.

4.8 A certificate, once issued, remains valid for the employee in respect of the casinos identified on it unless and until it is revoked. The Board has no record of the number of certificate holders actually in employment, as it has no comprehensive records of staff resignations or departures. Also, the wording of Section 19 causes difficulties in practice when an employer is taken over or employment otherwise changes. The Board considers that the Section 19 certificate relates to the individual holder rather than their employer and whenever possible consistent with its legal advice does not require a new Section 19 certificate for moves of employment in the same grade.

Quality of managerial applicants

4.9 The standard of first-time applicants for both the managers' grey and the casino executives' white certificate remained high. Where an applicant does not meet the required standard, the application is normally deferred by agreement to allow the applicant to improve his or her knowledge of the Gaming Act 1968 and the regulations made under it. In fact, all applications were granted, without any deferments, during the period of this Annual Report. The Board regards it as important that high standards are maintained and that holders of those certificates should understand the reasons which lie behind the Regulations, and the reasons for the rules they must follow. The Board was pleased by the continued efforts of operators to ensure that senior staff received adequate training before they applied for the managers' certificate.

4.10 The Board, of course, expects a particularly high standard of applicants for its casino executives' white certificate. As mentioned earlier, where such applicants are new to the industry and have not previously held a grey certificate, they are interviewed by a panel, normally consisting of a Board member and a senior member of the Inspectorate. Six such applicants were interviewed during the year and all were issued with a white certificate.

Revocation of certificates

4.11 Revocation procedures are normally prompted by receipt from the Board's Inspectorate of an adverse report on the certificate holder. Even if the certificate holder has not

been dismissed or committed an illegal act, the Board is not prevented from taking revocation action. The test provided for in the Act is the broader one of fitness and propriety to hold the certificate. Where doubts are raised about the fitness or propriety of the certificate holder, the case is considered by officials in the Board's Secretariat, who decide what action should be taken. If that decision calls into question the holder's suitability to continue to hold one or more of the Board's certificates, a "minded to revoke" letter is issued. In it, the certificate holder is offered the opportunity to appear before the Board or to make written representations to explain his or her actions. In either situation, the case is then referred to the Board for a decision. Reasons for revocation of certificates in the year ending 31 March 1999 were as follows:

Table 21

REASONS* FOR REVOCATION OF CERTIFICATES 1 APRIL 1998 – 31 MARCH 1999
(PREVIOUS YEAR'S FIGURES IN BRACKETS)

	<u>Number of Certificate Holders</u>
Collusion with players	14 (10)
Socialising with members	13 (14)
Theft from employers	12 (5)
Incurring convictions after the issue of a s19 certificate (excluding drug-related convictions)	9 (5)
Involvement with drugs (including drug-related convictions)	8 (15)
Accepting gratuities	3 (–)
Drunkenness	2 (1)
Failing to declare convictions in breach of s.23 (6) of the Gaming Act (see paragraph 4.19)	2 (4)
Violent behaviour	2 (–)
Visiting and gaming in another casino	2 (2)
Others**	14 (7)
TOTAL	81 (63)

* The principal reason is shown in each case.

** Relates to sexual harassment, falsifying company records, failure of executive responsibilities, involvement in illegal gambling, failure to disclose information, showing cards to customers before dealing, failure to supervise staff, lying about references, using position improperly to obtain confidential information, dishonesty, borrowing money from a member, failure to report collusion, breach of S.12 (membership requirements) of the Gaming Act and cash & stock missing from the bar.

4.12 The statistics show that the numbers of revocations for involvement with drugs on or off the casino premises, which rose significantly in 1997/98, have substantially reduced in the current year. The Board takes a serious view of any certificate holder having any involvement with drugs and noted its concern in last year's Report. Illicit drug taking is not only a criminal

offence in itself, but also brings into question the ability of certificate holders who may be under the influence of drugs to undertake their duties in a fit and proper manner.

4.13 The Board remains convinced that it is most important that contracts of employment and conditions of service make it clear to gaming staff that incidents of the kind listed in the table are likely to result in the revocation of certificates of approval; and that senior staff should at all times set a good example to their juniors. Where the conditions of service are breached, operators should ensure that good procedures in internal disciplinary interviews are established and followed.

Interviews

4.14 During the period 1 April 1998 to 31 March 1999, 141 interviews were held in connection with certificates of approval.

Table 22

INTERVIEWS IN CONNECTION WITH CERTIFICATES OF APPROVAL: 1 APRIL 1998 – 31 MARCH 1999

Type of certificate	Number of interviews	Remarks
Casino executive (white)	6	6 were granted
Gaming manager (grey)	62	62 were granted
Gaming inspector (yellow)	1	This was a re-application after revocation and was granted
Gaming dealer (blue)	5	3 were re-applications after revocation, all of which were granted 2 were new applicants and both were granted
Bingo manager (pink)	46	45 were granted of which 2 were re-applications after revocation 1 was deferred
Existing holders of certificates of approval relating to casinos and subject to adverse reports	21	15 had certificates revoked (1 of these was a casino executive and 2 were casino managers) 5 were given a final warning 1 merited no further action
Existing holders of certificates of approval relating to bingo clubs and subject to adverse reports	0	

Attendance at interviews

4.15 Certain applicants for certificates of approval are invited to interview to discuss their cases with officials or Board members; and all those subject to revocation action are given the opportunity to appear before a panel of the Board. Although the Board's invitation to interview letter indicates that interviewees may be accompanied by their (prospective) employer or an advisor, in practise few employers attend. The Board asks employers to give active consideration to attending interviews, particularly where their attendance would be of assistance to the interviewee, or alternatively submitting a letter of support where they consider it appropriate.

Revocation without interview

4.16 In cases where the Board is considering revocation of certificates, and the holder does not wish to attend for interview or to make written representations, or the Board's recorded delivery letter is returned undelivered by the Post Office, the Board must consider the certificate holder's suitability to hold the Board's certificates on the available information. During the period 66 certificate holders had their certificates revoked without interview, including 7 who made written representations.

Reapplication after revocation action

4.17 The Board's policy continues to be that where an individual has had his or her certificate(s) revoked, unless he or she has been advised to the contrary, an application for a new certificate is unlikely to be successful until at least 12 months have elapsed from the date of revocation of the previous certificate(s). Revocation takes effect 21 days after the date of the Board's written notification of its decision to revoke the certificate(s).

Overseas enquiries

4.18 The Board received 283 enquiries from regulatory authorities in other countries where British staff holding the Board's certificate were seeking employment. These are dealt with by issuing letters of accreditation to the agency, employer or the individual concerned.

Contravention of section 23(6) of the Gaming Act 1968

4.19 A number of applicants failed to disclose a full record of their convictions, even though the application form makes it clear that the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975 authorises the Board to require such disclosure. In all cases of failure to disclose previous convictions, the matter was addressed by the Board directly with the applicant either at interview, where refusal or revocation will have been considered, or as a written warning. The police may also decide to take action and two prosecutions were initiated during the year. It remains a requirement of all applicants to declare all convictions, police cautions and pending prosecutions on all applications.

Decisions by outcome and issues by type, 1998/99

4.20 The outcome of applications for section 19 certificates, and the certificates issued by type, for 1998/99 were as follows:

Table 23

SECTION 19 CERTIFICATES: DECISIONS BY OUTCOME 1998/99

	New certificates issued	Old certificates re-issued	Total certificates issued	Applications refused	Applications withdrawn	Revocations*
Casino Executive (white certificate)	12	–	12	–	–	2
Casino Manager (grey certificate)	107	10	117	–	5	7
Casino Supervisor (green certificate)	143	6	149	–	1	2
Casino Inspector (yellow certificate)	1,681	98	1,779	1	41	32
Casino Dealer (blue certificate)	2,809	78	2,887	1	401	35
Bingo Manager (pink certificate)	101	11	112	–	3	3
TOTAL	4,853	203	5,056	2	451	81

A total of 81 individuals had certificates revoked: the number of certificates revoked was 212.

Table 24

SECTION 19 CERTIFICATES: ISSUES BY TYPE 1998/99

	New applications	Transfers	Promotions	Re-issues	Total certificates issued
Casino Executive (white certificate)	6	4	2	–	12
Casino Manager (grey certificate)	–	45	62	10	117
Casino Supervisor (green certificate)	–	27	116	6	149
Casino Inspector (yellow certificate)	21	1,096	564	98	1,779
Casino Dealer (blue certificate)	2,061	748	–	78	2,887
Bingo Manager (pink certificate)	45	55	1	11	112
TOTAL	2,133	1,975	745	203	5,056

5: Gaming Machines

Introduction

5.1 The 1968 Gaming Act (as amended) makes provision for three types of gaming machines which may be sited in a variety of locations:-

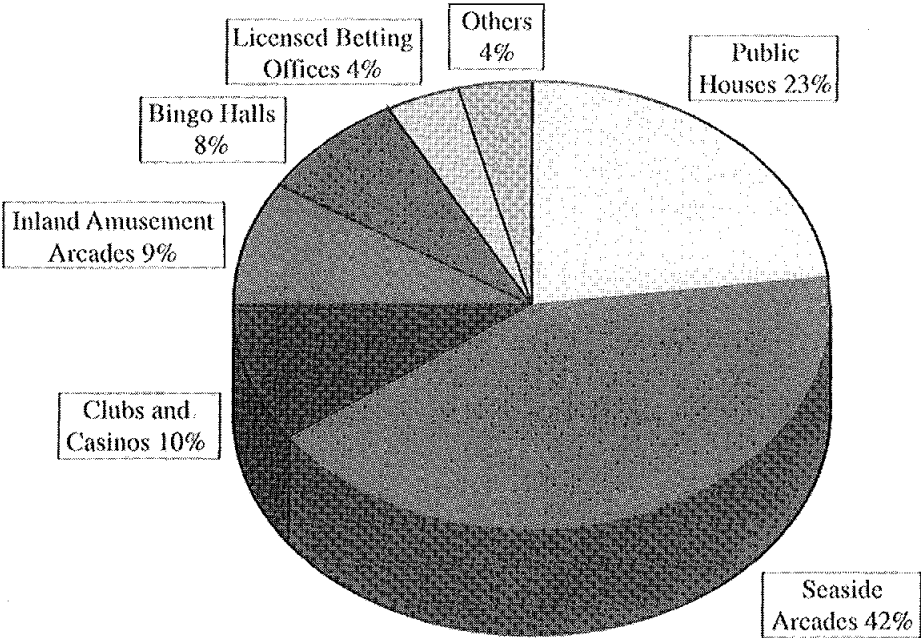
- (i) Club or jackpot machines with maximum prizes of £1,000 in casinos, £500 in bingo clubs and £250 in other clubs and a maximum stake of 50p.
- (ii) “All cash” amusement-with-prizes (AWP) machines in adult environments such as public houses, licensed betting offices, bingo clubs and adult amusement arcades. The maximum prize is £15 and the maximum stake is 30p.
- (iii) Traditional “cash/token” AWP machines in premises such as family arcades and cafes etc. The maximum prizes are £8 non-cash and £5 cash and the maximum stake is again 30p.

With certain specified exceptions, those who wish to sell, supply or maintain gaming machines may do so only if they hold a certificate granted by the Board under section 27 of the 1968 Act. This chapter gives an overview of the Board’s involvement with the gaming machines industry and contains sections on the following subjects:

- Size of industry (paragraphs 5.2 and 5.3).
- 1998 Triennial Review of stakes and prizes for gaming machines (5.4 to 5.8).
- Other proposals for changes to legislation made during the 1998 Triennial Review (5.9 to 5.11).
- Proposals for changes to payment methods for machines (5.12 to 5.14).
- BACTA/Board links (5.15).
- Review of machine control guidelines (5.16).
- Machine testing (5.17).
- Maximum prize for skill-with-prizes machines (5.18).
- Applications for certificates under section 27 of the Gaming Act 1968 to sell, supply and/or maintain gaming machines (5.19).
- Renewal of certificates (5.20 and 5.21).
- Revocations and refusals (5.22).
- Certificates in force (5.23).
- Permits (5.24).
- Renewals in 2000 (5.25).

Size of industry

5.2 Whilst those who wish to sell, supply or maintain gaming machines need a Board certificate, these certificate holders are not required to submit to the Board details of the numbers of machines they handle. So the Board does not hold statistics on machine numbers and locations. However, BACTA (the trade association for the pay-to-play leisure machine industry in Great Britain) has previously obtained its own statistics (source: the BACTA/Henley Industry Model 1996 data). These revealed that there were over 250,000 gaming machines of one sort or another sited in Great Britain in 1996. This figure included around 32,000 jackpot or club machines and around 218,000 AWP machines, including all-cash machines. In addition, it was estimated that there were around 10,000 pinball, pusher and crane grab machines, which also qualify as gaming machines under the definition in the 1968 Act. Whilst BACTA has no official updated figures for machine numbers and locations since the Henley study was conducted, feedback from its members suggests that the position remains largely unchanged. An estimate of the distribution of all these machines by location is provided below:



5.3 The BACTA statistics also estimated the combined annual turnover of AWP and jackpot machines to be around £7.8 billion in 1996, with around £6.3 billion paid out to players in the form of prizes. They also suggested that nearly 25,000 people were employed directly by the sector. Again, while no official update is available, feedback suggests that these figures are still broadly much the same.

1998 Triennial Review of stakes and prizes for gaming machines

5.4 It is the Board's practice to review the monetary limits for gaming machines every three years. This is in line with a recommendation made by the Royal Commission on Gambling in the 1970s. At the time of last year's report the Board was in the process of considering proposals from a wide range of organisations, either in writing or orally at meetings, including, for the first time, organisations representing licensed betting offices

and GAMCARE (the National Association for Gambling Care, Educational Resources and Training). The Board took account of the views expressed in formulating its recommendations to the Home Office and the Home Secretary announced the outcome of the Review in July 1998. This is summarised below. All announced increases were implemented on 1 October 1998.

- Maximum prize for all-cash AWP machines increased from £10 to £15.
- Maximum prize for jackpot machines increased from £250 to £500 in bingo clubs and from £250 to £1000 in casinos and left unchanged at £250 in other members' clubs.
- Maximum prizes for cash/token AWP machines left unchanged at £5 for the cash and £8 for the non-monetary prizes.
- Maximum stake for all AWP machines left unchanged at 30p.
- Maximum stake for jackpot machines increased from 30p to 50p.

5.5 In the course of the Review, the Board emphasised that it saw merit in working over time towards the development of four tiers of gaming machines:

- if and when Parliament approves this, new high prize slot machines only in casinos and subject to a special regulatory regime;
- jackpot machines in bingo clubs and members' clubs broadly as now;
- all-cash AWP machines in adult environments, with somewhat higher prizes than now; and
- cash/token AWP machines to which children have access, with low prizes.

5.6 This meant, in particular, that the Board was in favour of increasing the differences between the prize limits for the cash/token AWP machines, which are available to children, and the all-cash AWP machines intended for adults to emphasise the discrete markets for which these machines are appropriate and to assist enforcement. Whilst the Board's recommendations went some way towards increasing those differences, the Board did not feel able to support proposals for the all-cash AWP machine prize to be increased above £15 because of continuing concerns about the siting of such machines in areas for which they were not intended and, in particular, to which children have access. These concerns were outlined in last year's report. Whilst the Board noted industry proposals for tackling the issue, it made clear in its recommendations that it did not expect to consider any further proposals for increases in prizes for these machines until the next Triennial Review, at which time it would wish to see clear evidence that the machines were genuinely being sited only in adult environments and that as a result children were no longer able to access them in places such as public houses, motorway service stations and railway stations. To this end, the Board recommended that the Home Office issue advice reminding licensing and registration authorities of their powers and responsibilities in respect of the siting of these machines. This advice was issued in September 1998.

5.7 In deciding to recommend no change to the prize levels for cash/token AWP machines, the Board also took note of the findings of the study by Dr Sue Fisher of the University of Plymouth, reported last year, which demonstrated problems with children playing machines. It further concluded that in the longer term consideration should be given to whether any gaming machines should be available to children at all. This is an issue which the Board feels should be addressed as part of the wider review of gaming legislation for which it has called. In the interim, the Board has agreed to set up a working party with BACTA to seek to reach a consensus on the types of machines which might be regarded as “non-gambling” machines suitable for play by children. Regard will be paid to features such as level of stakes and prizes and methods of play.

5.8 A copy of the full report on the 1998 Triennial Review submitted by the Board to the Home Office can be obtained from the Board’s headquarters at the address in Appendix III.

Other proposals for changes to legislation made during the 1998 Triennial Review

5.9 During the course of the Review, a number of organisations made proposals for changes to the legislation which fell outside the remit of that Review. Those proposals are summarised below:

- public houses to be permitted to site jackpot machines;
- public houses to be permitted to site up to four all-cash AWP machines without recourse to magistrates’ approval;
- betting offices to be permitted to site jackpot machines or a designated betting office machine offering higher prizes than the all-cash AWP machine;
- bingo clubs to be permitted to site a mixture of jackpot and all-cash AWP machines;
- increases in maximum stake and prize limits for prize bingo played under section 16 of the Lotteries and Amusements Act 1976 and section 21 of the Gaming Act.

5.10 The Board decided that in light of its concerns about children having access to all-cash AWP machines in public houses, it did not feel able to support any proposals for changes to the current regime for such venues at the present time. In respect of proposals for changes to the regime for genuinely adult environments such as betting offices and bingo halls, the Board has made clear to the Home Office and the industries concerned that, while it has no major objections in principle, it has concerns about the merits of further piecemeal changes to the legislation governing machines. In particular, it felt that these were likely to further complicate legislation which was already seen as over complex and that they would best be considered as part of a wider review of gaming legislation rather than in isolation.

5.11 The proposals for changes to stake and prize levels for prize bingo were considered by the Board during its annual “shopping list” meeting with the bingo industry. The outcome of that consideration is reported in paragraphs 3.22 and 3.23.

Proposals for changes to payment methods for machines

5.12 As reported last year, both the Home Office and the Board had received submissions from BACTA requesting changes, by way of deregulation, to the legal requirements concerning payment systems for machines. The proposals are summarised below:

- removal of the requirement that machines be able to accept payment for a single play, allowing instead for machines which accept only £1, and in the future, £2 coins for multiple plays;
- bank note acceptors to be permitted on gaming machines;
- electronic and other non-monetary payment methods to be permitted;
- removal of the requirement that a machine pay out before winnings in a moneybank may be replayed.

5.13 The Board subsequently confirmed to the Home Office and BACTA that it had no objections in principle to the proposals concerning £1/£2 play, note acceptors and electronic and other non-monetary payment methods, subject to the introduction of certain safeguards, for example against unintended extended play. It noted, however, that it would need to consider all of the proposals in greater detail during any formal consultation process. In respect of the proposal concerning moneybanks, the Board indicated that it had reservations, noting that the current requirement for coins/tokens won to be re-inserted provided a valuable safeguard against unintended extended play. It confirmed, however, that it was content for the proposal to be included in any planned consultation process to allow others to express an opinion and for it to reflect on those opinions.

5.14 Since that time, the Board has been involved in discussions between the Home Office and BACTA on the proposals. These have revealed that further work is required before the Home Office could seek Ministers' agreement to consultation. In particular, further information has been sought from BACTA to enable the Home Office to determine whether the proposed changes will apply to machines played by children and to assess the practical impact and the costs and benefits to the industry of the proposed changes. This information was provided on 7 June 1999.

BACTA/Board links

5.15 The BACTA/Board working group has continued to meet during the course of the year. The group has made progress on the review of guidelines for machine control and on machine testing and the Board and BACTA have reached agreement on a new prize limit for skill-with prizes machines. These issues are examined in more detail in the sections below. The group has also produced an agreed guideline on the rounding up of prizes (copy at Appendix VII).

Review of machine control guidelines

5.16 The working group has been undertaking a full review of all guidelines covering machines. Work is progressing well and a sub-group has been set up to deal with some of the technical issues arising from the review. It is intended that the guidelines be reissued in a consolidated and updated form following the necessary notification to the European Commission.

Machine testing

5.17 The group agreed in principle to the introduction of machine testing for AWP machines in 1996 and proposed to conduct first a trial testing regime. However, this has been considerably hampered by technical problems with the necessary software. The trial testing regime has since been introduced and evaluation is now taking place. Once completed, it is intended that all manufacturers be issued with copies of the relevant software. This will be applied to all new AWP machines following site testing and the results sent to the Board's Specialist Machines Inspectors who will check to ensure that the machines operate in a way consistent with the requirements of the 1968 Act and the machine control guidelines and do not otherwise contain features regarded as undesirable. The working group has agreed in principle that the testing regime should also be extended to jackpot machines.

Maximum prize for skill-with prizes machines

5.18 While the Board has no statutory remit in respect of skill-with prizes machines, it has traditionally monitored the sector with a view to advising the Home Office of any potential problems and implications for machine control generally. It was, therefore, pleased to be consulted by BACTA on a proposed increase to the maximum prize for these machines to £40. The Board confirmed that it had no objections to the increase.

Applications for certificates under section 27 of the Gaming Act 1968 to sell, supply and/or maintain gaming machines

5.19 The number of new applications received during 1998/99, and their outcome, is shown in the following table:

Table 25

NEW APPLICATIONS FOR SECTION 27 CERTIFICATES: 1998/99

	England and Wales	Scotland	Total
New applications outstanding on 31 March 1997	8	3	11
New applications received in 1998/99	31	–	31
TOTAL	39	3	42
Certificates issued	21	1	22
Applications refused	1	1	2
Applications withdrawn	3	1	4
To be determined, or awaiting payment of fee on 31 March 1999	14	–	14
TOTAL	39	3	42

Renewal of certificates

5.20 A total of 156 certificates reached the end of their five year life during the course of the year. The Board was notified that renewal was not being sought for 56 of these. 100 renewals were therefore left to be considered. The outcome of these applications, together with the 14 renewal applications carried over from the previous year, is shown in the following table:

Table 26

APPLICATIONS FOR THE RENEWAL OF SECTION 27 CERTIFICATES: 1998/99

	England and Wales	Scotland	Total
Renewal applications outstanding on 31 March 1998	13	1	14
Applications received in respect of certificates expiring during 1998/99	90	10	100
TOTAL	103	11	114
New certificates required	5	1	6
Certificates renewed	92	10	102
Applications withdrawn	1	–	1
Applications refused	1	–	1
To be determined or awaiting payment of fee on 31 March 1999	4	–	4
TOTAL	103	11	114

5.21 If a certificate expires and has not been renewed, the holder may continue to honour existing contracts, but is not entitled to negotiate new contracts or new rental or maintenance terms for machines already on site; nor can these machines be replaced or taken away and subsequently returned.

Revocations and refusals

5.22 During the year 2 section 27 certificates were revoked, 2 applications for a new certificate were refused and 1 application to renew a certificate was refused.

Certificates in force

5.23 On 31 March 1999 there were 781 certificates in force, 19 fewer than 12 months previously.

Permits

5.24 Permits are issued free of charge for isolated transactions such as the sale of an unwanted machine by a person not normally in the trade. Ten such permits were issued during the course of the year.

Renewals in 2000

5.25 As a result of the five yearly cycle of renewals arising from the original certification programme, the Board envisages that over 130 certificates will fall due for renewal in 2000. In order to minimise delay, holders of certificates requiring renewal during the year are urged to submit their applications as soon as they receive the relevant forms from the Board. The Board intends to send these out by the end of 1999. As mentioned in paragraph 5.21, if a certificate is allowed to expire without renewal, the holder is not entitled to negotiate new contracts or new rental or maintenance terms.

6: Lotteries

Introduction

6.1 Under the 1976 Lotteries and Amusements Act, lotteries may be promoted by societies (charities, sporting clubs, etc.) to assist good causes and by local authorities provided that statutory limits on sales, prizes and expenses are not exceeded. This chapter gives an overview of the Board's involvement with the lotteries sector and contains Sections on the following subjects:

- Size of lotteries sector (paragraphs 6.2 to 6.5).
- External lottery managers (6.6 and 6.7).
- Action by the Board (6.8 to 6.10).
- On-line lotteries (6.11).
- Proposals for increases in ticket price, proceeds and prize limits for lotteries (6.12 to 6.14).
- Proposals to allow "rollovers" (6.15).
- Internet lotteries (6.16).
- Illegal lotteries, competitions and product promotions (6.17 to 6.20).
- Lottery statistics (6.21 to 6.23).

Size of lotteries sector

6.2 Societies which wish to run larger lotteries (with proceeds in a single lottery of over £20,000 or cumulative annual proceeds of more than £250,000) and all local authority lottery schemes must first be registered with the Board. At 31 March 1999 there were 634 registrations with the Board, comprising 6 local authority schemes and 628 societies. This compares with 9 local authority schemes and 614 societies at the end of March 1998. No applications were refused or registrations revoked during the year.

6.3 The number of individual lottery returns received by the Board continued to rise in 1998/99. Returns were received for 27,334 lotteries promoted by societies and 8 lotteries promoted by local authorities registered with the Board, compared with 5,070 and 11 returns respectively for the preceding 12 month period. This very large increase was in the main a consequence of the inclusion of a large number of returns for the "Pronto!" on-line lotteries (see paragraph 6.11 below), which conducted over 25,000 separate draws or lotteries while operational. Returns for lotteries other than "Pronto!" were up from 3,154 in 1997/98 to 3,786 in 1998/99, an increase of 20%.

6.4 Proceeds raised by societies' lotteries continue to increase, reaching over £161m in 1998/99 (see Table 27), the highest ever figure recorded by the Board. This compares with £125m the previous year and is over 4 times the figure of £38m in 1994/95. Of the £161m ticket sales in 1998/99, around £55.5m (34.4%) went on prizes, around £43.5m (27%) on

expenses and the remaining £62m (38.6%) to the good causes. In contrast, proceeds generated by lotteries promoted by local authorities registered with the Board continue to decline. Only £107,988 worth of tickets were sold in 1998/99 as compared to £210,000 in 1997/98 and £730,000 in 1994/95.

6.5 Societies intending to run only lotteries with proceeds of less than £20,000 register with local authorities. The Board has no records relating to these registrations.

External lottery managers

6.6 At 31 March 1999 there were six companies and one individual registered as external lottery managers, with one other application under consideration. Such registration is necessary before anybody may manage lotteries on behalf of registered societies.

6.7 The Board has noted that some organisations which refer to themselves as service providers are taking on duties which the Board would regard as functions of an external lottery manager. While the Board's booklet "Lotteries and the Law" sets out some criteria for determining whether an organisation is acting as an external lottery manager, these are not exhaustive. In determining whether a particular organisation is acting as an external lottery manager, the Board looks at the whole operation of the lotteries in question and the extent to which the organisation is involved in and controls that operation. Societies are reminded that their registration may be at risk if they continue to use a "service provider" which the Board believes should more properly be registered as an external lottery manager. They are also reminded that the promoter of the lottery remains legally responsible for its operation, including any activities undertaken by the service provider, and it is in their interests to ensure that the service provider acts within the law.

Action by the Board

6.8 The workload of the Board's lotteries section has continued to increase. In addition to dealing with applications for registration, the section deals with the examination of financial returns for each lottery held and the examination of accounts and reports on those accounts, prepared by an auditor, from societies or local authorities which have sold more than £100,000 worth of tickets in one year. As indicated above, there has been an enormous increase in the number of financial returns received this year, due in particular to the large number of on-line lotteries returns.

6.9 At the time of registration, societies and local authorities must provide the Board with details of the schemes (i.e. details of the lotteries) which they intend to run. Any modifications to schemes or new schemes proposed after registration must be notified to the Board at least four weeks before any tickets are put on sale. As reported last year, many schemes submitted to the Board are innovative and, in some cases, involve use of new technology. Work involved in considering the legality of such schemes is complex and has drawn heavily on the resources of the section. Societies are encouraged to give the Board as much notice as possible of new or changed schemes in order to avoid difficulties later if it transpires that the Board has reservations about their legality.

6.10 In addition, both the lotteries section and the Board's Inspectorate continue to receive a large volume of telephone and written enquiries relating to free draws, prize competitions

and lotteries which do not require registration with the Board. These enquiries fall outside the Board's statutory responsibilities. Although staff do all they can to assist with these enquiries since in most cases there is no other body or organisation to whom callers can turn, the Board advises all such enquirers to seek independent legal advice before proceeding with their proposals. It is stressed that the Board cannot offer a definitive interpretation of the law; that is a matter for the courts.

On-line lotteries

6.11 As reported last year, the Government announced its intention to act to restrict the frequency of on-line lotteries on 13 November 1997 and the first such game (Pronto!) was launched on 27 November 1997, with over 70 draws per day. The Government published a consultation paper and draft Bill on its proposals on 7 January 1998. The Government announced the outcome of that consultation on 30 July 1998. It concluded that on-line lotteries did need to be brought under proper statutory controls and announced its intention to legislate when the legislative programme allowed. It further stated that its intention was to limit on-line lottery draws to one a day in any particular premises, with detailed provisions to be amended in the light of points made in the consultation. At the time of writing that is still the position. In the meantime, the operation of Pronto! was suspended in August 1998 for technical reasons.

Proposals for increases in ticket price, proceeds and prize limits for lotteries

6.12 As reported last year, the Board was asked by a number of organisations involved in lotteries to support the following proposals for changes to price and proceeds limits for lotteries:

- An increase from £1 to £2 in the maximum price of a lottery ticket;
- An increase in the maximum proceeds limit for a single lottery from £1m to at least £2m but preferably £5m.

6.13 Following consideration, the Board recommended to the Home Office that the Secretary of State consider using his statutory powers under the 1976 Act to increase the maximum ticket price to £2 and the maximum proceeds limit for a single lottery to £2m, on the understanding that the maximum yearly proceeds limit for all lotteries promoted by a single society should remain at £5m.

6.14 The Home Office decided to include these proposals in its consultation document on the draft Bill to restrict the frequency of on-line lotteries but made clear that it would not act on them unless and until frequency restrictions were in place. In announcing the outcome of the consultation the Government confirmed that position and stated that it would further consider the desirability of such increases in due course.

Proposal to allow "rollovers"

6.15 The Lotteries Council has written to the Home Office requesting that the proceeds of individual lotteries should be allowed to be "rolled over" from one lottery to the next, to

provide higher prizes. If this were to be taken forward in the way that the Council has suggested, the Board believes that primary legislation would be required. The handling of this request is, of course, a matter for the Home Office, which has a backlog of proposals for changes to legislation. However, the Board has indicated that if the Home Office wishes to take it forward, the Board is unlikely to have any major objections of principle, although it would wish to consider carefully the detail to ensure, for example, that adequate audit trails could be established.

Internet lotteries

6.16 At the time of last year's report, the Board was considering the first application received from a society wishing to run a lottery on the Internet. The Board granted the application in November 1998. In so doing, the Board satisfied itself that the sale of tickets would be effected by sales staff rather than by machine, thereby avoiding any breach of Regulation 5 of the 1993 Lotteries Regulations. The Board was also satisfied with the safeguards put in place against under-age sales and sales to non-UK residents. These are all matters to which the Board will have regard in considering any further applications from societies to run lotteries on the Internet.

Illegal lotteries, competitions and product promotions

6.17 In previous reports the Board has made clear its concerns about the proliferation of competitions used to promote commercial products, many of which are conducted by means of premium rate telephone lines. Although various conditions, such as a simple question, are introduced to attempt to meet legal requirements, many of the competitions amount in the Board's view to unlawful lotteries run for commercial or private gain. Moreover, the Board is concerned that such competitions have been subject to no regulation or supervision and very little protection for the public (including children) who may be persuaded to participate in them, often at a cost much greater than £1 (the maximum permitted price of a society lottery ticket).

6.18 The Board has also noticed an increase in the number of notifications it receives about "free" scratchcard lotteries. Many of these attempt to circumvent the law by claiming that entry is free and that all entrants will win a prize. However, in many cases prizes must be claimed by telephoning a premium rate line at a cost which is in excess of the value of the prize won. The Board regards these as at best misleading and in some cases unlawful.

6.19 The Board has previously welcomed the publication by ICSTIS (the body which supervises the conduct of premium rate telephone services) of a Code of Practice governing the conduct of telephone competitions and of guidelines on the legality of competition services. However, it recognises that there is a limit to the powers of ICSTIS. The Board too has only limited resources and powers to deal with such matters and indeed no powers to prosecute those involved in their promotion.

6.20 The Board believes that the proliferation of such schemes, which seek to exploit loopholes in the current legislation, represents a threat to the legitimate lotteries industry and hopes that this is a matter which will be addressed in the general review of legislation for which it has called.

Lottery statistics

6.21 The first table below gives details of returns received from 1 April 1998 until 31 March 1999 for lotteries registered with the Board. It shows the proceeds for society and local authority lotteries in returns received by the lotteries section.

6.22 The second table shows comparative figures for the total ticket sales on returns received for each year from 1 April 1994 to 31 March 1999 for lotteries in Great Britain for which schemes are registered with the Board.

6.23 The pie chart shows the distribution of proceeds among prizes, expenses and the good causes.

Table 27

DETAILS OF RETURNS RECEIVED IN THE PERIOD 1 APRIL 1998 TO 31 MARCH 1999 FOR LOTTERIES PROMOTED IN ENGLAND, WALES AND SCOTLAND UNDER SCHEMES REGISTERED WITH THE BOARD

Society Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
England and Wales	27,154	144,614,490	38,716,838	26.77	48,701,103	36.68	57,196,549	39.55
Scotland	180	16,384,903	4,693,836	28.65	6,675,628	40.74	5,015,439	30.61
TOTAL	27,334	160,999,393	43,410,674	26.97	55,376,731	34.40	62,211,988	38.63

Local Authority Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
England and Wales	8	107,988	34,406	32.79	39,907	39.96	32,675	30.26
Scotland	–	–	–	–	–	–	–	–
TOTAL	8	107,988	34,406	32.79	39,907	39.96	32,675	30.26

Total All Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
	27,342	161,107,381	43,446,080	26.97	55,416,638	34.40	62,244,663	38.63

Table 28

TOTAL TICKET SALES AND NUMBERS OF LOTTERIES SHOWN ON RETURNS RECEIVED BETWEEN 1 APRIL 1994 AND 31 MARCH 1999

Society Lotteries

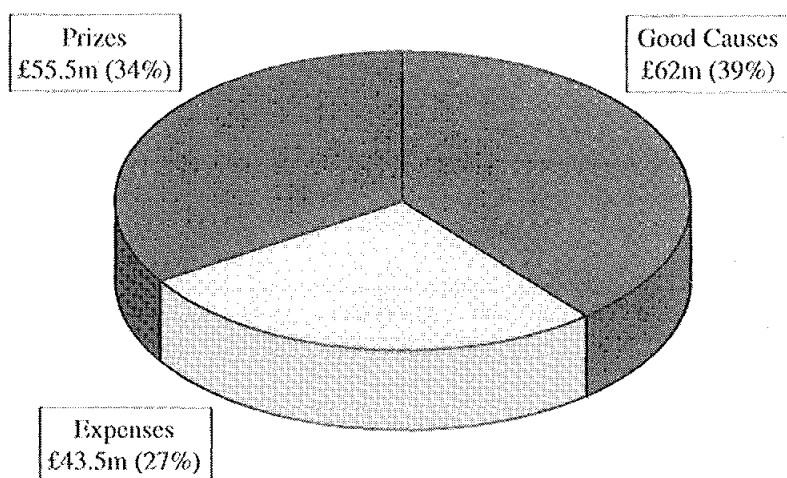
	1994/95		1995/96		1996/97		1997/98		1998/99	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
England and Wales	34.25	982	73.38	1,716	108.78	2,221	115.73	4,870	144.61	27,154
Scotland	3.76	102	5.56	146	6.30	222	8.93	200	16.38	180
TOTAL	38.01	1,084	78.94	1,862	115.08	2,443	124.66	5,070	160.99	27,334

Local Authority Lotteries

	1994/95		1995/96		1996/97		1997/98		1998/99	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
England and Wales	0.73	60	0.60	47	0.26	18	0.21	11	0.11	8
Scotland	—	—	—	—	—	—	—	—	—	—
TOTAL	0.73	60	0.60	47	0.26	18	0.21	11	0.11	8

Total All Lotteries

	1994/95		1995/96		1996/97		1997/98		1998/99	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
TOTAL	38.74	1,144	79.54	1,909	115.34	2,461	124.87	5,081	161.11	27,342



7: The Inspectorate

Introduction

7.1 This chapter sets out details of the operational activities of the Board's Inspectorate and related matters. It contains sections on the following subjects:

- Inspection visits and other operational activities (paragraphs 7.2 to 7.4).
- Inspectorate staffing (7.5 and 7.6).
- Inspectorate/Board reviews (7.7 and 7.8).
- Inspectorate terms and conditions of service (7.9).
- Establishment of NCIS liaison/intelligence officer post (7.10 and 7.11).
- Board's Accounting Guide and Notes for Guidance (7.12).
- Code of practice for the prevention and detection of money laundering (7.13).
- Introduction of thematic inspections (7.14).
- Major review inspections (7.15).
- Head office inspections (7.16).
- Under age gaming (7.17).
- Debit card usage (7.18).
- Punter power incidents (7.19 and 7.20).
- Joint Inspectorate/Police/Customs operations (7.21).
- Gaming machines (7.22 to 7.24).
- Complaints from the public (7.25).

Inspection visits and other regulatory activities

7.2 During the year the Board's Inspectors made 2,098 supervisory visits to casinos and 2,429 to bingo clubs. In addition they made 284 inspections of certificated machine suppliers and 3 lottery inspections were completed. The Inspectorate also carried out a large number of separate investigations, the majority of which were into certificate of consent and certificate of approval cases, External Lottery Manager applications, complaints in respect of licensed

premises or other premises, and unlawful gaming. Assistance provided to the police resulted in 65 prosecutions/cautions in respect of gaming and lottery related offences and Inspectors were named in 15 warrants issued under section 43 of the Gaming Act 1968.

7.3 The Board continues to provide the police, courts and other authorities with specialist assistance and advice which has been of particular importance following the relaxation of gaming legislation as a result of deregulation. During the year Inspectors gave 19 talks to police and 17 to gaming licensing authorities. Gaming courses for police officers were conducted by the South East and Northern Regions and the Inspectorate assisted in the instruction of two gaming courses held by the Greater Manchester Police.

7.4 Members of the Inspectorate either attended courses and conferences, undertook enquiries, or addressed gaming bodies in the following countries: Spain, USA, Germany, Finland, Israel, Sweden and the Channel Islands. Visitors to Gaming Board headquarters have included regulators and officials from Turkey, USA, Canada, South Africa, Sweden, Spain, Argentina, Australia, Turks and Caicos Islands, Jamaica and the Chinese Republic.

Inspectorate staffing

7.5 During the year four Area Inspectors left the Board, one after 12 years service, one due to ill health, and two for personal reasons. Replacements for three of these posts were subsequently recruited and trained and, in an effort to make best use of resources and to ease the continuing pressures on the Board's sole Machines Specialist, an Assistant Machines Inspector was recruited to fill the fourth vacancy. This necessitated the re-allocation of the Inspector's area left vacant to Inspectors for adjoining areas. The impact of these changes is being monitored.

7.6 Following the Inspectorate review of best practice detailed in the Board's previous Annual Report (see also paragraph 7.7 below), all office-based Inspectors were re-deployed to home-as-office based. This allowed the Board to relinquish some of the space in its headquarters building.

Inspectorate/Board reviews

7.7 The results of the Inspectorate review of best practice and a range of options arising were presented to the Board and members of the Inspectorate at the May 1998 Annual Conference. These options were discussed and developed by Conference and an action plan detailing the results of those deliberations, and an associated timescale for implementation, was produced. In addition, KPMG were engaged to conduct a review on the links and overlaps between compliance and regulation during the mid-part of the year. The survey, which was wide ranging, helped to confirm the approaches the Inspectorate was taking to its work.

7.8 As mentioned at paragraph 1.45, at year-end the Board was notified that it would be subject to a further review, this time a value for money study by the National Audit Office. Part of this study will examine the Inspectorate's approach to its investigation and monitoring roles.

Inspectorate terms and conditions of service

7.9 Following the Inspectorate review of best practice and the KPMG's consultant's review of the links and overlaps between compliance and regulation, a small committee was set up to look at Inspectorate terms and conditions of service. The committee, which is headed by a Board Member, will meet monthly at the Inspectorate South West Regional Office.

Establishment of NCIS Liaison/Intelligence Officer post

7.10 In order to develop further the Board's abilities to undertake complex enquiries into applications for certificates of consent, certificates of approval and External Lottery Manager certificates, it has been decided to re-deploy one of the Area Inspector posts to the National Criminal Intelligence Service (NCIS). The appointee to this new post will work at the NCIS on a day to day basis under the direction of an appropriate senior officer. Terms and conditions of service will generally be as for Area Inspectors, and the appointee will be ultimately responsible to the Chief Inspector of the Board.

7.11 In addition to establishing a closer liaison with NCIS personnel and officers from other agencies on secondment there, the appointee will be required to establish and maintain an intelligence database at Board Headquarters with the assistance of a newly created administrative post. The NCIS post will be filled by August 1999.

Board's Accounting Guide and Notes for Guidance

7.12 As highlighted in the previous Annual Report, during the year the revised Board Accounting Guide and Notes for Guidance were presented to the British Casino Association for comment and the final version was issued to the industry in February 1999. The Board is grateful for the help and cooperation provided by the BCA in the revision of this important document which was previously issued in the mid 1970s.

Code of practice for the prevention and detection of money laundering

7.13 Amendments to the Code of Practice for the Prevention and Detection of Money Laundering were also agreed between the Board and industry during the year and a revised version of the Code issued in January 1999. The two most significant changes related to the form of identification required in support of new membership applications and the initial and ongoing training of gaming staff in the requirements of the Code.

Introduction of thematic inspections

7.14 As part of the Inspectorate review of best practice, it was decided to explore the value of 'thematic inspections' of licensed premises and three such inspections, each involving a number of casino premises, were carried out during the course of the year. This new style of inspection, where a particular issue, such as the effectiveness of the controls on money laundering, is examined in depth over a number of casinos, proved to be highly effective and is likely to be applied to bingo and machine operators in the future.

Major review inspections

7.15 Following the introduction of the major review inspection in 1997 to improve and enhance the old 'Volume III' inspection, some 6 were conducted during the course of the year. These in-depth inspections of the entire gaming operation of an individual casino are conducted quite separately from the newly introduced 'thematic inspections' and have gone some way to address the acknowledged problems associated with the old style of inspection which meant that there could be a gap in excess of 30 years between major inspections. Operators have welcomed these more frequent inspections which provide a check of the adequacy of systems and procedures in place.

Head office inspections

7.16 The need for head office inspections has become more evident over recent years in the light of the increasing concentration of casinos within company groups and of rapidly advancing technology which has enabled greater control of casino operational matters to be exercised by management away from the licensed premises themselves. Such inspections are well-established in overseas jurisdictions, representatives of whom regularly conduct head office type inspections of UK operators who have applied for gaming licenses in their territories. The proposal to introduce inspections of this type has raised some concerns amongst some members of the BCA Council. However, it has been agreed that the first inspection of this type will be undertaken in the Autumn.

Under age gaming

7.17 Whilst still small, the incidence of breaches of section 17 of the Gaming Act 1968 – visits to casino premises by persons under the age of 18 years, either as members or guests – has continued to increase during the year. In addition, a small number of incidents have been reported of persons under the age of 18 years becoming members of licensed bingo clubs and gaming on the premises. Those operators concerned have been reminded of their responsibilities and of the consequences of non-compliance. All operators are required to be particularly vigilant in this area and must ensure that reception staff are properly trained and that adequate procedures are in place to prevent access by under age persons.

Debit card usage

7.18 The usage of debit cards in both casinos and bingo clubs has increased significantly since their introduction by the Deregulation (Debit Cards) Order 1997. In particular their use in casinos has been accelerated by the restriction now imposed by all banks permitting only one cheque supported by a Cheque Guarantee Card to be used for gaming purposes in any one gaming day. In general the introduction of the facility to use debit cards in gaming licensed premises has gone smoothly and early equipment/technical problems, which permitted some credit cards to be accepted, have now been resolved.

'Walk out' incidents

7.19 The Board noted with concern two incidents that occurred during the year which involved groups of players orchestrating a walkout from casino premises in an attempt to gain

certain concessions from management. In one case the casino operator dealt with the incident firmly and no concessions were given. In the other, management took a less robust stance.

7.20 The Board deplores submission by casino operators to improper pressures. The correct course of action is to report any attempts at intimidation of staff or casino members to police and the Gaming Board Inspectorate.

Joint Inspectorate/police/customs operations

7.21 Two joint Inspectorate/Police/Customs operations, both involving unlawful machine supply and operation, were conducted during the year and a large number of gaming and video poker machines were seized. It is clear that this multi-agency approach, where information is shared and appropriate expertise made available, is highly effective and led to two very successful operations. Legal proceedings have been commenced against the offenders.

Gaming machines

7.22 Regular visits to machine manufacturers, converters and distributors continue to be made by the Specialist Machines Inspector to give advice and guidance on the technical and legal aspects of new machine design concepts. He also gives advice on the Board/Industry Guidelines and current Board policy. During the year visits were also made to trade shows including the ALEX in Blackpool, the Associated Leisure Preview in London and the Amusement Trades Exhibition International, also held in London, and to the manufacturers of ancillary equipment used in gaming machines. A total of 82 visits of all types were made during the year.

7.23 Visits were also made to other authorities including the police, HM Customs and Excise, local authorities and councils and 'Pub Watch' groups, when talks were given on the legal aspects of gaming machine operation and machine fraud. Lectures and practical demonstrations on machine operation were given to two police gaming courses run by the Greater Manchester Police.

7.24 As reported earlier in this chapter, in September 1998 the Board appointed an additional Machines Inspector to assist the Specialist Machines Inspector. Since his appointment he has visited a number of machine manufacturers, trade shows, and the National Bingo Game Control Centre at Dunstable, for which he has particular responsibility.

Complaints from the public

7.25 Complaints received from members of the public and players in respect of licensed premises and other gaming activities, both lawful and unlawful, receive full enquiry from the Inspectorate. All complaints are acknowledged in writing and a member of the Inspectorate will generally make a personal visit to the complainant to discuss the findings. During the year investigations into 188 complaints were completed relating to casino, bingo or other matters of which 55 were found to be justified.

Appendix I

THE WORK OF THE BOARD, ITS ORGANISATION AND PROCEDURES

Introduction

A1 This Appendix gives an overview of the Board's responsibilities and how it carries these out. It contains sections on the following subjects:-

- Why gaming is regulated and the objectives of regulation (paragraph A2).
- The legislative framework in Great Britain (A3 to A7).
- The Board's purposes and functions (A8 to A10).
- The Board's composition and staffing (A11 to A13).
- The Board's procedures (A14 to A19).
- Recovery of expenditure through fees (A20).
- Audits and inspections and other links with the Home Office (A21 and A22).
- Consultation and communication with the industry (A23 and A24).
- Guidance to operators and others (A25 to A30).
- Conduct of Board's staff and the Inspectorate, including the handling of complaints (A31 to A33).

These sections can only provide a summary of the Board's work. They are not comprehensive and should not be regarded as a substitute for the relevant legislation and case law.

Why gaming is regulated and the objectives of regulation

A2 Gambling is an activity which involves the interchange of large sums of money. In any type of play, for instance in a casino or on a gaming machine, the amount of money which passes backwards and forwards between the player and operator can be many times the initial stake which is gambled. With so much movement of money, there is particular scope for fraud, money-laundering, other criminal activity and malpractice. Gambling can also be addictive. Excessive gambling can cause misery to individuals and their families. As a consequence, gambling is regulated in all developed countries and, whilst the nature of the regulatory system varies from one country to another, the Board believes that the following objectives are common to them all:

- gambling should be crime-free (both in terms its operators and the players it attracts), conducted in accordance with regulation and honest.

- players should know what to expect and be confident that they will get it and should not be exploited.
- there should be protection for children and vulnerable persons.

Although these general principles underlie all gambling controls, they are usually applied in different degrees to different forms of gambling. For example, casino gaming is more vulnerable to abuse by criminals and large amounts of money may be lost very quickly. It represents the “hardest” form of gambling (in the sense of vulnerability to abuse and of its dangers to the individual) and so it is the most tightly regulated in Great Britain, as in other developed countries where it is permitted.

The legislative framework in Great Britain

A3 Reflecting these concerns, Parliament decided that gaming (casinos, bingo clubs and gaming machines) should be strictly regulated in the interests of the public. The Gaming Act 1968 established the system of statutory regulation and control for gaming.

A4 The 1968 Act enables gaming to be carried on legally by commercial operators for profit within a regulated system which does not unduly stimulate the demand for gaming. Among the key elements in the Act’s success – in controlling the abuses which had followed the inadvertent deregulation of gaming in the 1960’s – have been: the certification and licensing procedures; the requirements that casinos and commercial bingo operations should be genuine members’ clubs and should not allow gaming on credit; that casinos and gaming machine operators should not be able extensively to promote or advertise the gaming they provide; and the creation of the Gaming Board as a dedicated regulatory body to control and monitor the industry.

A5 The Act, as amended, with its related Regulations, therefore sets out the system under which the Board regulates and within which the industry operates. The legislation is complex and detailed and it is for the courts to interpret the law. Nonetheless certain aspects are worthy of emphasis. The system is by design a restrictive one. It is to be regarded as a privilege to hold a certificate or licence to operate in gaming: for instance, only those operators who are considered fit and proper by the Board may hold a certificate of consent and apply for a licence to operate a casino or bingo club, and many employees in gaming are also required to hold Board certificates that they are fit and proper to carry out their responsibilities. Moreover, if the Board grants a certificate of consent, it may offer advice to licensing justices against granting, or object to the grant of, a licence if it considers that existing facilities in the area are sufficient to meet demand.

A6 The Act gives the Board considerable powers to carry out its statutory duties. The Board’s Inspectorate have powers of entry into licensed premises and to inspect documents. The backgrounds of those to be engaged in gaming and lotteries are checked with the police for the existence of any criminal records. The provisions of the Rehabilitation of Offenders Act 1974 in relation to spent convictions do not apply in respect of applicants for Board certificates. The Act does not require the Board to reveal sources of confidential information and it does not provide an appeal mechanism against Board decisions. However, the Act prescribes in detail the criteria to which the Board should have regard in reaching decisions. Moreover, the Act lays on licensing justices the power of granting and taking away licences

and on the police the responsibility for enforcement in respect of criminal offences. The Board is not a prosecuting authority. The Board's decisions are subject to judicial review.

A7 The Lotteries and Amusements Act 1976 established the regulatory and control systems which apply to lotteries. It enables lotteries to be carried on by societies to assist good causes and by local authorities provided that statutory limits on sales, prizes and expenses are not exceeded. The Board itself is only concerned with the regulation of the larger society lotteries and those lotteries promoted by local authorities: local authorities themselves in turn regulate the smaller society lotteries. Hence, societies (for example charities or football clubs) which wish to promote individual lotteries with proceeds in excess of £20,000 or a number of lotteries with cumulative proceeds in a calendar year of more than £250,000 need to register with the Board, as do all local authorities which wish to promote public lotteries. Organisations or companies which manage lotteries on behalf of societies or local authorities also need to be registered. The Board is not responsible for regulating the National Lottery: this is done by the National Lottery Commission.

The Board's purposes and functions

A8 The Board's purposes and functions under the 1968 and 1976 Acts can be broadly summarised as follows:

- to ensure that those involved in organising gaming and lotteries are fit and proper to do so and to keep gaming free from criminal infiltration;
- to ensure that gaming and lotteries are run fairly and in accordance with the law;
- to advise the Secretary of State on developments in gaming and lotteries so that the law can respond to change.

A9 In pursuit of these purposes the Board:

- (i) in respect of gaming,
 - determines applications for certificates of consent without which an application cannot be made for the grant or transfer of a casino or commercial bingo licence;
 - determines applications for continuance of certificates of consent held by casino operating companies where there has been a change in the control of the licence-holding company to the extent of 15 per cent or more of the voting power;
 - determines applications for certificates of approval required by those who wish to be employed to operate, supervise or manage the gaming;
 - determines applications for the grant of certificates to sell, supply and/or maintain gaming machines;

- supervises the conduct of holders of certificates and licences and takes action against those no longer considered fit and proper;
 - makes representations to licensing authorities concerning the grant, revocation or renewal of gaming licences.
- (ii) in respect of lotteries,
- determines applications to the Board for the registration of societies and local authority lottery schemes ;
 - determines applications for certificates from lottery managers;
 - supervises the conduct of registered lottery schemes and takes action against those which have not conducted lotteries properly;
 - supervises the conduct of lottery managers and takes action against those no longer considered fit and proper.
- (iii) and in general,
- keeps under review the extent, character and location of gaming and lotteries in general and in licensed premises in particular, including public attitudes;
 - makes recommendations to the Secretary of State regarding hours, charges and prizes in respect of gaming and monetary limits in respect of lotteries;
 - initiates proposals for changes in the law and regulations on gaming and lotteries and advises Ministers on proposals from interest groups;
 - maintains close contact with the gaming industry's trade associations with a view to informing itself about developments in the industry and encouraging the issue of appropriate codes of conduct and other co-operation in pursuit of the Board's aims;
 - maintains contact with gaming regulatory authorities abroad to inform itself of relevant developments.

A10 In carrying out its statutory duties, the Board seeks to ensure, so far as possible, that:

- licence and certificate holders know what is required of them;
- applicants, licence and certificate holders are treated impartially and with equal fairness;
- the Board's requirements and guidance do not impose unnecessary work or costs on the industry;

- the interests of the public are protected and through the Board's work and contacts with the industry players understand what they are being offered when they game;
- the work of the Board is carried out professionally, promptly, fairly and courteously.

The Board's composition and staffing

A11 The Board consists of a part-time Chairman and four other part-time members. It is served by secretariat staff and its Inspectorate. Secretariat staff are civil servants seconded from the Home Office: the average number in post full time was 37 during 1998/99. Inspectorate staff are employed by the Board and numbered 34 during 1998/99. Specialist legal and accountancy advice is sought from outside consultants as and when required through three year contracts agreed in 1997.

A12 The Board's Inspectorate is arranged into five regions covering: South East England; South West England and South Wales; North of England and North Wales; Midlands; and Scotland and North East England. The individual regions are responsible for inspecting and monitoring certificate and licence holders in their regions and for dealing in the first instance with any problems or difficulties that arise. Their work is supervised and co-ordinated by the Chief Inspector and his Deputy at Board headquarters in London. The Board also employs two Specialist Machines Inspectors to supervise and monitor the gaming machines industry. Secretariat staff are all located at the Board headquarters and are organised into separate sections covering casino gaming, bingo, certification of gaming employees, gaming machines, lotteries, management services and finance. Address and contact numbers of the Board's headquarters and regional offices, together with the names of senior staff, are given in Appendix III.

A13 All executive Non-Departmental Public Bodies such as the Board are required by the Government to draw up and agree with their sponsoring Departments a code of practice for their Board members and a code of conduct for their staff, both based on model codes of best practice produced by the Treasury. The Board agreed codes to reflect its own characteristics and circumstances with the Home Office and they were formally adopted from 1 January 1997 in respect of staff and 13 May 1997 in respect of Board members.

The Board's procedures

A14 As described in paragraph A.9, the Board determines applications made to it for certificates of consent needed by casino and bingo licensees, for certificates relating to the sale, supply and maintenance of gaming machines, and for certificates of approval for gaming employees. In each case, it can either grant or refuse the application and it subsequently has powers of revocation if concerns arise about the activities and behaviour of the certificate holders. Although the precise tests in the Act vary to some extent between categories with the criteria for revocation being more stringent than the criteria for the refusal of a new certificate, they are generally ones which examine whether, in the Board's opinion, the applicant is fit and proper and is likely to be capable of and diligent in undertaking the responsibilities concerned. The Board can also object to the grant or renewal of the gaming licences granted

by licensing justices in respect of casinos and bingo clubs and it advises the justices on the demand for new facilities.

A15 Societies wishing to promote larger public lotteries are required to register with the Board. Likewise local authorities wishing to run public lotteries must register their schemes with the Board. Again the Board can either grant or refuse an application for registration and may revoke a registration once granted. Refusal or revocation can occur on one or more of certain specified grounds, including whether any lottery promoted on behalf of the society or local authority in the previous five years has not been properly conducted and whether any person connected with a relevant lottery has been convicted of an offence involving fraud or dishonesty. Those whose lottery registrations are refused or revoked can apply in most circumstances to the Home Secretary for a review of the decision.

A16 All decisions relating to casino certificates of consent are taken by a panel consisting of three or more Board members (except that the Chairman uses delegated powers to grant certificates in certain technical or straightforward cases). In addition, any decision to refuse or revoke a certificate or registration or to object to a licence is also taken by a panel of Board members. Otherwise, Board staff have delegated authority to grant certificates or registrations. Usually this is done on the basis of information provided on the relevant application forms or in other supporting documentary evidence. However, applicants for the Board's casino executive certificate of approval who are new to the industry are first interviewed by a panel consisting of a Board member and the Chief Inspector or his Deputy, whilst re-applicants for certificates of approval after revocation and first-time applicants for certificates to act as casino or bingo managers are usually interviewed either by the Board's Inspectorate or by a panel consisting of a Senior Inspector and a senior Board official. If these panels recommend refusal, the papers are referred to all five Board members for confirmation. The Board carries out checks of criminal records with the police for applicants where appropriate.

A17 Cases to be dealt with by panels of Board members are prepared jointly by officials and the Inspectorate. With the exception of decisions to object to a licence where the Board's case must be presented to the licensing justices, officials write to the applicants or certificate or registration holders stating the matter to be decided and the issues which the Board wishes to address and giving them the opportunity of making written representations or appearing personally before the panel to respond to those issues. It is made clear that the Board will not wish to reach a decision on applications for certificates of consent from those new to the industry or those undertaking a substantial expansion of activities without the opportunity of interviewing the applicants. In other cases, for example those involving potential revocation of Board certificates or registrations, if written representations are made but no interview is requested, or if no response is received to the letter informing the person that, and the reasons why, the Board is minded to revoke the certificate or registration, the relevant papers are put before all five Board members. If a unanimous view is not obtained on the papers, the case is discussed and decided at the next monthly Board meeting.

A18 Board panels at interviews normally consist of three members, although all five members may be present at major cases involving certificates of consent. The panel makes clear to the applicants or certificate or registration holders the purpose of the interview and the subject matter or areas of concern, though the source of confidential information may need to be protected. The panel establishes with the applicants or certificate or registration holders the facts which are material to the decision and gives them a full opportunity to respond to each issue of

concern and to make a statement at the end of the interview. Although the interview is essentially between the panel and the applicants or certificate or registration holders, the latter may be accompanied by advisers, whether legally qualified or otherwise, if they so wish and these advisers may comment on points at issue and are also given an opportunity to make a statement. The decision of a three-member panel may be given at the end of the interview or reserved for consideration and later communication in writing. If there are particular points to be followed up, the applicant will be told what they are. If the decision of the three-member panel is not unanimous, it will be reserved for discussion and decision at the next Board meeting.

A19 The Board considers policy issues and matters on which it wishes or is requested to provide advice to Ministers at its monthly Board meetings. It has regular meetings with trade associations. It promulgates its views and advice and the reasons for them as appropriate, and summarises them in the Annual Report. To the extent that the Board gives confidential advice to the Home Office in connection with Government policy decisions, it is for the Home Office to promulgate this if it considers it appropriate.

Recovery of expenditure through fees

A20 The Board is financed by grant-in-aid set by the Home Office. It is required to cover its expenditure, including the costs of its Inspectorate in its regular work of supervision of, and investigation of, matters relating to casinos, bingo clubs, etc, through the fees charged for certificates and licensing. The fees charged also reflect the estimated costs to the police and of supporting licensing justices in relation to their involvement in the control of gaming. It had become apparent over past years that, whilst overall the income generated by fees broadly matched the corresponding expenditure on regulation, this had been achieved by charging more than the full cost of recovery in respect of gaming and correspondingly less than the full cost in respect of lotteries. Such differential charging arrangements run counter to general Government policy on fees and, as a result, it has been necessary in recent years to adopt different approaches to increases in gaming and lotteries fees in order to attempt to redress this imbalance. A deficit arose on gaming as well as lotteries in 1998/99, mainly because the numbers of applications for certificates and licences were below those forecast.

Audits and inspections and other links with the Home Office

A21 The Home Office is the Board's sponsoring Government Department. In that role it produces and agrees with the Board a management statement and financial memorandum setting out the respective responsibilities of the Board and the Home Office and the duties of the Board in handling its finances and grant-in-aid. This was reviewed and revised pending reissue during the early months of 1999. Regular meetings are held between officials of the Board and the Home Office to discuss developments and progress in respect of the Board's work and Home Office policy. The Board produces, and provides to the Home Office for comment, an annual strategic and operational plan.

A22 The National Audit Office audits the Board's accounts. Internal audit of the Board's operations is conducted on its behalf by the Home Office Audit and Assurance Unit. The Board has an audit committee consisting of the five Board members, under the chairmanship of one of their number (Mr Kirkpatrick until his retirement and now Mr Steen), which amongst other things reviews the reports produced by the National Audit Office and the Home Office Audit and Assurance Unit to ensure that appropriate action is taken to respond to any recommendations or other comments.

Consultation and communication with the industry

A23 The Board considers that a proper distance should be maintained between a regulatory body and individual licensees and certificate holders in the regulated industry. However, the Board has regular discussions with trade associations about matters of common concern and the Chairman regularly speaks at the annual meetings of these associations. Two working groups consisting of Board officials and representatives of the Bingo Association and of BACTA (the trade association for the coin-operated amusement machine industry) respectively continue to meet at intervals and have proved valuable vehicles through which to address and make progress on specific issues of importance and current concern to the respective sides. Board officials also meet with representatives of the British Casino Association (BCA) as necessary during the year to discuss a range of issues. As described in paragraphs 2.7 and 3.24, the Board itself holds informal meetings at intervals with casino and bingo operators.

A24 Whilst, as mentioned in paragraph A.19, the Board promulgates its views and advice on policy matters and the reasons for them, it regards its dealings and interviews with individual operators, companies and individuals, including compliance failures, as confidential except to the extent that particular action is required e.g. with the licensing justices or the police and prosecuting authorities. Points of general concern may be raised subsequently with trade associations.

Guidance to operators and others

A25 The Board has produced a leaflet on its work which briefly describes such matters as the Board's role and aims, the certificates, registrations, etc, needed by those who wish to organise gaming or run lotteries and the guidance and help available from the Board. Copies can be obtained free of charge from the Board's headquarters at the address in Appendix III.

A26 The Board provides all applicants for its certificates or registrations with forms and accompanying notes of guidance detailing the information which it requires to determine those applications. These application forms are designed to be as clear and comprehensive as possible and are intended to provide the Board at an early stage of the application with as much as possible of the information it needs to carry out its statutory duties and so reduce the need for follow-up enquiries. The Board emphasises that gaming and lotteries are activities in which the scope for fraud and other dishonesty is high. Those seeking to operate or benefit from such activities must therefore expect to be properly and thoroughly investigated.

A27 The Board provides an annual memorandum of advice to justices responsible for licensing casinos and bingo clubs, so that both justices and the industry are aware of the Board's views on issues relevant to those licences. This memorandum relates in particular to the matters on which Schedule 2 to the 1968 Act provides for the Board to give such advice, that is the demand for gaming facilities, the places in which gaming facilities are provided, the suitability of premises and restrictions to be attached to licences. The Board publishes as an Annex to that advice the policy to which it works when considering whether to object to a casino licence on demand grounds. Copies of the memorandum can be obtained from the Board's headquarters at the address in Appendix III.

A28 The Board agrees guidelines and codes of practice with the relevant trade associations which are normally promulgated by the associations. These provide guidance on areas in

which the legislation is considered to be insufficiently clear, on interpretation of the law where that is considered necessary and on standards and principles which the Board regards as defining acceptable practice. Such guidelines do not have legal force but they do set out principles to which the Board expects the industry to adhere. Hence, while failures to follow the provisions of the guidelines may not of themselves be offences in law, the Board believes that such failures can legitimately be taken into account in assessing whether certificate and licence holders have acted in a fit and proper manner. This view was endorsed by the judge in a judicial review case involving the Board in 1995.

A29 The main guidelines currently in operation are:

- Casino gaming
 - The Board’s Accounting and Control Guide and Notes for Guidance of new operators regarding the form of submission for operational procedures. (Issued February 1999: see paragraph 7.12.).
 - BCA and Board agreed Guidelines No.1 – Acceptance of Cheques and Debit Cards.
 - BCA and Board agreed Guidelines No.2 – Club Activities.
 - BCA and Board agreed Guidelines No.3 – Competitions in Card Rooms.
 - BCA and Board agreed Guidelines No 4 – Socialising with Members and Gaming in Other Casinos.
 - The Board’s Code of Practice Relating to the Prevention and Detection of Money Laundering in Casinos.
- Bingo
 - BA Mechanised Cash Bingo Code of Conduct.
 - Board/BACTA Code of Practice relating to prize bingo played in amusement arcades.
- Gaming Machines
 - Guidelines for Enforcement Policy for both Amusement-with-Prizes and section 31 (Jackpot) machines, including subsequent supplements and notes on features.
 - Reference Document on Gaming Machine Features, with subsequent supplements.
 - Procedures for dealing with machine features which the Gaming Board considers to be in contravention of the spirit of the Guidelines or which incorporate developments (agreed as undesirable by BACTA) not envisaged by the Guidelines.
 - Guidelines for the Use of Smart Cards in Amusement-with-Prizes (AWP) Machines.

A30 The Board has prepared a booklet on “Lotteries and the Law” which is available free of charge to societies and local authorities responsible for, or thinking of, promoting lotteries under the 1976 Lotteries and Amusements Act. This booklet, which was revised in October 1997, is designed to provide a plain guide to the main requirements of lottery law. It can be obtained from the Board’s headquarters at the address in Appendix III.

Conduct of Board's staff and the Inspectorate, including the handling of complaints

A31 The Board's staff are expected to act professionally, courteously and, so far as is consistent with performance of their regulatory duties, helpfully. They will identify themselves by name at any time. Members of the Board's Inspectorate have powers of entry to premises licensed under the Gaming Act: they carry warrant cards which they will show on request when entering licensed or any other premises.

A32 As mentioned earlier, the Board's staff will offer advice to existing or potential certificate, registration and licence holders. The Board's Inspectorate discuss problems and other relevant issues with licence and certificate holders during their regular monitoring and inspection visits. Minor, isolated and/or inadvertent contraventions of gaming legislation, regulations, approved guidelines or conditions attached to licences/registrations are normally dealt with by verbal or written warnings. All staff will answer telephone enquiries as far as they are able at the time they are received: if they need to obtain further advice first, they will undertake to call back. Replies to written enquiries, other than those relating to particular applications which are handled within the arrangements for such casework, are normally sent within 20 working days. No charge is made for the provision of advice. The Board has however noted recently an increasing tendency for responses to be sought at very short notice. Whilst officials will always deal as quickly and as helpfully as possible with issues relating to the work of the Board, it is often the case that an apparently straightforward request will involve research or the investigation of the legal position. It is therefore important that those requesting information recognise that an immediate answer may not always be possible; and make their enquiries in good time to meet their needs.

A33 Complaints concerning the actions or advice of the Board's staff are rare. Where problems do arise, the Board expects that in most cases the matter will be capable of resolution by further discussion between the complainant and the person concerned or an immediate superior. Where this does not resolve the matter and the complainant wishes to lodge a formal complaint, that should be sent in writing to either the Chief Inspector, in the case of Inspectorate staff, or the Secretary to the Board, in the case of other staff, at the headquarters address given in Appendix III. The Secretary or Chief Inspector will arrange for an investigation and reply. If the complainant remains dissatisfied or if the investigation identifies a matter which might require further action, the case will be referred to a member of the Board for consideration. The complaints system cannot however be used as a means of attempting to appeal against the merits of decisions taken by the Board itself to refuse or revoke a certificate or registration. No formal complaints were received during 1998/99.

Appendix II

SELECTION OF KEY GAMING INDUSTRY AND BOARD STATISTICS: 1994/95 TO 1998/99

	1994/95	1995/96	1996/97	1997/98	1998/99						
CASINOS											
Operating at year end	119	119	116	115	116						
Drop (£million)	2,461	2,548	2,599	2,720	2,669						
House win as % of drop	17	18	18	18	17						
American roulette as % of total drop	66.1	61.9	59.8	61.4	62.7						
Applications for certificates of consent or their continuance											
(a) made	39	14	20	19	15						
(b) determined (including withdrawn and fallen applications)	40	24	18	22	16						
– of which refused	3	1*	–	1	–						
* Revocation subsequently rescinded											
BINGO											
Clubs holding gaming licences at end of year	903	906	908	818	772						
Amount staked on bingo: £million	811	906	967	1,019	1,041						
Applications for certificates of consent											
(a) made	172	112	86	83	43						
(b) determined (including withdrawn)	179	121	96	54	72						
– of which refused	–	–	–	–	–						
CERTIFICATION OF CASINO AND BINGO EMPLOYEES											
Certificate issued or re-issued	4,396	4,233	5,051	3,574	5,056						
Applications refused	4	6	–	3	2						
Certificate holders revoked	55	76	87	73	81						
GAMING MACHINES											
Jackpot (or club machines) licensed	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="font-size: 3em; vertical-align: middle;">}</td> <td style="text-align: center;">•</td> <td style="text-align: center;">•</td> <td style="text-align: center;">260,000*</td> <td style="text-align: center;">250,000*</td> <td style="text-align: center;">250,000</td> </tr> </table>					}	•	•	260,000*	250,000*	250,000
}						•	•	260,000*	250,000*	250,000	
Amusement with prizes (AWP) machines licensed											
Amusement with prizes (AWP) machines licensed											
Certificates to sell, supply and maintain in force at year end	988	889	817	800	781						
Certificates refused or revoked	4	6	2	5	5						

	1994/95	1995/96	1996/97	1997/98	1998/99
LOTTERIES					
Society scheme registrations at year end	377	530	614	614	628
Local authority scheme registrations at year end	25	21	11	9	6
Schemes revoked	–	–	1	–	–
Number of lotteries held under Board registered schemes	1,144	1,862	2,461	5,081	27,342
Total ticket sales (£million)	38.74	78.96	115.34	124.87	161.11
GAMING BOARD					
Grant-in-aid (£million)	3.04	3.32	3.36	3.32	3.31
Staff	77	77	75	69	73
– of which Inspectorate	35	35	34	35	35

* Based on industry estimates.

Appendix III

THE BOARD'S STAFF AND OFFICES

SENIOR STAFF OF THE GAMING BOARD AT 31 MARCH 1999

Secretary Mr T J Kavanagh

Chief Inspector Mr R G White

Deputy Chief Inspector Mr D W Burns

Section Heads

Casino and Bingo Mr D Aldridge

Lotteries and Machines Ms T Pearson

Finance and Management Services Mr S Birkett

THE BOARD'S STAFF AS AT 31 MARCH 1999

	Grade	Staff in Post
Administrative Staff	5	1
	7	1
	SEO	1.8
	HEO‡	5
	EO	8
	PS	2
	AO*†	16
	AA	1
	Typist	0.5
	Messenger/Paperkeeper	1
	Total	37.3
Inspectorate	Chief Inspector	1
	Deputy Chief Inspector	1
	Senior Inspector	6
	Inspectors	25
	Specialist Machines Inspector	1
	Assistant Specialist Machines Inspector	1
	Total	35
	TOTAL	72.3

* including 5 at regional offices – (including 1 casual)

‡ includes an HEO accountant grade

† includes 1 casual HQ staff

OFFICES OF THE GAMING BOARD

Headquarters	Berkshire House, 168-173 High Holborn, London WC1V 7AA
Telephone No.	0171 306 6200
Fax No.	0171 306 6266
E-Mail Address	enqs@gbgb.org.uk

Telephone enquiry numbers:

Bingo Section	0171 306 6238
Casino Section	0171 306 6224
Certification Section	0171 306 6240
Lotteries Section	0171 306 6269
Machines Section	0171 306 6213

REGIONAL OFFICES OF THE BOARD

South East Region

Senior Inspector Mr T Adams

Berkshire House, 168-173 High Holborn, London WC1V 7AA

Tel. No. 0171 306 6218

Fax No. 0171 306 6268

South West Region

Senior Inspector Mr A Carpenter

Unit 16, Apex Court, Woodlands, Almondsbury, Bristol BS32 4XA

Tel. No. 01454 616687

Fax No. 01454 613090

Midland Region

Senior Inspector Mr R G Nicholson

Minerva House, Spaniel Row, Nottingham NG1 6EP

Tel. No. 0115 941 9991

Fax No. 0115 948 4587

Northern Region

Senior Inspector Mr G Smale

13th floor, West Point, 501 Chester Road, Old Trafford, Manchester M16 9HU

Tel. No. 0161 872 6016

Fax No. 0161 873 8248

Scottish Region

Senior Inspector Mr I Maxwell

Portcullis House, 21 India Street, Glasgow G2 4PZ

Tel. No. 0141 221 5537

Fax No. 0141 221 5494

Appendix IV

GAMING AND LOTTERIES FEES

	From 1 April 1999
	£
<u>Casino licences</u>	
Grant	32,830
Renewal	6,740
Transfer	7,270
<u>Bingo licences</u>	
Grant	2,710
Renewal	845
Transfer	950
<u>Casino certificate of consent</u>	
New licence	6,270
Transfer of licence	3,130
<u>Bingo certificate of consent</u>	
New licence	1,880
Transfer of licence	625
<u>Certificate to organise games of multiple bingo</u>	
Grant	152,000
Renewal (for 3 years)	146,000
<u>Registration of club or institute</u>	
Part II	195
Renewal of registration	95
Part III	105
Renewal of registration	62
<u>Employees certificate of approval (Section 19)</u>	
Certificate of approval	75

	From 1 April 1999
	£
<u>Gaming Machines</u>	
Grant of certificate for the sale, supply or maintenance of gaming machines	3,810
Renewal of certificate for the sale, supply or maintenance of gaming machines	1,520
<u>Lotteries</u>	
Application for registration of society or local authority lottery scheme	650
Renewal of registration of society or local authority lottery scheme (three-yearly)	70
Lottery with turnover (total value of tickets or chances sold) of:	
£2,000 or less	Nil
More than £2,000 to £10,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	75
More than £10,000 to £20,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	130
More than £20,000 to £50,000	165
More than £50,000 to £200,000	325
More than £200,000	585
Application for certification as a lottery manager under Schedule 2A	2,520
Inspection of lottery return by member of the public	5

There are two circumstances in which fees are not chargeable to the public. These are:-

- (i) Lotteries with turnover of £2,000 or less;
- (ii) The eighth and subsequent lotteries payable in the same calendar year is extended to those with a turnover of £20,000 or less (previously £10,000 or less). To qualify for this exemption, the first seven lotteries for which fees were paid will have been in one or both of two categories: those with a turnover of more than £2,000 to £10,000, and those with a turnover of more than £10,000 to £20,000.

The lotteries fees payable to local authorities are unchanged at £35 for registration and £17.50 for annual renewal of registration.

APPENDIX V

THE GAMING BOARD FOR GREAT BRITAIN ACCOUNT 1998/99

FOREWORD

Introduction

1. This account has been prepared in a form directed by the Secretary of State for the Home Department with the approval of the Treasury and set out in the Accounts Direction which is reproduced at Appendix A.
2. Under the Home Office Financial Memorandum on payment of the grant in aid, the Comptroller and Auditor General is the appointed auditor to the Board. The audited and certified account is published in the Annual Report of the Board which is laid before Parliament by the Secretary of State under section 50 of the Gaming Act 1968.

History

3. The Gaming Board for Great Britain was established under section 10 of the Gaming Act 1968 to keep under review the extent and character of gaming in Great Britain, in particular the extent, character and location of gaming facilities. The Board also has responsibilities in relation to lotteries under the Lotteries and Amusements Act 1976.

Principal Activities

4. The primary purposes for which the Gaming Board has its statutory functions under the Gaming Act 1968 and the Lotteries and Amusements Act 1976 can be summarised as follows:
 - To ensure that those involved in organising gaming and lotteries are fit and proper to do so and to keep gaming free from criminal infiltration;
 - To ensure that gaming and lotteries are run fairly and in accordance with the law; and
 - To advise the Secretary of State on developments in gaming and lotteries so that the law can respond to change.

Fuller details of the Board's activities, and progress on its objectives during the year, are given elsewhere in the annual report.

Results for the Period

5. Since 1 April 1987, the Board has been financed by a grant in aid from the Home Office administration, Police, Probation, Immigration and other services, England and Wales vote [Class VII Vote 1].
6. Remuneration, pensions and other expenses of Board Members are paid directly by the Secretary of State in accordance with the requirements of paragraphs 5 and 5A of Schedule 1 to the 1968 Act, and are not borne on the Board's grant in aid or charged in this account. Expenditure on staff (including inspectors') remuneration and other expenses incurred by the Board under section 48(1) of the Act and paid out of the grant in aid are charged in this account.

Board Members

7. The members of the Gaming Board for Great Britain during 1998/99 were as follows:

Lady S Littler (Chairman)	retired 30.06.98
Mr P H Dean CBE (Chairman)	member from 18.05.98, Chairman from 01.07.98
Mr B P Austin	
Mr D Elliott CBE, QPM	
Mr W B Kirkpatrick	retired 31.01.99
Mr R C Lockwood JP	
Mr D M C E Steen FCA	from 01.03.99

8. The Board members' costs referred to in paragraph 6 above which are not charged in the accounts are as follows:

	<u>Chairman</u>	<u>Other Members</u>	<u>ERNIC</u>	<u>TOTAL</u>
	£	£	£	£
Pay	37,287	60,335	9,740	107,362
Pension (past Chairman)	15,546	-	-	15,546
Travel	3,739	12,316	-	16,055
	<u>56,572</u>	<u>72,651</u>	<u>9,740</u>	<u>138,963</u>

Fees and Charges

9. Fees received by the Board in respect of certificates and registrations are paid over to the Home Office for appropriation in aid of Class VII, Vote 1. Licence fees receivable under the Gaming Act are collected by Justices Clerks of Licensing Justices (Licensing Courts in Scotland) and paid over to the Lord Chancellor's Department for surrender to the Consolidated Fund.

At the request of the Home Office, the Board advises the Home Office on the levels of fees which are intended to recover the overall costs of the Board together with estimated relevant costs of Licensing Justices, Police Authorities and the Home Office itself in relation to the regulation of the industry.

Set out below is an estimate of the extent to which this objective has been achieved in the year to 31 March 1999.

	<u>Gaming</u> £	<u>Lotteries</u> £	<u>Total</u> £
<u>FEE INCOME</u>			
Fees collected by:			
Gaming Board	804,811	293,260	1,098,071
Courts (estimated)	<u>2,209,926</u>	-	<u>2,209,926</u>
Total Fee Income	<u>3,014,737</u>	<u>293,260</u>	<u>3,307,997</u>
<u>COSTS</u>			
Incurred by:			
Gaming Board Operating Expenditure	3,109,132	346,949	3,456,081
Board Members	131,238	7,725	138,963
Notional cost of capital	20,947	1,224	22,171
Notional insurance costs	2,345	169	2,514
Costs recovered	<u>(111,641)</u>	<u>(2,150)</u>	<u>(113,791)</u>
Gaming Board (net)	3,152,021	353,917	3,505,938
Estimated costs supplied by Home Office:			
Courts	173,329	-	173,329
Police Authorities	46,731	-	46,731
Home Office	<u>36,245</u>	<u>9,061</u>	<u>45,306</u>
Total Expenditure	<u>3,408,326</u>	<u>362,978</u>	<u>3,771,304</u>
(Deficit) for year	<u>(393,589)</u>	<u>(69,718)</u>	<u>(463,307)</u>

Note: Gaming Board expenditure is allocated either directly or indirectly to the various departments. All indirect expenditure is apportioned on an appropriate basis according to expenditure head e.g staff numbers, floor area occupied. Service departments are then re-apportioned according to estimates of time spent on the different types of activity.

Gaming Board costs recovered represent expenditure which the Board expects to recoup on a regular basis and are therefore deducted from the total costs forecast to be recovered through fees.

The above analysis conforms with the HM Treasury's "Fees and Charges Guide" as far as practicable and is not intended to comply with SSAP 25 (Segmental Reporting).

The estimated court fees have been arrived at by using returns from the Courts regarding the number of licences granted, multiplied by the appropriate fees. It may be expected that there will be timing differences between the figures notified by the Courts (on a cash basis) and the figures used in the Board's accounts.

The Board has made an analysis of the above under-recovery. The Board recognises that because levels of activity in the industry were below those expected there has been an under-recovery compared with forecasts of income and is looking at ways in which under-recovery can be avoided in future.

Charitable Donations

10. No charitable donations were made in the period ended 31 March 1999.

Change to Accruals Accounts

11. This is the first year of preparing the account on an accruals basis and the changeover has had an important impact on the financial statements of the Gaming Board with the creation of a balance sheet and the identification of fixed assets valued at £182,402.

Post Balance Sheet Events

12. There were no significant events to report.

Year 2000 Issues

13. The operation of the Board depends not only on its own computer systems, but also to some degree on those of its suppliers and its related parties. The Board could be exposed to Year 2000 risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

Initial tests have been completed to establish which of the Gaming Board's systems and equipment required upgrade or replacement. Where purchases have been made in the past 12 months, confirmation has been obtained from suppliers regarding year 2000 compliance. Final checks on all IT systems are now taking place and it is anticipated that these will be complete by July 1999.

Compliance with Public Sector Payment Policy

14. The Gaming Board's policy, in line with Government requirements, is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the period to 31 March 1999, 87% of invoices, totalling £1,426,111, were paid within 30 days of the invoice date. A greater proportion of invoices were paid within 30 days of receipt and the Board will measure performance on this basis from April 1999.

Staff Involvement and Development

15. The Gaming Board is committed to obtaining accreditation under Investors in People and as such places importance on ensuring priority is given to the provision of appropriate training so that staff can develop their skills and understanding of their roles in line with the aims and objectives of the Gaming Board.

Disabled Employees

16. The Gaming Board follows the same policy as the main Home Office which continues to promote and develop equal opportunities for all its staff, maintaining a positive attitude towards people with disabilities.

Future Developments

17. The Gaming Board will continue, for the foreseeable future, in its role of maintaining effective regulation of the gaming industry and lotteries.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

17 June 1999

STATEMENT OF THE GAMING BOARD'S RESPONSIBILITIES

The Home Office Memorandum on payment of the grant in aid requires the Board to prepare a statement of account for each financial year in the form and on the basis directed by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Gaming Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Gaming Board is required to:

- observe the Accounts Direction issued by the Secretary of State with the approval of the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Gaming Board will continue in operation.

As the senior full time official of the Gaming Board, the Secretary carries the responsibilities of Accounting Officer for the Board. His role and duties as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by the Treasury and published in Government Accounting.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

17 June 1999

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Gaming Board for Great Britain.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by a meeting of the Board members;
- regular reviews by senior management of periodic and annual financial reports which indicate financial performance against the forecasts;
- a system of delegated authority in respect of commitment to spend and actual expenditure which provides overall control assurance.

Internal audit of the Gaming Board's work is conducted on its behalf by the Home Office Audit and Assurance Unit (AAU) which operates to standards defined in the Government Internal Audit Manual. The work of the AAU is informed by an analysis of the risk to which the Gaming Board is exposed, and the 5 year internal audit plan is based on this analysis. The analysis of risk and the internal audit plans are approved by me and the audit reports are endorsed by the Audit Committee. At least annually, the AAU provides me with a report of internal audit activity at the Board. The report includes AAU's independent opinion on the adequacy and effectiveness of the Gaming Board systems reviewed during the year.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditors, the executive managers within the Board who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

17 June 1999

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I have audited the financial statements on pages 90 to 99. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 93 and 94.

Respective responsibilities of the Gaming Board for Great Britain and Auditor

As described on page 86, the Gaming Board for Great Britain is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Board is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the directions issued by the Secretary of State for the Home Department with the approval of the Treasury, and whether in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 87 reflects the Board's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control.' I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of Opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Gaming Board for Great Britain in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Gaming Board for Great Britain at 31 March 1999 and of the income and expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the directions made by the Secretary of State with the approval of the Treasury; and

- in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

J.J. Jones
Director
For Comptroller and Auditor General

23 June 1999

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 1999

	<u>Notes</u>	£	£
INCOME			
Grant in aid	2	3,313,234	
Other Income	4	<u>101,741</u>	
			3,414,975
EXPENDITURE			
Salaries and Wages	5	(2,004,308)	
Other Operating Costs	6	(1,395,561)	
Depreciation	7	<u>(56,212)</u>	
Total Operating Expenditure			<u>(3,456,081)</u>
Operating (Deficit)			(41,106)
Fee Income	3		1,098,071
Interest Receivable			12,050
Notional Cost of Capital			(22,171)
Loss on Disposal of Fixed Assets			(8,102)
Release from Deferred Government Grant			
Reserve in respect of loss on disposal of			
Fixed Assets	10		<u>8,102</u>
Surplus for the year before appropriations			1,046,844
Notional cost of capital reversal			22,171
Appropriations due to the Home Office	3		<u>(1,098,071)</u>
Retained (Deficit) for the year			<u>(29,056)</u>
Movement on Income and Expenditure Reserve			
Surplus brought forward	10		206,195
Retained (Deficit) for the year			(29,056)
Transfer from Revaluation Reserve			<u>369</u>
Surplus carried forward	10		<u>177,508</u>

All operations are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 1999

	<u>Notes</u>	£
Retained (Deficit) for the year		(29,056)
Unrealised surplus on revaluation of assets	10	<u>740</u>
Total Recognised Losses in the period		<u>(28,316)</u>

The notes on pages 93 to 99 form part of these accounts.

BALANCE SHEET
as at 31 March 1999

	<u>Notes</u>	<u>31 March 1999</u>		<u>1 April 1998</u>	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	7		169,722		182,402
CURRENT ASSETS					
Debtors and prepayments	8		265,684		182,684
Cash at hand and in bank	12		<u>447,069</u>		<u>143,531</u>
			712,753		326,215
CREDITORS: Amounts falling due within one year					
	9		<u>(534,761)</u>		<u>(120,020)</u>
NET CURRENT ASSETS					
			<u>177,992</u>		<u>206,195</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>347,714</u>		<u>388,597</u>
CAPITAL AND RESERVES					
Reserves	10		170,206		182,402
Income and Expenditure Account			<u>177,508</u>		<u>206,195</u>
			<u>347,714</u>		<u>388,597</u>

The notes on pages 93 to 99 form part of these Accounts.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

17 June 1999

CASH FLOW STATEMENT
for the year ended 31 March 1999

	<u>Notes</u>	£	£
Net Cash Outflow from operating activities	11		(4,415)
Returns on investment and servicing of finance			
Interest received			11,765
Investing activities			
Payment to acquire tangible fixed assets			<u>(51,009)</u>
Net Cash Outflow before Financing			(43,659)
Financing			
Grant in aid for capital expenditure		51,009	
Fee income received	3	1,161,865	
Less: Fees appropriated to Home Office		<u>(1,211,777)</u>	
			<u>1,097</u>
Increase in net debt	12		<u>(42,562)</u>

The notes on pages 93 to 99 form part of these Accounts.

NOTES TO THE ACCOUNTS**1. ACCOUNTING POLICIES****Accounting Conventions**

This account has been prepared in a form directed by the Secretary of State for the Home Department with the approval of the Treasury. The Accounts Direction is reproduced at Appendix A.

The account has been prepared using the historical cost convention modified by the inclusion of fixed assets at current cost. The accounts meet the accounting and disclosure requirements of the Companies Act 1985 and the accounting standards issued or adopted by the Accounting Standards Board to the extent that those requirements are appropriate.

Prior Year Comparatives

This is the first financial year for which the Gaming Board has prepared accounts on an accruals basis. Comparative figures for the previous financial year ended 31 March 1998 are generally not shown (see Accounts Direction) but opening balances for 1 April 1998 are shown.

Fixed Assets

Tangible fixed assets are capitalised when the original purchase price, on an individual or grouped basis, is £500 or more. All furniture is treated as a group. Assets have been valued on the opening balance sheet either by reference to catalogue items of a similar nature or by matching to purchase orders/invoices. For the small number of assets where such information was not available, valuation was by reference to other assets of a similar age and type.

Depreciation

Depreciation is provided on all assets on a straight line basis to write off the cost or valuation evenly over the asset's currently anticipated life as follows:

Computer equipment	4 years
Furniture	10 years
Office equipment	7 years
Telecoms	10 years

A full year's depreciation is charged in the year of acquisition, with no charge being made in the year of disposal. For the purposes of the opening balances, it has been estimated that existing furniture was all 50% written down.

Revaluation

In order to disclose fixed assets in the Balance Sheet by reference to current costs, the appropriate index has been applied to each asset (Source: Office of National Statistics Price Index Numbers for Current Cost Accounting). Permanent diminution in the value of fixed assets is charged to the Income and Expenditure Account. Assets are not revalued in their year of acquisition as their current and historical cost would not be materially different.

Capital Grant in Aid and Deferred Government Grant Reserve

A proportion of the grant in aid received, equal to expenditure on fixed asset acquisitions in the period, is taken to the Deferred Government Grant Reserve at the end of the financial year. The amount deferred is released back to the Income and Expenditure Account in line with depreciation charged.

Deferred Income

Fee receipts are treated as deferred income where monies have been received at the end of the financial year in respect of applications for Bingo and Casino Certificates of Consent. The amount deferred is calculated by reference to the proportion of work undertaken at the end of the year relative to the target timescale for processing each type of application and is released back to the Income and Expenditure Account as the work is completed. The National Bingo fee is paid in advance for 3 years. A proportion of the income is therefore deferred and released back to the Income and Expenditure Account over this 3 year period.

Notional Charges

In accordance with Treasury guidance, a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account along with an equivalent reversing entry below operating surplus/deficit. The charge for the period is calculated using the Treasury's discount rate of 6% applied to the mean value of capital employed during the period.

Pension Costs

The employees of the Gaming Board for Great Britain are covered by the Superannuation Acts 1965 and 1972 and subsequent amendments. They are members of the Principal Civil Service Pension Scheme (PCSPS) which is a non-contributory scheme. The rate of the employer's contribution is determined from time to time by the Government Actuary and advised by the Treasury and contributions are charged to the Income and Expenditure Account.

Operating Leases

Payments made under operating leases on Land and Buildings and Equipment are charged to expenditure as incurred.

Value Added Tax

The Gaming Board is not registered for VAT and therefore all costs are shown inclusive of VAT.

2. GRANT IN AID

	<u>1998/99</u>
	£
Grant received from Class VII Vote 1 (Section N)	3,308,400
Transfer to Deferred Government Grant Reserve in respect of fixed asset acquisitions	(51,009)
Release of Deferred Government Grant Reserve in respect of depreciation charged	<u>55,843</u>
	<u>3,313,234</u>

3. FEE INCOME

Fees are received in respect of certificates and registrations and these monies are paid over to the Home Office for appropriation in aid of Class VII, Vote 1. Receipts in the period are as follows:

	Fee Income <u>Received</u> £	Fee Income <u>Deferred</u> £	Deferred Fee Income <u>Released</u> £	Other Accruals <u>Adjustments</u> £	1998/99 <u>TOTAL</u> £
Section 19 certificates	351,060	–	–	27,822	378,882
Section 27 certificates`	241,255	–	–	–	241,255
Certificate of Consent – Bingo	43,835	(3,288)	5,503	2,450	48,500
Certificate of Consent – Casino	84,640	(10,972)	13,770	–	87,438
National Bingo Game	<u>146,500</u>	<u>(101,736)</u>	<u>3,972</u>	<u>–</u>	<u>48,736</u>
Total Gaming	<u>867,290</u>	<u>(115,996)</u>	<u>23,245</u>	<u>30,272</u>	<u>804,811</u>
Lotteries and Amusements Act	<u>294,575</u>	<u>–</u>	<u>–</u>	<u>(1,315)</u>	<u>293,260</u>
Total Lotteries	<u>294,575</u>	<u>–</u>	<u>–</u>	<u>(1,315)</u>	<u>293,260</u>
TOTAL FEE INCOME	<u>1,161,865</u>	<u>(115,996)</u>	<u>23,245</u>	<u>28,957</u>	<u>1,098,071</u>

4. OTHER INCOME

	<u>1998/99</u> £
Court Costs Awarded	97,328
Miscellaneous Income	<u>4,413</u>
	<u>101,741</u>

5. SALARIES AND WAGES**a) Board Members**

The Chairman and other Board members are paid directly by the Home Office and details of their emoluments are set out in the foreword to this account.

b) Chief Executive

Mr T J Kavanagh, Secretary to the Board, received total emoluments of £70,260 (including pension contributions of £10,969) in the year to 31 March 1999. He is an ordinary member of the Principal Civil Service Pension Scheme.

c) Other Senior Employees

Two other senior employees received total emoluments (excluding pension contributions) of between £40,000 and £50,000.

d) Analysis of Staff Costs

	<u>Secretariat</u> £	<u>Inspectorate</u> £	1998/99 <u>Total</u> £
Salaries and Wages	719,517	938,978	1,658,495
Social Security Costs	55,143	71,492	126,635
Other Pension Costs	<u>98,005</u>	<u>121,173</u>	<u>219,178</u>
TOTAL	<u>872,665</u>	<u>1,131,643</u>	<u>2,004,308</u>

e) Average number of persons employed by the Gaming Board was:

Secretariat	37	(1997/98: 39)
Inspectorate	34	(1997/98: 35)

f) Pensions

For 1998/99 the rates of superannuation are between 12% and 18.5% for permanent staff according to grade. Contributions paid to the Home Office in the period totalled £219,178.

6. OTHER OPERATING COSTS

	<u>1998/99</u> £
Rent and Rates	548,656
Maintenance	204,526
Professional and Consultancy Fees	164,010
Travelling and Subsistence	206,195
Training/Recruitment and Agency Staff	62,853
Postage and Telephone	43,335
Office Supplies, Printing and Stationery, Publications	20,302
Hospitality	1,704
IT Expenditure	94,104
Home Office Service Charges	13,311
Gaming Regulators European Forum	182
Audit Fee	15,275
Permanent diminution in value of fixed assets	484
Miscellaneous and Bank Charges	20,624
	<u>1,395,561</u>

7. **TANGIBLE FIXED ASSETS**

	<u>Computers</u>	<u>Furniture</u>	<u>Office Equipment</u>	<u>Telecoms</u>	<u>Total</u>
	£	£	£	£	£
Cost					
At 1 April 1998	120,716	145,536	90,853	45,928	403,033
Revaluations	392	(605)	433	284	504
Additions	41,713	7,984	1,312	–	51,009
Disposals	<u>(38,308)</u>	<u>(6,129)</u>	<u>(8,786)</u>	<u>–</u>	<u>(53,223)</u>
At 31 March 1999	<u>124,513</u>	<u>146,786</u>	<u>83,812</u>	<u>46,212</u>	<u>401,323</u>
Depreciation					
At 1 April 1998	73,711	72,768	51,063	23,089	220,631
Revaluations	164	(121)	148	57	248
Provided in year	26,267	14,796	10,187	4,593	55,843
Disposals	<u>(34,355)</u>	<u>(3,064)</u>	<u>(7,702)</u>	<u>–</u>	<u>(45,121)</u>
At 31 March 1999	<u>65,787</u>	<u>84,379</u>	<u>53,696</u>	<u>27,739</u>	<u>231,601</u>
Net Book Value at 1 April 1998	<u>47,005</u>	<u>72,768</u>	<u>39,790</u>	<u>22,839</u>	<u>182,402</u>
Net Book Value at 31 March 1999	<u>58,726</u>	<u>62,407</u>	<u>30,116</u>	<u>18,473</u>	<u>169,722</u>

In accordance with the accounting policy set out on page 93, fixed assets acquired by the Gaming Board during the period were not revalued at 31 March 1999.

8. **DEBTORS**

	<u>31 March 1999</u>	<u>1 April 1998</u>
	£	£
Staff Season Ticket Loans and Expense Imprests	32,763	43,535
Bank interest accrued	326	41
Fee Income prepaid to Home Office	104,856	–
Other Prepayments	<u>127,739</u>	<u>139,108</u>
	<u>265,684</u>	<u>182,684</u>

9. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>31 March 1999</u>	<u>1 April 1998</u>
	£	£
Trade Creditors	464	136
Payroll	8,608	1,236
Other Creditors	26,803	55,397
Bank overdraft	346,100	–
Accruals	36,790	40,006
Deferred Income	<u>115,996</u>	<u>23,245</u>
	<u>534,761</u>	<u>120,020</u>

The bank overdraft represents unrepresented cheques. There was no actual overdraft on the bank account at 31 March 1999.

10. RESERVES

	Income & Expenditure Reserve £	Deferred Government Grant Reserve £	Revaluation Reserve £	TOTAL £
Balance on the Receipts and Payments Account at 31 March 1998	162,274	-	-	162,274
Adjustments to re-state accounts on an accruals basis	<u>43,921</u>	<u>182,402</u>	<u>-</u>	<u>226,323</u>
At 1 April 1998	206,195	182,402	-	388,597
Deficit for the year	(29,056)	-	-	(29,056)
Revaluation of assets	-	-	1,109	1,109
Depreciation due to revaluation	369	-	(369)	-
Grant deferred for additions	-	51,009	-	51,009
Release for depreciation	-	(55,843)	-	(55,843)
Release for disposals	<u>-</u>	<u>(8,102)</u>	<u>-</u>	<u>(8,102)</u>
At 31 March 1999	<u>177,508</u>	<u>169,466</u>	<u>740</u>	<u>347,714</u>

11. RECONCILIATION OF OPERATING DEFICIT TO THE NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<u>1998/99</u> £
Operating Deficit	(41,106)
Depreciation provided in year	55,843
Additional depreciation provided due to revaluation	369
Permanent diminution in value of fixed assets	484
Release of Deferred Government Grant	(55,843)
Decrease in debtors relating to operating activities	22,141
Increase in creditors relating to operating activities	<u>13,697</u>
Net cash outflow from operating activities	<u>(4,415)</u>

12. ANALYSIS OF BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET

	<u>1 April 1998</u> £	<u>Cash flow</u> £	<u>31 March 1999</u> £
Cash at bank and in hand	143,531	303,538	447,069
Bank overdraft (see note 9)	<u>-</u>	<u>(346,100)</u>	<u>(346,100)</u>
	<u>143,531</u>	<u>(42,562)</u>	<u>100,969</u>

13. COSTS RELATING TO YEAR 2000 COMPLIANCE

In the year to 31 March 1999 the Board incurred expenditure totalling £23,748 in respect of replacing non year 2000 compliant hardware and software.

In addition, a further £5,090 will be spent in the next year to replace the flexi time system with a version which is year 2000 compliant.

14. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 1999.

15. COMMITMENTS UNDER OPERATING LEASES

	31 March 1999		1 April 1998	
	Land and <u>Buildings</u> £	<u>Other</u> £	Land and <u>Buildings</u> £	<u>Other</u> £
Leases expiring:				
< 1 year	–	345	–	2,989
2 to 5 years	399,518	1,319	444,760	1,319
> 5 years	<u>23,970</u>	<u>–</u>	<u>23,970</u>	<u>–</u>
Total	<u>423,488</u>	<u>1,664</u>	<u>468,730</u>	<u>4,308</u>

16. RELATED PARTY TRANSACTIONS

The Gaming Board for Great Britain is a Non-Departmental Public Body financed by grant in aid from the Home Office.

The Home Office is regarded as a related party. During the year the Gaming Board has had various material transactions with the Home Office. Grant in aid and appropriations are shown in the Income and Expenditure Account.

During the year none of the Board Members, members of key management staff or other related parties has undertaken any material transactions with the Gaming Board for Great Britain.

17. CONTINGENCIES

The Board has not recognised as debtors potential fee income in respect of monies requested for machine licences because no amounts are due unless applicants wish to finalise their requests for new or renewal licences. At 31 March 1999, the estimated amount of income requested is £46,410.

At 31 March 1999, the Gaming Board anticipates a requirement for legal representation at licence hearings resulting from Casino applications for Certificates of Consent granted during 1998/99. It is estimated that the costs in relation to these hearings will be in the region of £40,000. Generally the Board seeks to recover these costs from the applicants.

18. FINANCIAL TARGETS

No financial targets were set for the Gaming Board for the year ended 31 March 1999.

APPENDIX A

**ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR THE HOME
DEPARTMENT WITH THE APPROVAL OF THE TREASURY**

1. The Gaming Board for Great Britain shall prepare accounts for the financial year ended 31 March 1999 and subsequent financial years comprising:
 - a) a foreword;
 - b) a statement of Accounting Officer responsibilities;
 - c) a statement of internal financial control;
 - d) an income and expenditure account;
 - e) a balance sheet;
 - f) a cash flow statement; and
 - g) a statement of total recognised gains and losses,

including such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The accounts shall give a true and fair view of the income and expenditure, total recognised gains and losses, and cash flows for the financial year, and the state of affairs as at the end of the financial year.
3. For 1998/99 prior year comparatives need only be provided for the balance sheet and relevant notes.
4. Subject to this requirement, the accounts shall be prepared in accordance with:
 - a) generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b) the accounting and disclosure requirements given in "Government Accounting" and in "Executive NDPBs: Annual Reports and Accounts Guidance", as amended or augmented from time to time;
 - c) the disclosure and accounting requirements contained in the "Fees and Charges Guide", subject to segmental information on services provided being disclosed in the foreword rather than the notes to the accounts (see paragraph 1(c) of Schedule 2);
 - d) any other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;

insofar as these are appropriate to the Gaming Board for Great Britain and are in force for the financial year for which the statement of accounts is to be prepared.

5. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
6. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a) fixed assets at their value to the business by reference to current costs; and
 - b) stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

7. This direction shall be reproduced as an appendix to the accounts.

Signed by authority of the Secretary of State for the Home Department

E A Grant
**Head of Liquor, Gambling and Data Protection Unit,
Constitutional and Community Policy Directorate
Home Office**

18 May 1999

Schedule 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the Gaming Board for Great Britain unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to the Gaming Board for Great Britain shall be contained in the foreword.
3. When preparing its income and expenditure account, the Gaming Board for Great Britain shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act.
4. When preparing its balance sheet, the Gaming Board for Great Britain shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act. The balance sheet totals shall be struck at "Total assets less current liabilities".
5. The Gaming Board for Great Britain is not required to provide additional information required by paragraph 33(3) of Schedule 4 to the Companies Act.
6. The foreword and balance sheet shall be signed by the Accounting Officer and dated.

Accounting Standards

7. The Gaming Board for Great Britain is not required to include a note showing historical cost profits and losses as described in FRS 3.

Schedule 2

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The foreword shall, inter alia:
 - a) state that the accounts have been prepared in a format directed by the Secretary of State for the Home Department with the consent of the Treasury;
 - b) include a brief history of the Gaming Board for Great Britain and its statutory background;
 - c) provide the accounting disclosures required by the Fees and Charges guide.
2. The notes to the accounts shall include details of any key corporate financial targets set by the Secretary of State for the Home Department together with the performance achieved.

Appendix VI

List of areas in which the licensing of clubs for gaming other than bingo is permitted showing the number of licensed clubs operating on 1 April 1998 and 31 March 1999

ENGLAND

	1 April 1998	31 March 1999
That area which is within the area specified in the licensing (Metropolitan Special Hours Area) Order 1961 – plus the City of Westminster and the Royal Borough of Kensington and Chelsea.	21	23

THE AREAS OF THE FORMER COUNTY BOROUGHES, NON-COUNTY BOROUGHES AND URBAN DISTRICTS OF:-

	1 April 1998	31 March 1999
Birkenhead	1	1
Birmingham	5	5
Blackpool	2	2
Bolton	1	1
Bournemouth	2	2
Bradford	2	2
Brighton	2	2
Bristol	4	4
Coventry	2	2
Derby	2	2
Dudley	1	1
Great Yarmouth	2	2
Hove	1	1
Huddersfield	1	1
Kingston upon Hull	1	1
Leeds	4	4
Leicester	2	2
Liverpool	3	3
Luton	2	2
Lytham St Annes	1	1
Manchester	5	5
Margate	2	2
Newcastle upon Tyne	3	2
Northampton	1	1
Nottingham	2	2
Plymouth	2	2
Portsmouth	3	3
Ramsgate	1	1
Reading	2	2
Ryde	–	–

	1 April 1998	31 March 1999
Salford	1	1
Sandown/Shanklin	–	–
Scarborough	1	1
Sheffield	3	3
Southampton	2	2
Southend-on-Sea	2	2
Southport	1	1
Stockport	1	1
Stoke-on-Trent	1	1
Sunderland	1	1
Teesside/Middlesbrough	1	–
Torbay	1	1
Walsall	1	1
Warley	–	–
West Bromwich	–	–
Wolverhampton	1	1

WALES

THE AREAS OF THE FORMER COUNTY BOROUGHES OF:–

	1 April 1998	31 March 1999
Cardiff	3	3
Swansea	1	1

SCOTLAND

THE AREAS OF THE FORMER COUNTIES OF THE CITIES OF:–

	1 April 1998	31 March 1999
Aberdeen	2	2
Dundee	1	1
Edinburgh	4	4
Glasgow	4	5
TOTAL:	115	116

APPENDIX VII

SECTION 31 MACHINES – ROUNDING UP PRIZES

Section 31 machines in which whole pound payout devices only are provided, may offer win values which are not in the whole £1 units subject to the following:

1 All prize values that can be won as the outcome of a random event where this event comprises the single such event in the game up to the point at which that prize can be collected, for example a basic game reel symbol combination, must be capable of being paid exactly by the machine.

2 Where a fraction of £1 in value is, or forms part of, a win, that fraction may be rounded up to exactly £1 by the addition of a supplementary win, provided that:

- (a) Any such rounding up is performed during the game in which the remainder occurs, and only once per game;
- (b) The supplementary win awarded in any one game is less than £1;
- (c) If a Moneybank is used, the rounding up is carried out before the win is transferred from the feature win meter or display to the Moneybank so that the Moneybank only ever displays prize values that can be physically delivered by the machine.

3 The following notice, clearly legible, must be incorporated on the face of the machine, adjacent to the coin mechanism.

**THIS MACHINE PAYS OUT £1 COINS ONLY.
ALL PRIZES WILL BE ROUNDED UP TO THE NEAREST POUND.**

GBD 51/8/13
27th October 1998

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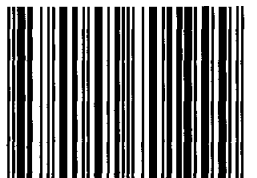
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