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# **Report of the GAMING BOARD FOR GREAT BRITAIN 1995/96**

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LONDON: HMSO



**REPORT OF THE GAMING BOARD  
FOR  
GREAT BRITAIN 1995/96**

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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 twenty-seventh report of the Gaming Board for Great Britain covering the period 1 April 1995 to 31 March 1996.

LADY S LITTLER  
Chairman

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# 1 : Introduction and General

## Introduction

1.1 This is the twenty-seventh 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. The general format of the Report is the same as that in the last two years. Chapter 2, in particular, which gives an overview of the Board's responsibilities and how it carries these out and which was included for the first time two years ago, is being repeated with any necessary revisions to bring the material up to date.

## Size of the Industry

1.2 The industry which the Board regulates is a very substantial one. There were 119 casinos open in Great Britain at 31 March 1996, more than in any other European country with the exception of France. London has 21 casinos, which is unique for a capital city anywhere in the world. Drop (i.e. money exchanged for chips) was just over £2.5 billion in 1995/96: operators retained about 18 per cent of this at £450 million.

1.3 Great Britain has around 850 commercial bingo clubs currently operating with total stakes amounting to £900 million in the year to March 1996.

1.4 About 250,000 gaming machines are sited around the country in a large number of different locations. The coin machine industry's trade association (BACTA) estimates that some £9 billion is fed into these machines with some £1.4 billion retained by suppliers and site owners.

1.5 The larger society and all local authority lottery schemes which the Board regulates had combined total ticket sales of about £80 million in 1995/96.

1.6 A selection of key industry and Board statistics is given at Appendix 1.

## The need for regulation

1.7 As the Board has repeatedly emphasised, gambling is an activity in which the only product which changes hands is money and as a consequence, if not properly controlled, is susceptible to criminal activity, fraud and dishonesty. 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, are illustrative of the problems which can occur.

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

1.9 All developed countries therefore regulate gambling, on both criminal and social policy grounds with the three common objectives described in chapter 2 of ensuring that

gambling is crime-free and conducted honestly and in accordance with regulation; that players are treated fairly; and that children and the vulnerable are protected. 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.

## Consultation paper on casino and bingo clubs

1.10 Nonetheless, the Gaming Act is now 28 years old and on 27 February 1996 the Government published a consultation paper on the scope within the current regulatory framework for updating the controls and for relaxing some of the restrictions which apply to casino and bingo gaming. Whilst the proposals are those of the Government, the Board has told Ministers that it welcomes the Government's initiative in considering to what extent the controls in the 1968 Act continue to meet present day requirements and in making proposals where it believes changes should be made. The Board also welcomes the fact that the Government has put out its proposals for wide public consultation.

1.11 The Home Office had regular contact with the Board during the drafting of the proposals in the consultation paper. In particular, the Board provided professional advice and comment on the factual analysis underpinning the document and on the practicability of various options for change. Its comments were taken into account in preparing the final version.

1.12 The proposals for change in the consultation document can be summarised as follows.

In respect of casinos:

- add 13 new “permitted areas” to the current list of areas in which casinos can be located (see Appendix VI), comprising four in the London area (Croydon, Dartford, Redbridge and Slough), six towns elsewhere in England (Gloucester, Hastings, Ipswich, Oxford, Peterborough and Swindon) and three resort areas (Folkstone, Morecambe and Weymouth).
- allow limited publicity on casino locations in for instance listing magazines, hotel brochures and holiday guides.
- reduce the waiting period for new members from 48 to 24 hours; remove the requirement that new members must attend a casino in person before the waiting period commences; and allow persons to join an affiliated group of casinos. At present, new members must apply in person at each casino in which they wish to game;
- permit casinos to have at least 10 gaming slot machines, with a maximum number of twice as many machines as gaming tables (the largest British casino currently has 32 tables). Higher limits on stakes and prizes would be set;
- allow casinos to serve alcohol during the same hours as nightclubs (until 2am, or 3am in London). Presently, they cannot serve alcohol after midnight in England and Wales;
- allow debit cards as a means of payment, but retain the general prohibition on credit and the use of credit cards and charge cards.

and in respect of bingo clubs:

- abolish restrictions on print and cinema advertising and, subject to comments received, permit broadcast advertising;
- abolish the licensing authorities' power to refuse bingo licences on the grounds of insufficient demand;
- remove the requirement that bingo clubs must operate as clubs and that new members must wait 24 hours before gaming;
- subject to responses received, replace the current system limiting the amounts operators may charge by one based on the percentage of the players' money which may be retained;
- remove restrictions on the amount of operators' own money they may add to prizes;
- remove restrictions on the frequency and prizes in multiple bingo (generally known as the National Game);
- allow debit cards as a means of payment;
- extend the duration of bingo licences from 1 year to 3 years.

The document also proposed to allow non-broadcast advertising of amusement-with-prizes gaming machines on premises which have such machines and to remove restrictions on print advertising of betting shops.

1.13 Responses to the document were requested by the end of May and the Board made full use of the period to decide what it should say in its formal submission. It was clear from the outset that there was much in the consultation paper with which the Board agreed and that it would be able to support many of the proposals. There were however several significant matters in the document which the Board was asked to discuss with the industry concerned before proposals were finalised and there were some issues on which the Board itself wished to consider carefully the stance it should adopt. Board officials had a number of meetings with representatives of the British Casino Association (BCA), the Bingo Association of Great Britain (BAGB) and BACTA. Board members met with the BCA and the BAGB. The Chairman, Secretary and Chief Inspector of the Board also attended two seminars on the proposals organised in London by the University of Salford Centre for the Study of Gambling and Commercial Gaming and the Chairman was a member of a panel which discussed the document at a meeting of the Society for the Study of Gambling.

1.14 The Board submitted its response on 30 May. A copy of that response is at Appendix II. The Board would wish to emphasise the following main elements contained in it.

- (i) The Board particularly welcomes the fact that the paper makes no proposals to change the certification and licensing requirements in the 1968 Act. In the Board's view, these have been, and remain, crucial in ensuring that casino and bingo gaming are crime-free and conducted honestly.
- (ii) The Board considers that generally the proposals in respect of casinos (with the appropriate safeguards) represent a well-balanced package of measures which will remove some restrictions which are no longer essential from a regulatory

viewpoint. The proposals, especially in relation to permitted areas, publicity and gaming machines, are however likely to increase very substantially the number and size of British casinos. This will have considerable implications for the resources needed by the Board to ensure that it can regulate casinos effectively. It is also likely to increase the numbers of people who will have a gambling problem and steps are likely to be needed to help these. More is said on problem gambling in paragraphs 1.19 to 1.27 below.

- (iii) The Board does not support the abolition of the requirement that commercial bingo outlets must operate as clubs and of licensing authorities' powers to refuse bingo licences on demand grounds which it considers could cause a large growth of small cash bingo outlets which would be difficult to regulate and control. Bingo is an activity in which an unscrupulous operator can defraud players with relative ease as the monies staked go into a pool over which the players have no control and no specific knowledge of its size. The Board has not yet been able to discuss with the BAGB the proposals for a possible new charging system based on percentage returns as the Association was initially hesitant about entering any such discussions. The Board believes that considerable further work is still needed in these two areas. It has however been able generally to support the other proposals on bingo.

1.15 The Home Office will now need to consider all the responses it has had to the consultation paper. The Board hopes that it will be possible to make progress on at least some of the proposals in the short term.

## Availability of gaming machines

1.16 As reported last year, on 29 March 1995, the Home Office published a consultation paper entitled "Deregulation: Gaming Machines and Facilities in Betting Offices". In particular, it stated that the Government proposed:

- (i) An amusement-with-prizes machine which pays a maximum prize of £10 in cash instead of £6, now £8, in tokens and which is restricted to essentially adult environments, including betting shops.
- (ii) Increases in the numbers of club or jackpot machines in casinos, bingo clubs and members clubs to six, four and three respectively instead of the current two in each location.
- (iii) Changes to the laws controlling betting offices to allow the sale of racing papers and periodicals and form guides; the sale of society and local authority lottery tickets; and the provision of facilities for handling "Spot the Ball" and other prize competitions, including the payment of winnings.

At the time of writing last year's Report, the Board was still considering its response to the paper.

1.17 As explained in detail in paragraphs 6.9 to 6.13, the Board felt able to support the Government proposals in respect of all cash amusement-with-prizes machines. It believes that overall the Government produced a set of proposals which are workable and enforceable and which recognises the danger of children being provided with ready access to gambling facilities. The Board had already indicated its support for additional club or jackpot machines

in casinos and bingo clubs, both of which it regulates and monitors, and did not oppose the proposals in respect of additional jackpot machines for clubs and of facilities in betting offices.

1.18 Following scrutiny by the relevant Committees in the House of Commons and the House of Lords, the Government laid the necessary orders before Parliament to bring about all the proposed changes and they were implemented at the end of June 1996.

## Problem gambling

1.19 As mentioned earlier, 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 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. These people are called "problem gamblers". To a large degree, the extent, and potential adverse consequences, of problem gambling have been controlled in the past in this country by the restrictive regime applied to gambling generally and to gaming in particular. Of especial relevance to this have been the principle that facilities should be no more than adequate to meet the unstimulated demand for them and the controls on advertising and promotion, on access to gambling facilities and on gambling on credit. In turn, and perhaps largely as a result of all this, there has until recently been comparatively little research generally into problem gambling in Great Britain.

1.20 There is nonetheless generally agreed to be a correlation between the amount of problem gambling and addiction and the availability and accessibility of gambling outlets and the research available here and in other countries bears this out. It is mainly for this reason that concern has been expressed about the potentially adverse consequences of recent and proposed relaxations in the regulations relating to gambling. For obvious reasons, these have centred on the introduction of the National Lottery, and in particular of its scratchcard games, but other changes such as those in respect of Sunday racing and betting, those in respect of the regime for gaming machines (see paragraphs 1.16 to 1.18 above) and those proposed now for casinos and bingo clubs (see paragraphs 1.10 to 1.15) have also raised worries amongst some.

1.21 The Board would like to see greater public understanding of the effect of increased gambling opportunities of particular kinds. Members of the public often practice several forms of gambling. By contrast, the legal and administrative systems for regulating the various forms of gaming, betting and lotteries are different, with no one regulatory body or even one Government Department now covering the whole field. The Board also considers that it is appropriate that those who benefit from new gambling opportunities and deregulation through increased revenue and profitability should help to mitigate the social problems so caused.

1.22 The Board notes and welcomes various initiatives which have been taken in the last year. For instance, the Office for the National Lottery has commissioned research into the impact of the Lottery. The first results of this, for the on-line weekly game, seem to suggest that relatively few people spend large sums of money on lottery tickets. The Home Office has commissioned a literature survey of the research into the social implications of casino gaming, both in this country and elsewhere. There have also been some recent initiatives in the casino industry as described in the following paragraphs.

1.23 First, a consortium of casinos commissioned research by Dr Susan Fisher of the University of Plymouth into gambling and problem gambling amongst casino patrons. The

recently released research report contains a large number of interesting findings. For instance, casino patrons typically enjoy a range of leisure pursuits, with casinos ranking sixth in the list of venues visited. For the majority, a visit to a casino is a social event lasting between two and five hours shared with family or friends. The majority do not limit themselves to casino games, but participate in a variety of gambling forms and had spent £50 or less in the previous month on each gambling form. A small minority, 7 per cent, were identified as problem gamblers with 2 per cent of these regarded as having severe problems. Problem casino gamblers were significantly more likely to be regular players of continuous forms of gambling including casino games, horse and dog racing, cards with friends, slot machines outside of a casino and National Lottery scratch cards. The prevalence of problem gambling amongst the regular casino patrons (those who visited once a week or more) was twice as high at 14 per cent, with 43 per cent of these from ethnic minority groups. This group of regular players is of particular interest because, although it comprises only 7 per cent of the general population of casino patrons, it accounts for 63 per cent of the visits.

1.24 Secondly, a consortium of casinos, including some of those involved in the research above, have helped establish and finance a Centre for the Study of Gambling and Commercial Gaming at the University of Salford, a major function of which will be to encourage and sponsor serious academic research into and study of the economic and other effects of gambling. The Chairman of the Board was pleased to accept an invitation to serve on the Advisory Board for the Centre.

1.25 Thirdly, the British Casino Association has published a “Problem Gambling Position Statement” which amongst other things encourages casinos to display notices giving the telephone number of Gamblers Anonymous for those who are suffering problems with their gambling.

1.26 The Board welcomes the statement in the Home Office consultation paper that the casino industry has a responsibility to respond to the risks of problem gambling. It believes that consideration will need to be given to whether the industry needs to build on the initiatives already undertaken. The Board is aware that a variety of initiatives are in use abroad. In addition to notices and leaflets on help lines and other support facilities, these include special training for staff on the characteristics and behaviour of problem gamblers and the action they should take in specific cases, financial and other support for treatment and other services for problem gamblers and voluntary and other systems for barring those with severe problems from the casinos. The Board was therefore pleased to learn that the British Casino Association is actively considering further initiatives and proposes for instance that display of the notices mentioned above should become universal, to produce a small information pamphlet similar to that available in Holland and elsewhere and to prepare an industry statement of good practice in dealing with the resignation of members.

1.27 However, as indicated earlier, the question of problem gambling is not confined to casinos. Since no one regulatory authority covers the whole field, the Board considers that the Government should take the lead in commissioning further research into problem gambling of all kinds and should actively explore and encourage practical ways of dealing with it.

## Lottery related issues

1.28 As reported last year, many of the gaming associations and organisations with which the Board deals have made representations to it about the adverse impact that the National

Lottery is having on their businesses. They express particular concern about the way in which the National Lottery is able to promote all its activities whilst they are strictly circumscribed in what they can do. The Board acknowledged that the National Lottery, especially the instant lotteries, was having an impact on other gaming, although the Board was not in a position to quantify this and it was at that time too early to gauge the likely long-term effects.

1.29 It has taken time for further evidence to emerge on this question and the evidence which the Board has is somewhat conflicting. For bingo for instance, on the one hand information from the BAGB and research provided by the National Bingo Game Association indicate a relatively small drop in numbers attending and a larger drop in spend per head. Profits in many organisations in the industry have fallen. On the other hand, Customs and Excise figures for bingo duty show a sharp increase in monies staked (including added prize money). In the year to 31 March 1996, £906 million was staked on bingo, an increase of over seven per cent on the previous year, and more than 16 per cent over the previous two years. Likewise, the proceeds of lotteries promoted under Board registration more than doubled between 1994/95 and 1995/96.

1.30 The National Lottery is now a permanent part of the British gambling industry and other sectors accept this. Whatever its direct effects on spending on other gambling, the Board believes that the Lottery is having, and will continue to have, consequences for the areas of gaming for which it is responsible. There will inevitably continue to be pressures from the rest of the gaming industry seeking change to compensate for the perceived impact of, and the freedoms given to, the National Lottery. The Board continues to be concerned that there is a danger of a "ratchet" effect developing, with different sectors vying for ways in which they can seek to match or better any concessions made to others. In this respect, it will be important to consider whether any proposals for change can be justified on their own merits, rather than simply by comparison with the regime applying to the National Lottery.

1.31 One development noted by the Board since the introduction of the National Lottery has been the efforts made by some charity and other lotteries to adopt a more competitive approach to their fund raising. An example of this is the proposal by one society to promote the game of "Keno" under its lotteries registration with the Board. As detailed in paragraphs 7.23 to 7.25, the Board has serious reservations about the prospect of Keno being played in public houses and clubs under lotteries legislation. It believes the game displays attributes more commonly associated with betting and/or gaming.

1.32 The Board drew attention last year to one specific anomaly which continues to concern it. Anybody over the age of 16 can buy National and other lottery tickets, including for the harder form of gambling provided by the instant game. In contrast, the minimum age limit for participation in casino gaming, horserace and other betting and the relatively soft gaming provided by bingo clubs is 18. Similarly, the age limit applicable to the new all cash machine is also 18. The Board still considers that a common age limit of 18 for all gambling would be better.

1.33 The Board remains concerned about the proliferation of so called "skill competitions" in which skill in practice plays only a minimal part and which are often conducted by means of premium rate telephone lines. In the Board's view these are in reality lotteries conducted for commercial purposes or gain and are therefore illegal. The prizes on offer have steadily become more attractive and valuable whilst the cost of the telephone call to enter can be substantial. As recorded in chapter 7, following its referral by the Board to the Crown Prosecution Service, one such premium rate telephone competition called Telemillion was successfully prosecuted last summer as both an unlawful lottery and an unlawful competition (see paragraphs 7.19 to 7.22).

## Board resources

1.34 As mentioned in its last three Reports, the Board considers the resources available to its Inspectorate in London and in respect of its work on gaming machines to be inadequate. As described then, the Board's London Inspectors continue to be faced with a very heavy load of monitoring and investigative work. This was exacerbated in the last year by the need to divert significant resources to undertake the major enquiries needed into the applications by three companies with significant overseas involvement for certification to act as external lottery managers. The Board also does not regard it as acceptable to have a single Specialist Machines Inspector to cope with an industry in which, on its own estimates, turnover exceeds £9 billion. The Board therefore remains disappointed that its bid for three extra Inspectorate posts continues to be unsuccessful, particularly as the additional costs amount to only about three per cent of its annual budget and given the fact that the extra monies would be recovered through fees and would not be a direct burden on the taxpayer.

1.35 As mentioned earlier, the proposals in the consultation paper on casinos and bingo clubs will, if implemented, lead to substantial increases in the size of these two industries. The Board will need additional resources if it is to regulate these enlarged industries effectively. Extra Inspectors will be needed to inspect, monitor and control the new and larger casinos and bingo clubs. Additional staff will also be needed to deal with the influx of new applications for certificates and licences which will come from a mixture of established operators, British companies new to the industries and possibly some overseas companies. Additional work will also be created by the new regulatory arrangements which would be introduced for casino slot machines and by such matters as the certification of casino reception staff. Without adequate resources to meet these demands, both to investigate new applications and to monitor the expanded industries, the Board will not be able to continue to ensure that the three objectives of gaming regulation mentioned in paragraph 1.9 will still be met in this country. The Board further considers that it must be able to deal with the initial influx of applications for certificates of consent for casinos in the new permitted areas in a way which does not cause inordinate delays and which does not, for instance, favour established operators well-known to the Board over those new to the industry.

## Involvement of Board certificated companies in gaming overseas

1.36 In recent years both casino and bingo operators licensed in Britain have developed their gaming businesses abroad. The Board has no objections to this in principle but 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 these 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.

## Judicial review of decision in certificate of approval revocation case

1.37 During the year, the Board's decision to revoke the certificates of approval held by a former Chairman of a major casino company, Mr Max Myer Kingsley, was subject to judicial review. The application to quash the decision failed. As explained in paragraph 5.13, the Board welcomed the judgment for the helpful guidance it gave on issues such as the scope of the "fit and proper" test and the policy of the Act. At the time of writing, Mr Kingsley had an outstanding application for leave to appeal before the Court of Appeal.

## Financial viability of applicants for Board certificates and registrations

1.38 During the reporting period an applicant for a certificate of consent for a bingo club was interviewed and a certificate issued for a club which seemed to be likely to operate close to the limits of financial viability. In view of the issues raised in the case, the full Board considered whether, as a matter of principle, the likelihood of financial failure should be grounds for refusing an application. The Board agreed that the future viability of the enterprise was relevant as part of the overall consideration of grounds for the grant or refusal of a certificate. Whilst the Board should not seek to substitute its own judgment for that of the applicants as to the extent of the risks and whether they should be taken, there were cases where such concerns were likely to point to refusal, in particular where:

- i) the applicant's circumstances suggested that the business was unlikely to be viable from the outset;
- ii) there was a history of business failures amongst those involved in the application;
- iii) the potential for damage or loss to players or others was significant; and
- iv) there was a risk that financial difficulties would lead to the possible resort to improper or undesirable practices.

# 2 : The Organisation and Work of the Board

## Introduction

2.1 This is the third year in which this chapter, which gives an overview of the Board's responsibilities and how it carries these out, has been included in the Annual Report. It has proved a useful summary of the Board's work which can for instance be copied to press and other enquirers seeking information on the role of the Board. It is being repeated in essentially the same format as previous years, with any necessary revisions to bring the material up to date. It is a brief summary and should not be regarded as a substitute for reading the relevant legislation and caselaw. It deals with the position as it currently is and does not deal with any changes which might occur as a result of the proposals in the Home Office consultation paper on casinos and bingo clubs described in chapter 1.

2.2 The Board has also in the last year produced a leaflet 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.

## Why gaming is regulated and the objectives of regulation

2.3 Gambling is an activity in which the only product which changes hands is money. All commercial gambling is therefore cash generating and cash circulating and as such is susceptible to criminal involvement (for example through money laundering) and can be addictive to individuals. 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:

- permitted forms of gambling should be crime-free (both in terms of those who operate them and the players they attract), 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 some 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 (in the sense of vulnerability to abuse and of its dangers to the individual) of gambling 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

2.4 Reflecting these concerns, Parliament has 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.

2.5 The 1968 Act enables gaming to be carried on legally by commercial operators for profit within a regulated system which does not 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, should not allow gaming on credit and 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.

2.6 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.

2.7 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 criminal records of those engaged in gaming and lotteries are checked with the police and 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 give reasons for its decisions or 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, of course, subject to judicial review.

2.8 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 certificated. The Board is not responsible for regulating the National Lottery: this is done by the Director General of the National Lottery.

## The Board's functions and objectives

2.9 The purposes for which the Board has its statutory functions under the 1968 and 1976 Acts 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;
- to advise the Secretary of State on developments in gaming and lotteries so that the law can respond to change.

2.10 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 close contact with gaming regulatory authorities abroad to inform itself of relevant developments.

2.11 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: its composition and staffing

2.12 The Board consists of a part-time Chairman and four other part-time members. As reported last year, Sir Richard Barratt resigned from the Board in April 1995 because of ill health. He was replaced by Mr Don Elliott. Mr Elliott was Chief Constable of Devon and Cornwall before becoming one of Her Majesty's Inspectors of Constabulary between September 1988 and December 1994. The full list of Board members appears at the beginning of this Report.

2.13 All executive Non-Departmental Public Bodies such as the Board have been asked by the Treasury to draw up and agree with their sponsoring Departments a code of practice for their Board members based on a model code of best practice prepared by the Treasury. The Board has produced a draft code to reflect its own characteristics and circumstances and is in the process of agreeing it with the Home Office and the Treasury. In particular the Board has raised a number of questions concerning issues covered by the draft on which it is awaiting a response.

2.14 The Board 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 42 during 1995/96. Inspectorate staff are employed by the Board and numbered 35 during 1995/96. Specialist legal and accountancy advice is sought from outside consultants as and when required.

2.15 The Board's Inspectorate is arranged into five regions: 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 Specialist Machines Inspector

is also located in London. More detail on the work of the Inspectorate is given in chapter 8. 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 telephone and fax numbers of the Board's headquarters and regional offices, together with the names of senior staff, are given in Appendix III.

2.16 The total cost of the Board's operations, including the salaries and other expenses of the Board members, amounted to £3.4 million in 1995/96. The Board is required to cover its expenditure through the fees charged for certification and licensing (see paragraphs 2.28 to 2.30 below).

## The Board's procedures

2.17 As described in paragraph 2.10, 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.

2.18 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 registrations are refused or revoked can apply in most circumstances to the Home Secretary for a review of the decision.

2.19 All decisions relating to casino certificates of consent are taken by a panel consisting of three or more Board members (except that the Chairman has 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 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.

2.20 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 an application for a certificate of consent 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.

2.21 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.

2.22 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 a regular programme of 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.

## Performance by the Board of its functions

2.23 The first priority of the Board is the efficient and effective performance of its statutory functions described in paragraph 2.9 above. These include important elements which are not susceptible to measurement since they either involve the Board's investigative and policing role or relate to the structure and standard of regulation in the industry. Examples over the last year and described in more detail elsewhere in this Report include: extensive work and advice on the drafts of the Home Office consultation paper on casinos and bingo clubs; the triennial review of stakes and prizes for gaming machines; analysis of and comment on the

proposals for an all cash amusement-with-prizes machine; discussions with BACTA on guidelines for gaming machine control and a regime for machine testing; agreement of a code of practice relating to increased numbers of mechanised cash bingo playing positions in bingo clubs; and discussions on a revised code of practice for prize bingo in bingo clubs.

2.24 Nevertheless 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 described in the following table:

Table 1

PERFORMANCE TARGETS: 1995/96

Section	Target	% Achieved (previous year's figures in brackets)
<b>Casino Section</b>		
determination of certificate of consent applications	within 4 months of receipt	50 (65)
<b>Bingo Section</b>		
determination of certificate of consent applications	within 8 weeks of receipt	74 (79)
<b>Certification Section</b>		
issue of certificates of approval to first time applicants	within 6 weeks of receipt	90 (89)
<b>Machines Section</b>		
determination of applications for new certificates	within 3 months	78 (77)
processing of renewal applications	before expiry date	90 (95)
<b>Lotteries Section</b>		
determination of applications to register lottery schemes	within 6 weeks	72 (45)

2.25 It can be seen that in most sections a high proportion of cases were completed within the targets set. Relatively few casino certificates of consent applications are received each year. Some of these take longer than the four month target because more complex investigation is required and other cases can be delayed whilst further documentation or information is awaited from applicants. These factors distort the level of achievement. The figures for the lotteries section show a considerable improvement on the percentage achieved in the previous year. This reflects partly the introduction of streamlined procedures within the section and partly a decrease in the number of applications received following the initial



influx of applications in the wake of the legislative changes. The Board is mindful of the need to resolve applications, in particular some certificate of consent applications, within a reasonable time and may, after giving due notice to the applicant, proceed to a decision on the available information if it considers that the applicants are delaying matters unreasonably.

2.26 The Board is committed to the Government's policy on the prompt payment of bills. The Board therefore aims to pay all bills within 30 days of receipt of the invoice other than in cases where it needs to raise specific problems or queries. The Board met this target during 1995/96: all bills were paid within 30 days other than a few in which there were difficulties over faults in equipment or other queries with the goods supplied.

2.27 The Inspectorate's work and its visiting and inspection programme are described in chapter 8.

## Fee levels

2.28 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 recent 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.

2.29 Consequently having considered the anticipated levels of applications for certificates and licences for 1996/97 alongside the grant-in-aid which the Home Office will make available to the Board, it was apparent that no increase in gaming fees was needed to cover costs. Gaming fees are therefore unchanged for 1996/97 and are given in Appendix IV.

2.30 Lotteries fees have been increased by just under 4 per cent from 1 April 1996. Whilst this will help reduce the deficit in income from such fees, there will still be a shortfall of about £72,000 in 1996/97. Ministers have agreed that this deficit can be financed from public funds but have asked the Board to examine ways in which it can be reduced or eliminated over the next few years. Taken with the new fees structure introduced in May 1994, lotteries fees have increased on average by 14 per cent since April 1992. The current levels of lotteries fees are also set out in Appendix IV.

## Audits and inspections and other links with the Home Office

2.31 The Home Office is the Board's sponsoring Government Department. In that role it has produced and agreed 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. Regular quarterly 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 operational and strategic plan.

2.32 Internal audit of the Board's work is conducted on its behalf by the Home Office Internal Audit Unit. Following completion of the first five year review programme and an assessment of the Board's audit needs, the Board and the Unit adopted a new service level agreement covering the period up to 1998/99. The revised arrangements differ from the previous ones in that, instead of reviewing a particular section (e.g. casino and bingo section) in its entirety each year, the annual audit reviews one or more major aspects of the Board's work across all sections of the Board. The 1995/96 audit therefore examined the adequacy and effectiveness of the procedures and controls developed and incorporated within both the Board's corporate planning process and its information technology strategy.

2.33 The National Audit Office undertook the audit of the Board's accounts for 1995/96 in May 1996. The audited accounts are given in Appendix V.

## Consultation and communication with the industry

2.34 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 annual meetings of associations. Meetings were held with representatives of the British Casino Association in the latter part of the reporting year to discuss the proposals on casinos in the Home Office consultation paper. Two working groups consisting of Board officials and representatives of the Bingo Association of Great Britain (BAGB) and BACTA (the trade association for the coin-operated amusement machine industry) respectively continued to meet at approximately quarterly 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. A new working group consisting of Board officials and representatives of the National Bingo Game Association (NBGA) was set up during the year. As described in paragraph 3.10, the Board itself holds informal meetings at intervals with casino operators.

2.35 Whilst, as mentioned in paragraph 2.22, 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

2.36 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 helpful as possible and revised and more comprehensive versions were introduced in January 1994. Whilst the new forms have been subject to some criticism as overly intrusive, they enable the Board to be provided at an early stage of any applications with more of the information needed for its statutory duties and so reduce the need for follow-up enquiries. The Board wishes to emphasise 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.

2.37 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. Copies of the memorandum can be obtained from the Board's headquarters at the address in Appendix III.

2.38 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 has recently been endorsed by the judge in a judicial review case involving the Board (see paragraph 5.13).

2.39 The main guidelines now in operation are:

Casino gaming	The Board's Accounting Guide for Gaming Clubs. BCA Guidelines No.1 - Acceptance of Cheques. BCA Guidelines No.2 - Club Activities. BCA Guidelines No.3 - Competitions in Card Rooms. The Board's Code of Practice Relating to the Prevention and Detection of Money Laundering in Casinos.
Bingo	BAGB Mechanised Cash Bingo Code of Conduct (see Appendix VII).
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 (Appendix VIII).

2.40 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 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

2.41 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.

2.42 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. More detail on the approach in individual cases is given in paragraph 8.3. 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.

2.43 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.

## Contacts with other gaming regulatory bodies

2.44 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 becoming an increasingly international industry. The Chairman, Secretary and Chief Inspector of the Board attended the seventh annual meeting of the Gaming Regulators European Forum in Lisbon in April 1995. Representatives of 15 countries were present. A further informal meeting on the subject of "Gaming on the Internet" was held during the Amusement Trades Exhibition International in London in January 1996. The Board's Secretary remains one of the Joint Secretaries of GREF.

2.45 The Chief Inspector also attended the Annual Conference of the International Association of Gaming Attorneys in Puerto Rico in October 1995. He chaired the Regulators

Group for a separate one-day conference attended by over 50 delegates from more than 20 jurisdictions.

2.46 During the year a large number of representatives from overseas governments and regulatory bodies came to see the Board. These included Australian Capital Territories, the Bahamas, France, Holland, Taiwan and the American states of Connecticut and Nevada.

2.47 In April 1995 at the request of the Foreign and Commonwealth Office with funding from there the Deputy Chief Inspector and retired Senior Inspector G Rimmer visited Slovenia to provide consultancy advice. Subsequently a training programme for Slovenian officials was provided over a 10 day period primarily by Inspectors from the Northern Region in tandem with their normal Inspectorate work. In this instance and in the case of some of the delegations referred to above casino and on occasions bingo licensees were asked to assist in hosting visits to their premises and the Board wishes to record its thanks to those concerned. In September 1995 the Deputy Chief Inspector at the request of the Israeli Government and funded by it visited the country along with a number of other regulators from various jurisdictions to take part in a seminar concerning the development of resort casinos. In November the Chief Inspector attended and spoke at the Australasian Regulators Conference in Auckland and Christchurch which was hosted by the New Zealand Casino Control Authority who funded the travel.

## 3 : Casino Gaming

### Number of licensed casinos

3.1 There were 120 clubs licensed for gaming under Part II of the Gaming Act 1968 on 31 March 1995. One of these had not begun trading at that date but commenced operations during April 1995.

3.2 Three clubs held concurrent licences for substitute/extended premises as at 31 March 1995. Of these two surrendered their original licences during 1995/96 and the third continues to hold concurrent licences.

3.3 Nine new licences were granted during the reporting period. Three of these were in respect of substitute premises and the remaining six were for altered and/or enlarged premises. At 31 March 1996 six clubs held concurrent licences for substitute/enlarged premises (including the one held over from 1994/95).

3.4 As at 31 March 1996 there were 119 licensed clubs. This is one less than the 120 licensed at 31 March 1995 and is accounted for by the replacement of two casinos in Bournemouth by one situated in substitute premises. Paragraphs 8.7 to 8.13 contain further information on casinos and the way in which they operate. The distribution of individual casinos by location is given in Appendix VI.

### Structure of casino ownership

3.5 As at 31 March 1996, of the 119 operating clubs, the Rank Organisation, through its subsidiary Grosvenor Casinos, owned 31, the Stakis group owned 23 and the Stanley Leisure Organisation 21. Eight further licence-holding companies owned between seven and two casinos. The remaining 14 clubs were owned by single licence holders.

3.6 As reported last year, in September 1994 Ladbrokes re-entered the casino industry after a break of 14 years following the loss of their licences in the late 1970s. The resulting applications to the Board for continuance of the certificates of consent for the three casino licence holding companies purchased were granted in June 1995, following an intensive investigation lasting nine months and an interview with the full Board.

3.7 During the period of this report Grosvenor Casinos Limited bought the Society Club in Swansea and the Hamblin organisation sold the London Park Tower casino to London Clubs. Newtons Casino in Torquay was purchased by Langway Limited (a subsidiary of Pellanfayre Limited which holds the licence for a casino in Plymouth) in October 1995 following a period in the hands of receivers. It has now been renamed the Torquay Casino.

3.8 Following the refusal by the Board to grant an application to continue a certificate of consent in respect of the Park Casino in Cardiff, Stakis purchased the total issued share capital of the licence holding company in March 1996. As a result the Board was able to rescind the notice of revocation it had issued and the casino continues to operate.

3.9 An application for a certificate of consent for a new casino in Glasgow was granted by the Board in September 1995 but the resulting licence application was unsuccessful. The company concerned obtained a further certificate of consent in December 1995 in respect of the same premises but, again, the licence application was refused by the licensing panel.

## Informal meetings with casino operators

3.10 The programme of informal meetings with casino operators described in the last two Annual Reports has continued this year. The Board met with directors from the Rank Organisation in December 1995 and in the same month also with the directors of the Cromwell Mint Casino in London. The Board regards these meetings as a useful opportunity to discuss issues of mutual concern and interest and those attending have indicated that they also value the opportunities these contacts afford.

## Applications for certificates of consent and their continuance

3.11 The Board received 14 applications for certificates of consent or their continuance during 1995/96 which is a significant decrease on the 39 received in 1994/95. Of these, nine were for new certificates, two for certificates to transfer licences and three were continuance applications.

3.12 Seven of the applications for new certificates were necessitated either because applicants wished to move their casinos to substitute premises or make major alterations to or extend existing premises. The other two were both in respect of the same proposed new and additional casino premises in Glasgow (see paragraph 3.9 above). Seven of the applications were granted during the year, five of which were within the four month target, and two were still under consideration at the year end, the oldest of which had been under consideration for five months.

3.13 Both of the transfer applications received were granted within the four month target.

3.14 All three applications received for continuance of certificates of consent were still under consideration as the year ended, the oldest of which had been outstanding for just over four months and the most recent had been with the Board for just under one month.

3.15 There were 15 applications being processed at 31 March 1995 consisting of eight for continuance of existing certificates, two transfer applications and five applications for new certificates. All were resolved during 1995/96. Of these, one application was refused, one was withdrawn and all the remaining 13 were granted. The applications that had been outstanding for the longest period took 11 months to resolve and the shortest period to decision was six weeks.

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

## Demand for casino gaming

3.17 Implicit within the provisions of the Gaming Act 1968 is the assumption that gaming facilities should only be sufficient to satisfy the unstimulated demand for them. Paragraph 18 of Schedule 2 to the Act envisages that a balance be kept between the demand for gaming and the provision of gaming facilities. Where an increase in gaming facilities is sought by a casino operator which would affect the existing licence conditions, the Board provides advice to the licensing authority on demand for gaming facilities in the area to assist their decision on whether extra facilities should be allowed. Specific demand advice was provided on eight occasions during the reporting year.

## Deregulation of casino gaming

3.18 The Home Office consultation paper on Casinos and Bingo Clubs mentioned in last year's Report was published at the end of February 1996. It makes a number of proposals to relax some of the restrictions which apply to casinos. These concern some easing of the restrictions on advertising; the introduction of thirteen new permitted areas; the reduction of the 48 hour waiting period between applying for membership and taking part in the gaming to 24 hours, postal applications and casino group membership; an increase in the number of gaming machines permitted in a casino and relaxation of the restrictions which apply to such things as stakes and prizes; an extension in the hours during which alcohol can be served; and the use of debit cards as a means of payment for gaming. The Board's response to the document as a whole, is described in Chapter 1.

## Number of jackpot machines in casinos

3.19 Previous Reports have recorded the Board's support for the numbers of club or jackpot machines permitted in casinos being increased from two to six. The Government issued a consultation document on this and other issues on 29 March 1995 and an order implementing the change came into force on 20 June 1996 (see paragraphs 1.16 to 1.18).

## Casino attendance

3.20 Over the last three years the Board has been collecting monthly figures on casino attendance, with the collated figures being supplied to the British Casino Association. This year for the first time, the Board, with the agreement of the British Casino Association, is including a table showing the annual results for 1993/94, 1994/95 and 1995/96.

Table 1

### CASINO ATTENDANCE BY REGION: Number of Visits

	1993/94	1994/95	1995/96
Scotland	1,108,252	1,010,901	979,886
North	3,025,773	3,039,431	2,967,547
Midland & Wales	2,068,119	2,017,967	2,113,930
South	2,144,985	2,115,362	2,108,210
<b>SUB-TOTAL</b>	<b>8,347,129</b>	<b>8,183,661</b>	<b>8,169,573</b>
London	2,626,177	2,786,136	2,783,266
<b>GREAT BRITAIN TOTAL</b>	<b>10,973,306</b>	<b>10,969,797</b>	<b>10,952,839</b>



## Financial performance

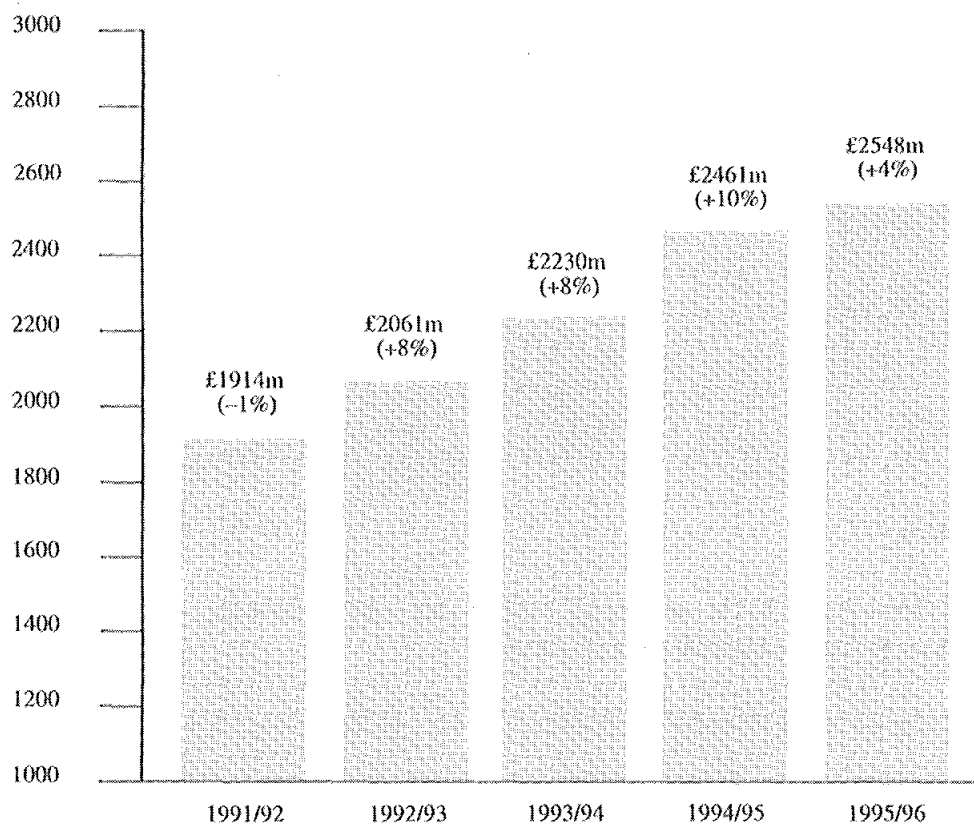
3.21 The total drop (money exchanged for chips) in casinos in Great Britain during the financial year 1995/96 was £2,548 million, an increase of £87 million on the 1994/95 figures.

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

Table 2

DROP PER YEAR: Overall

(Change from previous year in brackets)



Note on Table 2 - Percentage figures are correct to the nearest whole percentage.

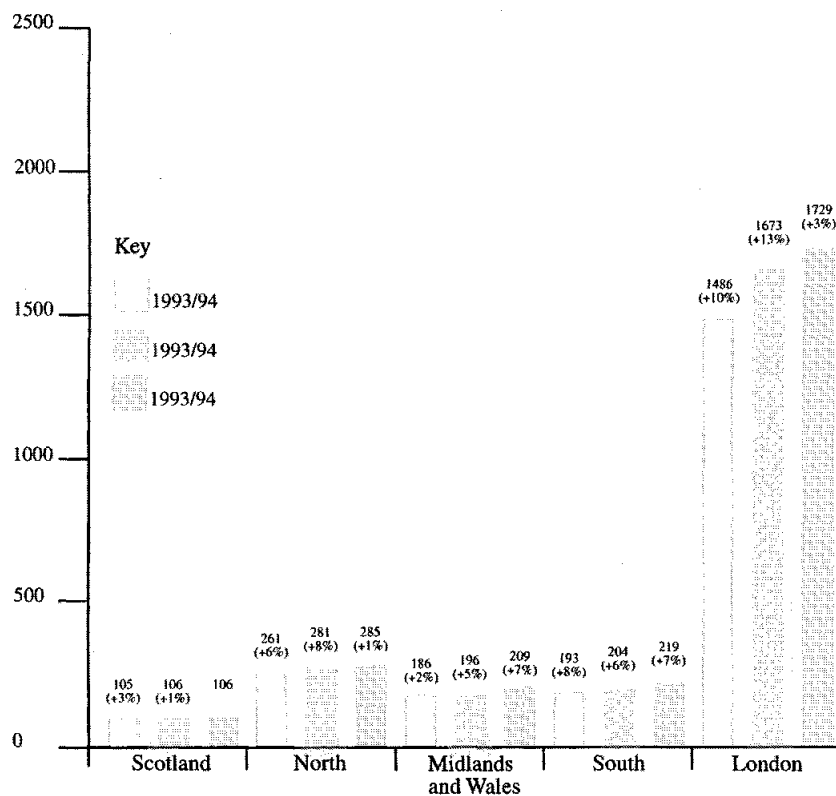
3.22 The drop in London casinos showed an increase of £56 million for the year, while that for the rest of Great Britain increased by £31 million. Approximately 68 per cent of the total drop produced by all the casinos in Great Britain occurred in the London casinos.

The drop figures by region for the last three years were:-

Table 3

DROP PER YEAR £M: By region

(Change from previous year in brackets)



Note on Table 3

Drop figures are rounded to the nearest £1 million, and the percentage change is based on the rounded figures to the nearest whole percentage.

3.23 The proportion of drop for each game for the last four years was:-

Table 4

PERCENTAGE DISTRIBUTION OF DROP BY GAMES

	1992/93	1993/94	1994/95	1995/96
American Roulette	68.6	68.4	66.1	61.9
Blackjack	17.3	17.6	17.5	16.7
Punto Banco	11.5	12.9	14.5	13.5
Casino Stud Poker	—	—	0.7	6.8
Craps	1.0	1.0	1.0	0.9
Super Pan 9	—	—	0.1	0.1

Notes on Table 4

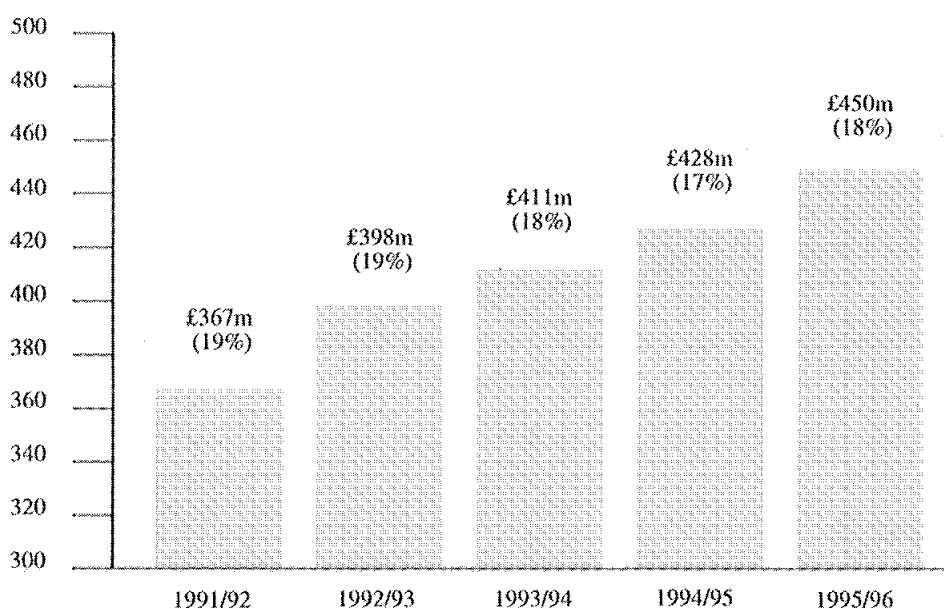
- a) The figures for each financial year do not include the unallocated drop received at the cash desk. Table 2, however, does include unallocated drop.
- b) Casino Stud Poker and Super Pan 9 were only available from 1 January 1995 and the 1994/95 drop recorded therefore only represents the three months to 31 March 1995.

3.24 There was an increase of £22 million (5 per cent) in the total retained by casinos as house win. The figures for house win over the last five years were:-

Table 5

HOUSE WIN: Overall

(Percentage of drop in brackets)



Note on Table 5

Figures are rounded to the nearest £1 million, and percentage figures to the nearest whole percentage.

## Numbers of certificates of consent and licence applications

3.25 The following tables show the results of consent applications made to the Board during the period 1 April 1995 to 31 March 1996 and the number and outcome of licence applications.

Table 6

### NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1995	5	–	5
New applications received in 1995/96	6	3	9
<b>TOTAL</b>	<b>11</b>	<b>3</b>	<b>14</b>
Certificates issued	9	2	11
Applications withdrawn	1	–	1
Applications refused	–	–	–
Applications not determined by 31 March 1996	1	1	2
<b>TOTAL</b>	<b>11</b>	<b>3</b>	<b>14</b>

Table 7

### NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1995	3	–	3
New applications received in 1995/96	7	2	9
<b>TOTAL</b>	<b>10</b>	<b>2</b>	<b>12</b>
New licences issued	8	–	8
Applications withdrawn	–	–	–
Applications refused	–	2	2
Applications not determined by 31 March 1996	2	–	2
<b>TOTAL</b>	<b>10</b>	<b>2</b>	<b>12</b>

Table 8

## CERTIFICATES OF CONSENT TO TRANSFER A LICENCE

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1995	–	2	2
New applications received in 1995/96	2	–	2
<b>TOTAL</b>	<b>2</b>	<b>2</b>	<b>4</b>
Certificates issued	2	2	4
Applications withdrawn or fallen	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 1996	–	–	–
<b>TOTAL</b>	<b>2</b>	<b>2</b>	<b>4</b>

Table 9

## TRANSFER OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1995	2	–	2
New applications received in 1995/96	2	2	4
<b>TOTAL</b>	<b>4</b>	<b>2</b>	<b>6</b>
Licences issued	3	2	5
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 1996	1	–	1
<b>TOTAL</b>	<b>4</b>	<b>2</b>	<b>6</b>

Table 10

## RENEWAL OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1995	–	1	1
Applications received in respect of licences expiring in 1995/96	106	13	119
<b>TOTAL</b>	<b>106</b>	<b>14</b>	<b>120</b>
Licences renewed	105	14	119†
Licences surrendered or allowed to lapse	7*	–	7*
Applications refused	–	–	–
Applications not determined by 31 March 1996	1	–	1
<b>TOTAL</b>	<b>113</b>	<b>14</b>	<b>127</b>

† Include five licences that were renewed between 1 January 1995 and 31 March 1995 to allow earlier introduction of the new bankers games. These were not included as 1994/95 renewals in last year's report.

\* Licences surrendered or allowed to lapse were all in respect of casinos where substitute licensed premises were opened in their place. Of these, four had previously been renewed in 1995/96 and have also been included in the line above.

Table 11

## CONTINUANCE OF CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1995	7	1	8
New applications received in 1995/96	3	–	3
<b>TOTAL</b>	<b>10</b>	<b>1</b>	<b>11</b>
Applications allowed	6	1	7
Applications withdrawn	–	–	–
Applications fell	–	–	–
Applications refused	1*	–	1*
Applications not determined by 31 March 1996	3	–	3
<b>TOTAL</b>	<b>10</b>	<b>1</b>	<b>11</b>

\* Revocation subsequently rescinded

## 4 : Licensed bingo

### Size of the industry

4.1 The number of bingo clubs holding Board certificates at 31 March 1996 was 961 (see table 12). This represents a decrease of 11 clubs or a little over one per cent from the figure at 31 March 1995. A decrease of 24 clubs in Scotland more than offset an increase of 13 in England and Wales. At 31 March 1991 the number of such clubs was 1,011: there has thus been a decrease of five per cent in the numbers of clubs over the last five years. Just over 100 of the clubs were not open at 31 March 1996, either because they did not have a licence or had a licence but remained closed.

4.2 The Board did not object to the issue or renewal of any bingo club licence during the period of this Report.

4.3 The trend towards new "greenfield" sites, as noted in previous Reports, has continued. There are more larger, purpose built clubs and fewer converted buildings such as cinemas, with the largest club for which a certificate of consent was issued during the year having over 3,000 seats. The Board is following this development with interest, especially in view of the possible impact on the shape of the industry, where some major operators are following a policy of rationalising their estates by disposing of smaller, less profitable clubs.

4.4 Of the 961 bingo clubs holding Gaming Board certificates of consent, although not necessarily open:

- Top Rank (part of the Rank Organisation) held certificates for 129 clubs;
- Gala Clubs (part of Bass Plc) held certificates for 127 clubs;
- 1 operator held certificates for between 30 and 40 clubs;
- 3 operators held certificates for between 20 and 29 clubs;
- 3 operators held certificates for between 15 and 19 clubs;
- 7 operators held certificates for between 10 and 14 clubs;
- 9 operators held certificates for between 5 and 9 clubs.

The remaining 373 certificates were held by "singleton" operators and in groups of less than five clubs. Around 108 of the licensed bingo clubs, detailed above, are those in holiday camps.

Table 12

NUMBER OF BINGO CLUBS 1996 (1995 IN BRACKETS)

	England and Wales	Scotland	Total
Holding Board certificates at 31 March 1996	847 (834)	114 (138)	961 (972)
Holding gaming licences at 31 March 1996	796 (781)	110 (122)	906 (903)
Known to be operating at 31 March 1996*	742	113	855

Source: Gaming Board records

In previous years the headings in this table have been wrongly described eg the first line has been mistakenly described as clubs licensed.

\* Figures for the previous year are not available.

## The financial trend

4.5 The figures below are provided by HM Customs and Excise and give the amount of money staked in licensed bingo clubs over the latest five years. They show a continuation of the upward trend. There was an increase of over seven per cent in the amount of money staked in the year to 31 March 1996. The amount of money staked increased by more than one-third between the year to August 1991 and that to March 1996.

Table 13

### AMOUNT STAKED ON LICENSED BINGO BY YEAR

	Amount staked in £million	Percentage change from previous year
September 1990 to August 1991	661	6.9
September 1991 to August 1992	715	8.2
September 1992 to August 1993	787	10.1
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

Source: Customs and Excise

\* Following changes at Customs and Excise, more regular figures are available and the opportunity has been taken to bring this table into line with the Board's reporting year.

## Linked bingo

4.6 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 remained broadly constant during the period, decreasing from 691 to 688. Improvements in technology which permit easier linking may reverse the generally downward trend of the last few years. Linked bingo is still provided in about two thirds of clubs and is clearly still popular.

## The National Game

4.7 Multiple bingo, generally known as the National Game, is played by clubs across the country in accordance with the Gaming (Bingo) Act 1985. It was first played in the summer of 1986.

4.8 The National Bingo Game Association Limited (NBGA) are the only holders of a Board certificate of approval to operate the game. The NBGA paid the fee for the continuing in force of the certificate for a further three years in 1995. The number of clubs registered to play in the National Bingo Game was 659 at 31 March 1996, compared with 694 a year earlier.



4.9 The game consists of a single game each day (two on Saturday) in which all participating clubs play to a single set of computer generated numbers. The large number of participating clubs allows for the payment of very large prizes. The first "Supanova" game, following the increase in prize limits on 1 March 1995 to £250,000, took place on Saturday 22 April 1995. The stake for the National Game was increased from 25p to 40p on 15 September 1995. Further comment on the game and its popularity is given in chapter 8.

## Meetings with the industry : Board/BAGB Working Group

4.10 The Working Group met three times during the period of this Report. Progress on some items proved difficult, particularly as several of the areas under consideration were to be included in the Home Office consultation document (see paragraph 4.14). The Working Group still afforded an opportunity to consider issues raised and it helped both parties in their deliberations when the document was published in February 1996.

4.11 The following areas were addressed:

- i) prize bingo and amendment to Code of Practice (see paragraph 4.19);
- ii) advertising;
- iii) hours and charges (PAR fees);
- iv) membership and the 24 hour rule;
- v) three year licensing;
- vi) valuation of non-monetary prizes;
- vii) increases in the number of MCB playing positions and amendment to the Code of Practice (see paragraph 4.15); and
- viii) triennial review of gaming machine stakes and prizes.

## Meetings with the industry : Board/NBGA Working Group

4.12 The first meeting of the Board/NBGA Working Group was held on Monday 24 April 1995, to provide a forum for discussion between officials of the Board and the NBGA. A second meeting of the Working Group was held on Tuesday 5 March 1996. At this meeting the NBGA outlined the areas in which they sought changes and their nature. The following areas were addressed:

- i) ticket sales trends;
- ii) industry research;
- iii) added prize money;
- iv) change to allow for the rolling-over of the jackpot prize;
- v) house prizes;
- vi) advertising; and
- vii) increasing the number of permitted games in a day.

Further meetings to discuss in particular the implications of changes proposed in the consultation paper (see paragraph 4.14) are planned.

## Meetings with the industry : Gaming Board and NBGA

4.13 A meeting was held between representatives of the NBGA and Gaming Board members on Thursday 28 September 1995. It was informal in nature and allowed members to take receipt of NBGA concerns and plans for the future.

## Deregulation of bingo

4.14 The Home Office consultation paper on casinos and bingo clubs was published at the end of February 1996. Amongst the areas it addressed in respect of bingo were relaxation of the rules concerning advertising; club status and membership; licensing arrangements; the charging system; controls on added prize money; linked bingo and multiple bingo; controls on mechanised cash bingo and prize bingo and the use of debit cards in bingo clubs. The Board's response to the document as a whole as described in Chapter 1.

## Increases in the maximum number of playing positions for Mechanised Cash Bingo (MCB)

4.15 Following receipt of representations from the industry, the Board/BAGB Working Group considered a proposal for amendment to the MCB Code of Practice which would allow for a "stepped" maximum number of playing positions related to the size of the club. The proposal was that the limit for the number of MCB playing positions should be:

- 400 positions for clubs with up to 1,000 seats
- 600 positions for clubs with between 1,001 and 2,000 seats
- 800 positions for clubs with over 2,000 seats.

This was accepted by the Board and came into effect on 15 April 1996. The amended Code of Practice appears at Appendix VII.

## Increases in charges and prizes

4.16 The Board held its annual meeting with the Bingo Association of Great Britain (BAGB) on levels of charges and prizes on 16 November 1995. BAGB did not seek any increases in added prize money or the linked bingo prize limit, choosing to concentrate on seeking an above inflation increase in PAR fees, and finalising discussions on a significant increase in prize bingo limits.

4.17 The BAGB sought an increase in the PAR fee limit from £6.80 (+ VAT) to £12.00 (+ VAT) per charging period. The BAGB said that this would help the industry respond to the threat it faced from the National Lottery. The Board was not willing to recommend such a large rise and suggested instead of figure of £8.00, subject to certain conditions.

4.18 The Board made its recommendations to the Home Office and Ministers approved an increase in the admission/participation fee (PAR fee) of 17 per cent from £6.80 (+ VAT) to £8.00 (+ VAT) from 13 May 1996, without condition.

4.19 The BAGB sought an increase in the prize bingo stake and prize limits to £80.00 in return for a Code of Practice which in particular guaranteed a 50 per cent return, after tax, to

players. The agreement has run into problems over the wording of the Code of Practice but negotiations are continuing. It is hoped that the Code of Practice can be agreed and the Order to raise the stakes and prizes limits laid in the near future. The BAGB are aware that Home Office Ministers have agreed to the increase in principle.

## **BAGB annual general meeting**

4.20 As is customary the Chairman of the Gaming Board addressed the BAGB AGM on Thursday 6 April 1995. Subsequent questions from the floor afforded a good opportunity to hear the views of operators.

## **Ad hoc meetings with operators**

4.21 The Board is always willing to meet with operators to discuss their plans and difficulties. In particular the Board appreciates being kept aware of re-organisations and proposals to rationalise operator's estates.

## **The Board's view on the charging arrangements for bingo**

4.22 The Board's view remains as set out in paragraphs 4.14 - 4.19 of the last Annual Report. In particular, the Board remains concerned over the trend towards bingo becoming a harder form of gaming; lack of transparency in the charges levied; and the complexity of charging notices. It has taken account of these concerns in its response to the Home Office consultation document (see paragraph 4.14).

## **Number of jackpot machines in bingo clubs**

4.23 Previous Reports have recorded the Board's support for a request from BAGB that the numbers of club or jackpot machines permitted in bingo clubs should be increased from two to four. The Government issued a consultation document on this and other issues on 29 March 1995 and an order implementing the change came into effect on 20 June 1996 (see paragraphs 1.16 to 1.18).

## **Planning approval in connection with applications for certificates of consent**

4.24 Paragraph 4.3 above refers to "greenfield" sites. The Board's position remains as set out in last year's Report that certificates of consent will not be issued until applicants for new, yet to be built clubs, provide copies of planning applications and undertakings to surrender the certificate of consent or related licence should the planning application not be granted or should the plans be substantively altered. The Board believes that this practice provides a valuable safeguard whilst allowing progress, and it continues to be a requirement in all new build applications.

## **Definition of premises**

4.25 During the period of this Report, following the grant of a certificate of consent, an operator was refused a gaming licence for a "greenfield" site because the licensing justices believed that an actual building needed to exist before they could grant the licence. This view was contrary to a legal opinion obtained by the Board and to the advice the Board gives annually in its memorandum of advice to licensing justices. The operator sought a judicial review of the Justices' decision and at a hearing on 13 March 1996, at which the Board was also represented,

the High Court determined that it was possible for a gaming licence to be granted where the premises had yet to be built. The Board welcomes the judgment which clarifies the position and allows applicants to obtain a licence before committing themselves to major expenditure.

## Consent applications

4.26 The following tables show the results of consent applications made to the Board during the period 1 April 1995 to 31 March 1996 and the number and outcome of subsequent licence applications.

### OUTCOME OF BINGO CONSENT AND LICENCE APPLICATIONS 1 APRIL 1995 - 31 MARCH 1996

Table 14

#### NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1995	19	0	19
New applications received in 1995/96	63	20	83
<b>TOTAL</b>	<b>82</b>	<b>20</b>	<b>102</b>
Certificates issued	64	16	80
Applications withdrawn	8	2	10
Applications refused	0	0	0
Applications not determined by 31 March 1996	10	2	12
<b>TOTAL</b>	<b>82</b>	<b>20</b>	<b>102</b>

Table 15

#### NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1995	35	6	41
New applications made	58	13	71
<b>TOTAL</b>	<b>93</b>	<b>19</b>	<b>112</b>
Licences issued	43	7	50
Applications withdrawn	5	2	7
Applications refused	1	1	2
Applications not determined by 31 March 1996	44	9	53
<b>TOTAL</b>	<b>93</b>	<b>19</b>	<b>112</b>

Table 16

## TRANSFER CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1995	6	0	6
New applications received in 1995/96	21	8	29
<b>TOTAL</b>	<b>27</b>	<b>8</b>	<b>35</b>
Certificates issued	24	7	31
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 1996	3	1	4
<b>TOTAL</b>	<b>27</b>	<b>8</b>	<b>35</b>

Table 17

## TRANSFER OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1995	17	0	17
New applications made	26	4	30
<b>TOTAL</b>	<b>43</b>	<b>4</b>	<b>47</b>
Licences issued	21	4	25
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 1996	22	0	22
<b>TOTAL</b>	<b>43</b>	<b>4</b>	<b>47</b>

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

4.27 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 and 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.

# 5 : Certification of Employees

## Policy and procedures

5.1 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 covers those who work on the gaming floor and/or who manage such employees. 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.

5.2 The Annual Report for 1993/94 noted that a certification scheme for casino executives had been introduced from January 1994. This "white certificate" scheme has now been in operation for over two years and a total of 143 such certificates had been issued by 31 March 1996. 13 certificates were issued in the period of this report.

5.3 The Board issues certificates of approval as follows:

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

Appendix VIII of the last Annual Report gave the parameters for the green, grey, white and pink certificates.

## Applications

5.4 The following table gives 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. The number of certificates issued in 1995/96, at 5,233, was an increase of almost 20% on the previous year. Details of the outcome of applications and certificates issued by type for the latest year are given in tables 21 and 22.

Table 18

### APPLICATIONS FOR CERTIFICATES OF APPROVAL 1991/92 TO 1995/96

	Number of applications received	Number of certificates issued
1 April 1995 - 31 March 1996	5,755	5,233
1 April 1994 - 31 March 1995	4,847	4,396
1 April 1993 - 31 March 1994	4,472	4,166
1 April 1992 - 31 March 1993	4,032	3,727
1 April 1991 - 31 March 1992	5,455	4,917

## Issue of certificates

5.5 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 of the Gaming Act 1968. This often delays the processing of applications. However, on average during the year 90 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 an average of 89 per cent in 1994/95 and 87 per cent in 1993/94.

5.6 Applicants for the casino managers' (grey) and those for the casino executives' (white) certificate who are new to the industry normally require an interview and such applications are as a result subject to a longer timescale than other applicants.

5.7 The Board has since July 1993, as a matter of course when it issues a certificate, sent an accompanying 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.

## Quality of managerial applicants

5.8 The standards of first-time applicants for the managers' grey certificate remained high. Where the applicant did not meet the required standard at the interview with Board officials, the application was deferred by agreement to allow the applicant to improve his or her knowledge of the Gaming Act 1968 and the Regulations made under it. Only three applications were deferred during the period of this Annual Report. The Board continues to regard it as important that high standards are maintained and that holders of this certificate should understand the reasons which lie behind the Regulations, and the reasons for the rules they must follow. The Board was generally pleased by the continued efforts of operators to ensure that senior staff received adequate training before they applied for the managers' certificate.

5.9 The Board, of course, expects a particularly high standard of applicants for its casino executives' white certificate. Where such applicants are new to the industry and have not previously held a grey certificate, they are interviewed by a panel consisting of a Board member and the Chief Inspector. Two such applicants were interviewed during the year and both were issued with a white certificate.

## Revocation of certificates

5.10 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 of a certificate holder, he or she is offered the opportunity to appear before the Board or to make written representations to explain his or her actions. Reasons for revocation of certificates in the year ending 31 March 1996 were as follows:

Table 19

REASONS FOR REVOCATION OF CERTIFICATES 1 APRIL 1995 - 31 MARCH 1996,  
(1 APRIL 1994 - 31 MARCH 1995 IN BRACKETS)

	Cases	Per cent
Involvement with drugs (including drug-related convictions)	13	18 (13)
Socialising with members	9	12 (9)
Bingo - theft and misappropriating funds	8	10 (7)
Incurring convictions after the issue of a s19 certificate (excluding drug-related convictions)	8	10 (22)
Theft from employers	8	10 (17)
Visiting and gaming in another casino	8	10 (17)
Failing to declare convictions in breach of s.23(6)	6	8 (-)
Collusion with players	5	7 (6)
Failure to provide proper management controls	3	4 (4)
Allowing gaming on credit in breach of s.16 of the Act	2	3 (6)
Others*	6	8 (2)

\* Relates to falsifying company records, being drunk on duty, assault on another member of casino staff, fraudulently claiming DSS benefits, breach of section 12 of the Act and declining to repay over-payment of salary.

The Board remains convinced that it is most important that contracts of employment and conditions of service make it clear to gaming staff that such incidents are likely to result in the revocation of certificates of approval; and that senior staff should set a good example to their juniors.

5.11 Whilst the Board considers each case on its merits, it is unlikely to allow any certificate holders dismissed from their employment for possession or use of illegal substances, whether on or off the premises, to retain their certificates of approval.

## Interviews

5.12 During the period 1 April 1995 to 31 March 1996, 216 interviews were held.



Table 20

**REASONS FOR INTERVIEWS IN CONNECTION WITH CERTIFICATES OF APPROVAL: 1 APRIL 1995 - 31 MARCH 1996**

Type of certificate	Number of interviews	Remarks
Casino executive (white)	2	2 were granted
Gaming manager (grey)	48	45 were granted 3 were deferred
Gaming inspector (yellow)	6	5 were re-applications after revocation and were granted 1 was refused
Gaming dealer (blue)	16	2 were re-applications following earlier revocation - 1 of which was refused 11 were granted 5 were refused
Bingo manager (pink)	123	2 were re-applications following earlier revocation - both were granted 114 were granted 6 were deferred 3 were withdrawn
Existing holders of certificates of approval relating to casinos and subject to adverse reports	17	16 had certificates revoked (3 of these were casino managers) 1 had no further action
Existing holders of certificates of approval relating to bingo clubs and subject to adverse reports	4	2 were revoked 2 had no further action

## Judicial review of decision in section 19 revocation case

5.13 In the light of the matter which led the Board and the police to take action against London Clubs International Plc in 1992 (see paragraphs 32 to 36 of the 1992/93 Report), the Board considered the suitability of certain of the senior management of the company at that time to continue to hold its section 19 certificates of approval. Following revocation of his managers' (grey) certificates, Mr Max Myer Kingsley, who was Chairman of LCI at the time of the Board and police action, challenged the Board's decision by way of judicial review. The case was heard over 16 days during October 1995 and, in his judgment in January 1996, Mr Justice Jowitt dismissed the application and awarded costs to the Board. The Board welcomes the judgment, particularly as it provided some very helpful guidance on issues such as the scope of the "fit and proper" test and the policy of the Act. Mr Kingsley lodged an out of time application to the Court of Appeal for leave to appeal, which had yet to be determined at the time of writing.

## Attendance at Gaming Board interviews

5.14 Certain applicants for certificates of approval and all those subject to revocation action are invited to appear before a panel of the Board or of officials. Although the Board's invitation to interview letter indicates that interviewees may be accompanied by their (prospective) employer, it seems that not all employers are aware of this. 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

5.15 In all cases where the Board is considering revocation of certificates the holders are offered the opportunity to appear in person before the Board or to make written representations. If they fail to accept either, or the Board's correspondence 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 55 certificate holders had their certificates revoked without interview, including 11 who made written representations.

## Reapplication after revocation action

5.16 The Board's policy continues to be, as noted in earlier Annual Reports, 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). For this purpose, revocation is deemed to have occurred 21 days after the Board's written notification of its decision to revoke the certificate(s).

## Overseas enquiries

5.17 The Board received 618 enquiries from regulatory authorities in other countries where individuals holding the Board's certificate were seeking employment.

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

5.18 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 or as a written warning. Six prosecutions were initiated by the police during the year.

5.19 It remains a requirement of all applicants to declare all convictions, police cautions and pending prosecutions on all applications.

## Revocation action involving cases awaiting determination by an Employment Tribunal or court action

5.20 The Board's policy remains that where an appeal to an employment tribunal is outstanding or a relevant matter is before a court, it will defer consideration of its revocation action until the tribunal's or court's determination is known.

## Decisions by outcome and issues by type, 1995/96

5.21 The outcome of applications for section 19 certificates, and certificates issued by type, for 1995/96 were as follows:

Table 21

### SECTION 19 CERTIFICATES: DECISIONS BY OUTCOME

	New certificates issued	Old certificates re-issued	Total certificates issued	Applications refused	Applications withdrawn	Revocations*
Casino Executive	13	0	13	0	0	0
Casino Manager	86	19	105	0	3	6
Casino Supervisor	90	24	114	0	0	1
Casino Inspector	1,492	248	1,740	0	63	27
Casino Dealer	2,957	118	3,075	5	453	30
Bingo Manager	175	11	186	1	3	12
<b>TOTAL</b>	<b>4,813</b>	<b>420</b>	<b>5,233</b>	<b>6</b>	<b>522</b>	<b>76</b>

A total of 76 individuals had certificates revoked: the number of certificates revoked was 207.

Table 22

### SECTION 19 CERTIFICATES: ISSUES BY TYPE

	New applications	Transfers	Promotions	Re-issues
Casino Executive	13	0	0	0
Casino Manager	4	37	45	19
Casino Supervisor	0	18	72	24
Casino Inspector	32	957	503	248
Casino Dealer	2,285	672	0	118
Bingo Manager	123	52	0	11
<b>TOTAL</b>	<b>2,457</b>	<b>1,736</b>	<b>620</b>	<b>420</b>

# 6 : Gaming Machines

## Number of machines in use and their location

6.1 With certain specified exceptions, those who wish to sell, supply or maintain gaming machines can do so only if they hold a certificate granted by the Board under section 27 of the Gaming Act 1968. While certificate holders are not required to submit to the Board details of the numbers of machines they sell, supply or maintain, machines used for gaming must, with certain exceptions, be covered by a gaming licence issued by H M Customs and Excise under section 21 of the Betting and Gaming Duties Act 1981. In past years H M Customs and Excise have provided separate figures on the number of club or jackpot machines and of amusement-with-prize (AWP) machines covered by gaming machine licences. Due to a change in the manner in which Customs and Excise now complete their statistics, it is no longer possible to provide such a break down.

6.2 Articles in the trade press estimate that there are in the region of 210,000 amusement-with-prizes machines currently sited in Great Britain. An additional 45,000 jackpot machines are located in casinos, bingo clubs and private members clubs. The break down of the distribution of AWP is estimated by BACTA (the trade association for the coin operated amusement machines industry) to be as follows:

	per cent
Public houses	40
Inland amusement centres	18
Bingo clubs	15
Seaside arcades	15
Single sites	4
Other premises (including service stations, leisure centres, amusement parks and holiday home parks)	8

Of the jackpot machines, the vast majority are located in private members' clubs.

6.3 No further research has been undertaken by the industry into the turnover of AWP and jackpot machines since that published by BACTA in 1993. That showed a figure of £9 billion turnover, of which some £7.2 billion was paid out in prizes to players. During the course of the forthcoming year BACTA hope to have more up-to-date data following the commission of research in this area.

## AWP trends

6.4 The domestic market for AWP and jackpot machines remained quiet during the period of this Report. In contrast, exports of fruit machines were buoyant, with France, Holland, Spain and Germany featuring as good markets. Sales to the USA were well maintained, while rising deliveries were also recorded in some of the Far Eastern countries; in particular higher sales for AWP machines were seen in Japan.

## Triennial review of AWP stakes and prizes

6.5 It is the Board's practice, in line with a recommendation made by the Royal Commission on Gambling, to review the monetary limits for AWP machines every three years. During the course of the 1995 review, the Board held a series of meetings with interested organisations and took account of the views expressed in formulating its recommendations to the Home Office. In the light of the Board's recommendations, the Home Secretary subsequently announced that the existing AWP limits of £3 for a cash prize and £6 for a non-monetary prize were to be increased to £4 and £8 respectively. In addition, the maximum stake for all gaming machines was increased from 20p to 25p. Ministers also agreed that the maximum prize for jackpot (club) machines, which is set by agreement between the Board and the industry, could increase from £200 to £250. At the request of the industry, the new prize and stake levels were implemented on 1 October 1995 to enable machines to be designed and site tested in time for the major trade exhibition in London in January (the Amusement Trades Exhibition International).

6.6 Commenting on the increases in her speech to the BACTA Convention on 5 December 1995, the Board's Chairman said that the rate of inflation had traditionally been the predominant factor in determining AWP prizes. However, in the 1995 exercise other external factors had weighed heavily. This was the first review in which AWP's had faced direct competition from the National Lottery and, more specifically, from the instant games. The industry had made clear its view that the National Lottery had fundamentally altered the environment for soft gaming. The industry had also emphasised that other areas of the gambling sector had received, or were in the process of receiving, concessions and relaxations from Government. BACTA had also stressed to the Board the need for an increase in the permitted stake principally in order that the extra costs of increased duties could, where necessary, be passed to players. Finally, the proposed introduction of the all-cash machine had added to the feeling of uncertainty for the future surrounding the AWP machine.

6.7 The Chairman stated that after considering the above factors, the Board was persuaded that there was a case for going beyond what was strictly justified by inflation and that it should recommend an increase, which should be in round pounds. The Board had recommended to Ministers new prize limits of £4 cash/£7 non-cash, while making it clear that it would not oppose increases to £4 cash/£8 non-cash if Ministers preferred the higher level (which as indicated above they did). The Board's initial recommendation makes it clear that the Board is not wedded to the maintenance of the 1:2 ratio between the two prizes and this could have implications for future changes. The Board considers that the level for stakes and prizes must reflect a balance between the wishes and needs of the industry and the fact that Parliament intended AWP's to be low stake, low prize machines which are often made available for children to play in arcades and other venues.

6.8 During the course of the 1995 review, and in light of the rapid rate of change in the small gaming environment, the Board received representations that in future stake and prize limits should be reviewed annually. The Board was not in favour of a formal annual review, but stated its willingness to consider annual representations from the industry as to whether new or changed factors had emerged which were sufficiently important to require that a review should take place in advance of the triennial cycle.

## All cash machine

6.9 As reported last year, on 29 March 1995, the Government issued a consultation document entitled "*Deregulation: Gaming Machines and Facilities in Betting Offices*" seeking comments inter alia on a proposal to introduce an all-cash AWP machine with a maximum prize of £10 which could be sited in premises offering an adult environment. Adult environments would consist of public houses and other liquor licensed premises, bingo clubs and amusement arcades to which access by under 18s was prohibited or contained designated areas to which such access was prohibited. At the time of writing the last Report the Board was considering the response it should make.

6.10 When first considering the possible introduction of an all-cash machine in early 1994, the Board had suggested a maximum pay out in line with that for AWPs, then £6, from a machine restricted to adult environments only. However, in its response of May 1995 to the Home Office consultation paper, it came to the decision not to oppose the Government's proposed £10 maximum prize. It did this for two main reasons. The first centred on the introduction of the National Lottery and the Government's support for relaxation of controls in other areas of gambling. It was felt that the National Lottery in particular was having a very substantial impact on the public's perceptions of the acceptability of gambling and the level of prizes. Although the Board believes that there is a danger of a "ratchet" effect developing with regard to increased access to and rewards from gambling, it accepted that it would be unreasonable to continue to argue against a £10 prize for all-cash machines in adult environments when major sums can be won over the counter of many thousands of retail outlets.

6.11 Second, in 1994, the Board had said that its support for the all cash machine was dependent on two safeguards, both of which were apparently acceptable to the industry. First, the Board would expect the introduction of the all cash machine to be accompanied by a requirement that the new machine should have affixed to it a statement of the minimum percentage payout, similar to that attached to an AWP in a bingo club. Second, the Board would expect the industry to acknowledge the need for an agreed guideline on acceptable methods of machine control and the establishment of a satisfactory machine testing regime (see paragraphs 6.17 to 6.19 below). Sufficient progress was made with BACTA on both points for the Board to inform the Home Office it was content to support a maximum prize of £10.

6.12 In its response to the Home Office the Board also re-affirmed its support for the proposals in the consultation document to restrict access to the all-cash machine by children and agreed that 18 is the appropriate age for such restrictions. The Board believes that it is important that restrictions on children's access to the machines are implemented effectively. Other changes introduced by the Government mean that public houses are becoming increasingly accessible to children. However, licensing justices have the power to impose restrictions on the numbers of gaming machines in public houses and the areas in which the machines may be sited and these can be used to control the possibility of access by children. The Board is also aware that concerns have been expressed as to how practicable it will be to exclude those aged under 18 from the designated and segregated areas in amusement arcades permitted to have the new machine. The Board agrees that the law will fall into disrepute if arcade owners do not enforce the age restrictions or if action is not taken against those who do not. Nonetheless, overall, the Board feels that the Government has produced a set of

proposals which are workable and enforceable and which recognise the dangers of children being provided with ready access to gambling facilities.

6.13 The report of the House of Commons Deregulation Committee on the Government's draft order was published on 20 February 1996. This drew attention to the inconsistencies in the current legislation controlling gambling and the use of gaming machines, especially with regard to the protection offered to children. The Committee noted the safeguards designed to offer protection to children from the all cash machine, but drew attention to the fact that children could play the proposed machine in pubs and bingo halls. Although content that adequate protection existed in bingo halls, it raised the question whether pubs were essentially adult environments in view of the system of Children's Certificates. The Committee was not confident that children in pubs will always be supervised by a responsible adult, and felt it necessary to impose some limitations on the all cash machine if the required protection were to be maintained. Having discounted the idea of making it an offence to allow under 18s to use these machines wherever sited, or introducing the concept of "designated areas" into pubs, the Committee made the recommendation that the proposal be amended to require that any all cash machine be located in the bar area of liquor licensed premises, where the publican would be able to supervise the machine adequately. It added that the Home Office should also issue guidance to publicans to ensure such machines are adequately supervised to ensure the protection of children. The House of Lords Select Committee Report did not recommend any further amendments to the Draft Deregulation Order. The Government laid the necessary orders to permit the siting of the all cash machines, amended as suggested by the Deregulation Committee, before Parliament and they came into effect on 20 June 1996.

## £1 stakes

6.14 During the year, BACTA submitted representations to both the Home Office and the Gaming Board saying that its members would like to be able to manufacture and operate gaming machines which were designed to accept only £1 coins for play. The submission was accompanied by a legal opinion which questioned the Board's long-standing interpretation that the Gaming Act requires machines to be able to accept the stake for a single play.

6.15 The Board obtained Counsel's opinion which confirmed that, while the issue was not one free from doubt, Counsel believed the 1968 Act would be construed by the courts to require single game playing of amusement with prize machines. This view was endorsed by the Home Office. In the light of this the Board told BACTA that it did not believe that it could alter its long-standing interpretation that the Act as it currently stands requires machines to provide a facility for single plays. However, the Board also confirmed that it no longer had any objection in principle to gaming machines which only accepted £1 coins. It would therefore not oppose any proposal to amend the law.

## The BACTA/Board working group

6.16 The BACTA/Board working group has continued to meet on a regular quarterly basis during the course of the year. The work undertaken by this group has added to the already good relationships which exist between the Board and the industry. It has made a valuable contribution to the agreed use of smart cards in AWP machines, to the progress in the complex issues of machine control and testing, and to the question of prizes in prize bingo in amusement arcades. Each of these issues is examined in greater detail in the following sections.

## Machine control and testing

6.17 As described in last year's Report, Board officials and members of BACTA have been meeting for some time to discuss the complex issues of machine control and machine testing in an attempt to agree a set of control guidelines and a testing regime. As a result of these discussions, the Board and BACTA have now produced a draft set of guidelines relating to controls permissible on amusement with prizes gaming machines of a reel based nature manufactured for use under section 34 of the 1968 Gaming Act. The purpose of the guidelines will be to make generally available an agreed list of those features which, if incorporated in AWP machines, will, in the view of the Board and BACTA, ensure that these machines operate in a way consistent with the requirements of the 1968 Act and do not otherwise contain features regarded as undesirable. Thus the Board and BACTA believe that machines complying with these guidelines will conform both with the requirements of the 1968 Act and with all previous guidelines and advice agreed with the industry concerning the performance of machines. Machines manufactured or converted in accordance with these guidelines will be regarded by the Board as satisfactory for operation under section 34 and the Board will make its view known as necessary to other authorities.

6.18 The Board and BACTA have also agreed a testing regime which will ensure that machines conform with the guidelines. For this purpose, BACTA has produced software which will read and analyse the payout profile of a machine and allow it to be compared with that expected from a machine which operates randomly. All gaming machines manufactured in Britain should now feature a "dataport", a device which enables data relating to the performance of the machine to be extracted. It is therefore possible to analyse how that machine has performed over any given period. The essential feature of the testing program is the ability to compare any software controlled machine's performance with that which would be obtained from a "randomly" operated machine. A series of games can be generated by means of this "random" model and the results compared with those produced by the software controlled machine. Similarities in outcome would indicate that the program was acceptable. Wide variations would call this into question and necessitate a more detailed examination of the machine's performance. If a machine did not comply with the guidelines, the Board would request that it be withdrawn from the market. The machine testing regime is subject to a one year trial period from 1 April 1996, at the end of which its success will be reviewed.

6.19 Both the Board and BACTA regard commitment to the machine control guidelines as expected good practice for the industry. Thus the Board encourages manufacturers and convertors to commit themselves to the guidelines and to ensure their machines fully comply with them. Similarly machine suppliers certificated by the Board under section 27 of the Act can best satisfy themselves that machines supplied by them do conform with the Act's requirements by ensuring that the manufacturers or convertors from whom they obtain machines, whether BACTA members or not, are aware of and implement the agreed control/testing regime.

## Smart cards

6.20 As also described in last year's Report, BACTA and Board officials have been working on a set of guidelines which would permit smart cards to be used in AWPs. A smart card is a device which enables "electronic tokens" to be used to pay for plays on a specially adapted machine; likewise winnings would be paid from the machine into various purses on the card in accordance with the terms of the 1968 Act.



6.21 The Board has always considered that smart cards should only be operated in accordance with guidelines which would ensure that the cards were not used in a manner which would otherwise breach the law. Agreement has now been reached between the Board and BACTA on a suitable form of wording for these guidelines. These are reproduced in Appendix VIII.

## Prize bingo played in amusement arcades

6.22 In 1995 BACTA asked the Board to approach the Home Office in support of its submission for an increase in the maximum cash prize payable from prize bingo played in amusement arcades from its current level of 30p to £5. In support of this request, BACTA maintained that an increase in the maximum cash prize of this magnitude was necessary to offer improved value for money to the customer and to make the game more competitive against other forms of soft gaming (including the National Lottery). AWP machines in arcades are capable of paying up to £4 cash and £8 non-cash prizes.

6.23 The Board believes that the introduction of cash prizes at this level will have an impact on the character of the game, which would move it away from one played essentially for non-monetary prizes. As a result, it has reservations whether such an increase in the maximum cash prize would conflict with the apparent intention of Parliament that prize bingo should be a game essentially with non-monetary, rather than cash, prizes. However, the Board has told BACTA that on agreement of voluntary codes with the industry guaranteeing a minimum return of 50% to the player and preventing those aged under 18 from playing the game, the Board would be prepared to recommend such an increase to the Home Office. The Board has now written to the Home Office on this basis and it will be for the Home Office to determine whether such an increase would conflict with the intention of the Act.

## Trading up of prizes in amusement arcades

6.24 At the time that this Report was being prepared there was some comment in the press concerning the HB Leisure case, which involved the trading up of small prizes won in an amusement arcade for items of greater value. Following the successful prosecution by the Crown Prosecution Service of the owners of the arcade on three charges at Crown Court, those owners, with the support of BACTA, appealed to the Court of Appeal on two of the counts. The Court of Appeal upheld the appeal and quashed the conviction on those two counts. In turn, the Crown Prosecution Service applied for leave to appeal to the House of Lords. This decision has been subject to criticism by representatives of BACTA and the industry on the grounds that the matter is "trivial" and the decision to seek appeal therefore oppressive. Whilst the Court of Appeal refused leave to appeal its decision, it did certify that the case raises a point of law of general importance. The Crown Prosecution Service has therefore petitioned the House of Lords for leave to appeal to it and that matter was outstanding at the time of writing.

6.25 The Board believes it would be helpful if it made its own position on this case clear. Whilst it is ultimately for the Crown Prosecution Service to decide whether to pursue the case, the Board welcomes its decision to do so. The case has always been seen by both sides as a test case. BACTA decided to support an appeal against the Crown Court judgment and the Board thinks that the Court of Appeal judgment leaves the law unclear and unsatisfactory. The case itself raises important issues relating to stimulation of demand particularly in respect

of a form of gaming which is readily available to children. The arcade involved in the case was operating a widely advertised formal trading up system, offering much larger prizes in exchange for small ones. This clearly encourages further play. Many of the prizes on offer were substantial, some worth several hundred pounds, and were not restricted to the “two teddy bears for one” variety, as suggested in some of the comments from the industry. The law states that the maximum prize levels for amusement-with-prizes machines shall be £4 in cash or £8 in tokens. In the Board’s view, it is in everyone’s interest to obtain clarification of the legal position on trading up.

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

6.26 The number of new applications received during 1995/96, and their outcome, is shown in the following table:

Table 23

### NEW APPLICATIONS FOR SECTION 27 CERTIFICATES

	England and Wales	Scotland	Totals
New applications outstanding on 31 March 1995	28	1	29
New applications received in 1995/96	35	1	36
<b>TOTAL</b>	<b>63</b>	<b>2</b>	<b>65</b>
Certificates issued	35	0	35
Applications refused	5	0	5
Applications withdrawn	14	0	14
To be determined, or awaiting payment of fee on 31 March 1996	9	2	11
<b>TOTAL</b>	<b>63</b>	<b>2</b>	<b>65</b>

## Renewal of certificates

### (i) Renewal of certificates from the original certification programme

6.27 177 Certificates from the original certification programme reached the end of their five-year life on 30 September 1995. By the end of March 1995 only 59 certificate holders were still undecided about whether or not to renew their certificates. Of these, 34 subsequently submitted applications and the remaining 25 decided not to seek renewal. The disposal of the applications, together with those carried over from the previous year, is shown in the following table.

Table 24

## RENEWALS FROM THE ORIGINAL CERTIFICATION PROGRAMME

	England and Wales	Scotland	Totals
Renewal applications outstanding on 31 March 1995	92	5	97
Applications received after 1 April 1995	34	0	34
<b>TOTAL</b>	<b>126</b>	<b>5</b>	<b>131</b>
Certificates renewed	124	5	129
Applications withdrawn	0	0	0
Applications refused	0	0	0
To be determined or awaiting payment of fee on 31 March 1996	2	0	2
<b>TOTAL</b>	<b>126</b>	<b>5</b>	<b>131</b>

## (ii) Renewal of other certificates

6.28 During the year another 171 certificates reached the end of their five year life. The Board was notified that renewal was not being sought for 51 of these. The outcome of applications made, together with the three renewal applications carried over from 1994/95, is shown in the following table:

Table 25

## APPLICATIONS FOR THE RENEWAL OF SECTION 27 CERTIFICATES

	England and Wales	Scotland	Total
To be determined or awaiting payment on 31 March 1995	3	0	3
Applications received in respect of certificates expiring during 1995/96	112	8	120
<b>TOTAL</b>	<b>115</b>	<b>8</b>	<b>123</b>
New certificates necessary	8	1	9
Certificates renewed	99	6	105
Applications withdrawn	0	0	0
Applications refused	0	0	0
To be determined or awaiting payment of fee on 31 March 1996	8	1	9
<b>TOTAL</b>	<b>115</b>	<b>8</b>	<b>123</b>

6.29 If a certificate expires and has not been renewed, the holder may continue to honour existing contracts but is not legally permitted 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

6.30 During the year one section 27 certificate was revoked and five applications for new certificates were refused.

## Certificates in force

6.31 On 31 March 1996 there were 889 certificates in force, 99 fewer than 12 months previously.

## Permits

6.32 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. Sixteen such permits were issued during the course of the year.

## Monitoring and enforcement

6.33 Commentary on the Board's Inspectorate role in monitoring and enforcing the operation of the 1968 Gaming Act in respect of gaming machines is given in paragraph 8.20.

# 7 : Lotteries

## Scale of lottery activity

7.1 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 the end of March 1995 there were 402 registrations with the Board, comprising 25 local authority schemes (including 18 modified schemes) and 377 societies. During the 12 months to 31 March 1996, 159 further societies were registered by the Board. No new local authority schemes were registered, but two expired. The Board received two notifications of modifications to existing local authority schemes. Eight registrations were cancelled, comprising six societies and two local authority schemes. The total number of extant registrations with the Board as at 31 March 1996 was thus 551, comprising 21 local authority schemes (including 18 modified schemes) and 530 societies.

7.2 Over the year therefore the total number of registrations increased by 37 per cent. This growth in numbers was expected as societies began to undertake lotteries under the new arrangements following the changes in May 1994 in the requirements regulating the lotteries to be registered with the Board. Before then, society schemes, rather than the societies themselves, with proceeds in individual lotteries of more than £10,000, were registered. Although direct statistical comparisons are thus not possible, at 31 March 1994, there had been 955 extant lottery schemes registered with the Board, comprising 41 local authority and 914 society schemes.

7.3 No lottery registrations were revoked by the Board during the course of the year, nor were any applications refused.

7.4 During the 12 months to 31 March 1996, the Board received 47 returns for lotteries promoted by local authorities, compared with 60 in the preceding 12 months. This continues the trend of diminishing activity in this type of lottery. Returns were received for 1,862 lotteries promoted by societies registered with the Board, compared with 1,084 for the preceding 12 month period. This represents an increase of 72 per cent.

7.5 Of particular interest over the last year however has been the increased proceeds from society lotteries registered with the Board. Total ticket sales in 1995/96 amounted to £79 million, more than double the previous year and following three years of decline. This is the highest recorded total since 1979/80. The following factors appear to account for the increase:

- \* the increase in the number of lotteries held;
- \* an increase in the average size of each lottery (i.e. tickets placed on sale and sold to the public);
- \* the impact of the selling force of Littlewoods Lotteries Limited, a Board certificated external lottery manager; and
- \* the sharp increase in the sale of UKCL ("Lucky Lotto") lottery tickets achieved by the various Friends of Rehab societies who donate their proceeds to Rehab.

It seems that the National Lottery may in fact have stimulated, rather than reduced, interest in other lotteries, at least those more commercially organised and promoted. Detailed figures on proceeds are given in the tables at the end of this chapter.

7.6 Societies running smaller lotteries, with proceeds of less than £20,000, register with local authorities. The Board has no records relating to these registrations.

## Action by the Board

7.7 This has again been a busy year for the Board's Lotteries Section. As indicated above, the amendments to the Lotteries and Amusements Act (see full details in last year's Report) require societies to register directly with the Board either if the total value of tickets or chances to be put on sale in any lottery is to exceed £20,000 or the total value of tickets or chances to be put on sale in any lottery, added to the value of those already sold or put on sale in all earlier lotteries in the same calendar year, is to exceed £250,000. It is the view of the Board that, taken together, the amendments to the Act have, on one hand, simplified, relaxed and clarified the rules applicable to lotteries and, on the other, improved the controls over an activity which can be susceptible to fraud. Registration procedures involve Board staff in vetting both the proposed scheme and the status of the society and the promoter (and in some cases other officials). The section's staff are now very much concerned with the detailed examination of financial returns for individual lotteries and, where any society or local authority sells more than £100,000 worth of tickets in all its lotteries held in one year, examination of accounts in respect of these lotteries together with a report on the accounts prepared by a qualifying auditor.

7.8 As stated, the Board's statutory responsibilities are limited to the larger society lotteries and those promoted by local authorities. However, arising from the amendments to the Act and associated with the increasing interest in lottery schemes, and especially instant lotteries, staff in the Lotteries Section and members of the Inspectorate receive in the order of 4,000 lottery related enquiries per year. Staff will do all in their powers to assist with these enquiries since in most cases there is no other body or organisation to whom callers can turn. However, it should be noted that in many instances the enquirer has to be advised that they may consider it prudent to obtain independent legal advice before proceeding with their proposals. It is not for the Board to offer a definitive interpretation of the law; that task must rest with the courts.

## Expense and prize levels

7.9 Despite the increased proceeds noted in paragraph 7.5, the impact of the National Lottery, and especially the instant games, remains a matter of concern to many who are involved in the promotion of society lotteries. They believe, when compared to Camelot, they are disadvantaged not only with regard to the scale of advertising and prizes available through the National Lottery, but also because there is a danger that the public may consider that there is less need to purchase charity and other lottery tickets because a proportion of the National Lottery monies received goes to good causes. While most society lotteries accept that the National Lottery is here to stay, they would like to see relaxations to the Lotteries and Amusements Act 1976 to enable them to ensure they can remain competitive.

7.10 During the period of this Report the Lotteries Council made an approach to the Home Office to increase the level of expenses permitted for society lotteries beyond the current maximum level of 30 per cent to one of 37.5 per cent. The need to advertise and to pay attractive commission levels to sales persons in order to compete with the National Lottery are part of the reasons why an increase has been requested. To achieve this, the statutory minimum proceeds which must go to the good cause would be reduced to a level below the

current 20 per cent figure. Other bodies within the lotteries field have advocated a relaxation of the statutory maximum limits on prizes, both with regard to the size of the first or top prize (currently limited to the greater of £25,000 or 10 per cent of the proceeds) and to the total prize pool (currently limited to 50 per cent of the proceeds). It is said that an increased prize level could attract purchasers who participate in lotteries more for the chance of winning a prize than for the purposes of supporting a good cause.

7.11 The Board considers that there is a danger that the purposes underlying the lotteries legislation could be lost sight of in considering increases of this order in the permitted expenses or prize limits. The law legalised society lotteries essentially as a means of raising money for good causes by permitting those good causes to benefit from the attraction that the public have for gambling, albeit of a “soft” nature. The prime intention of the legislation was not to provide the public with further gambling opportunities. Nor was it to permit expense levels of such a nature that the promotion of lotteries takes on an unduly commercial nature.

7.12 To reflect its intentions, Parliament limited the proportions of the proceeds which could be used for prizes (up to a total of 50 per cent) and expenses (up to a maximum of 30 per cent) in order to generate a minimum return of 20 per cent for the good cause. In the Board’s view, there must come a point at which the proportion going to the good cause becomes so low as to defeat the intention of the legislation; the Board would suggest that the current limits must be close to that point. Any introduction of combined expense and prize levels higher than their current limits must raise the question of whether what is being offered is in reality just another, essentially commercial, gambling product. Many people do buy society lottery tickets with the intention of supporting the good cause and would not expect minimal proportions to go to that good cause. Returns to the good cause of an order less than 20 per cent from a society lottery would, in the Board’s opinion, bring into question whether that lottery is justified given Parliament’s intentions.

7.13 On 21 March 1996, the Home Office issued a consultation document suggesting a compromise proposal. Under this, within an overall combined statutory limit of 80 per cent on the proportions of the proceeds of a lottery which could be used for expenses and prizes, greater flexibility would be provided by allowing the separate limits for expenses to be increased from 30 per cent to 35 per cent and for prizes from 50 per cent to 55 per cent. Whilst the Board does believe that the first of these would to some extent increase the emphasis on lotteries as commercial ventures and would allow operators/promoters to take more out of them and the second would increase somewhat the emphasis on the lottery as a gamble, it has said to the Home Office that it would not wish to oppose the proposals as long as the overall guaranteed minimum return to the good cause is not reduced below the current 20 per cent. Indeed, whilst the proposals may reduce the actual (as opposed to the guaranteed minimum) proportions of the proceeds which go to the good cause, the added flexibilities may, as their proponents would suggest, increase the total amounts raised for the good causes because they increase incentives amongst both those selling and buying tickets.

## Commission levels

7.14 With the introduction of the National Lottery, both in the on-line and instant format, societies are facing an increasingly competitive market for their lottery tickets. In turn they are attempting to adopt a more commercial approach in order to maintain their share of sales. A number of societies currently registered with the Board have for instance worked to

establish increased outlets through retailers and wholesalers for the sale of their tickets. However, the use of such means inevitably requires the payment of commission. As competition has increased to attract retailers to sell society lottery tickets, so the level of commission paid has begun to rise above the 10-12 per cent level suggested by the Board as an appropriate maximum.

7.15 While the Board would prefer maximum commission levels to remain within the 10-12 per cent range suggested in its publication "*Lotteries and the Law*", it does not believe it can oppose a higher commission level if the promoter demonstrates that such a level is necessary to enable the society conducting the lottery to gain access to additional retail outlets and so add to the success of the sale of tickets. What remains of prime importance to the Board however is that all expenses claimed by promoters are justified, and that the total expenses undertaken during the course of the lottery do not exceed the approved levels. The payment of excessive commission is not, in the opinion of the Board, a justified expense. Additionally, it could prove difficult for a promoter to pay a high level of commission and remain within the maximum 30 per cent expenses level. Expense levels above 15 per cent but within the 30 per cent statutory maximum require prior Board approval. The Board will continue to examine carefully such requests for approved expense levels above 15 per cent where the higher level is needed to enable commission above 12 per cent to be paid and will refuse approval if the commission proposed is regarded as excessive.

## External lottery managers

7.16 As was explained in last year's Report, no person or body can now manage a society's lottery or local authority lottery in the capacity of a lottery manager (often referred to as an external lottery manager) unless certificated by the Board. An external lottery manager is an outside body or person paid by a society or local authority to organise and manage lotteries on its behalf.

7.17 Since the introduction of this requirement on 3 October 1994 the Board has received a large number of enquiries as to what constitutes the "management" of a lottery. Many bodies who offer one or more service to societies conducting lotteries have enquired whether they are caught by the requirement to be certificated. This is a complex issue to which the Board can give no simple response. The Act states that "*references to managing a lottery are to managing the promotion, or any part of the promotion, of a lottery*" but does not otherwise define an external lottery manager. Clearly however the Act did not envisage the certification of (for instance) ticket printers, organisations providing a mailing service or indeed those who do no more than provide an advisory service. The pragmatic test which the Board is adopting is to check how the finances are handled and how, for instance, contracts with retailers or other ticket sellers are established. Hence, if the external organisation supporting the society establishes the ticket selling base, settles the contracts with those sellers and handles the supply of tickets and the monies resulting from ticket sales, then it appears to the Board that they are acting as an external lottery manager and need to be certificated by the Board. If, however, the society itself undertakes these functions, it would appear to the Board that it is retaining the responsibility for promoting its own lottery. As stated above, this is a complex area, and one which both societies and those providing services as a third party may wish to seek legal advice.

7.18 At 31 March 1996, the number of companies registered as external lottery managers remained at two, the figure for the previous year. However, the Board also had four



applications outstanding at that date. Each of these cases has proved to be very involved, placing demands on both the Lotteries Section staff and the Inspectorate. Although it is always the intention to process such applications as quickly as possible, where there are overseas connections associated with the application, or companies applying which possess intricate corporate structures, such factors inevitably add to the time taken to process the case. The duty of the Board is to satisfy itself that the applicant is fit and proper; in certain cases this can prove to be a lengthy process.

## “Skill competitions”

7.19 The Board has previously made public its disappointment that its concerns about the proliferation of so-called “skill competitions”, often conducted by means of premium rate telephone lines, could not be addressed during the passage of the National Lottery etc Act 1993. Such competitions are the subject of many of the enquiries received by the Lotteries Section and the Board’s Inspectorate. The Board has always been of the opinion that limited skill plays a part in only the first stage of such competitions. Due to the nature of the questions, many of those who enter successfully negotiate the first stage of the competition. The winner(s) are then determined by means of a draw and it is this, in the Board’s view, which makes competitions of this nature lotteries run for commercial or private gain. Lotteries run for such purposes are unlawful. By purporting to introduce an element of skill, the organisers of such competitions attempt to bring them within the ambit of section 14(1)(b) of the 1976 Act, which allows competitions in which success depends to a substantial degree on the existence of skill. Competitions run under section 14(1)(b) are subject to no regulation or supervision and very little statutory protection for the public (including children) who may be persuaded to participate in them, often at a cost very significantly in excess of £1 (the maximum permitted price of a society lottery ticket).

7.20 As reported previously, a premium rate telephone competition called Telemillion was brought to the Board’s attention in January 1994. The Board believed that the form of this competition was likely to involve the company in one or more contraventions of the 1976 Act. The case was therefore referred to the Crown Prosecution Service who decided, after investigation by the Hampshire Constabulary, to charge Interactive Telephone Services, the company responsible for running Telemillion, on two counts: that Telemillion was an unlawful lottery under section 2 (1)(b) of the 1976 Lotteries and Amusements Act as Amended; and that it was an unlawful competition and thus contrary to section 14(1)(b) of the same Act.

7.21 The case was heard before a Stipendiary Magistrate in Southampton at the end of July and in early August 1995. Interactive Telephone Services was found guilty on both counts. Of especial interest are the factors which the Stipendiary Magistrate stressed when formulating his determination in this case. Although the participants had to answer a question, those who did so went forward to a second stage, namely the draw. Many of the participants answered the question correctly, and this was not what determined the winner. The winner was subsequently determined by means of chance. That skill played no part in the second stage of the scheme meant that it could not be considered a skill competition. That payment had to be made to enter a scheme whereby a prize was awarded to a winner determined by chance made it an unlawful lottery. The defendant did not appeal against the judgment.

7.22 The Board has subsequently written to the Independent Television Commission, the BBC and ICSTIS (who monitor the use of premium rate telephone lines) making the outcome of this case known to them. The letter drew attention to the fact that there are many similar competitions to Telemillion on television and in periodicals in which the element of skill required is low and in which a large percentage of those entering by means of a premium rate telephone call will give the correct answer to the question posed. The winners are then determined by a second stage draw. The Board has asked these bodies to consider the implications of the outcome of the Telemillion case for any current competitions with which they are associated.

## Keno

7.23 The Board has recently been informed that a society to promote "Keno", mainly in public houses and clubs, under its lotteries registration with the Board. The Board doubts whether Keno can operate properly as a society lottery under the 1976 Act. At the time of writing this report, it remains in correspondence with the society on this matter.

7.24 Keno is a game where a player selects numbers from a field of 80. The player decides how many to select up to a maximum of 10. Within 5-10 minutes a draw is held and 20 winning numbers are displayed on a TV monitor. The player matches the numbers he has selected with those displayed on the screen. The winnings are based on fixed-odds; the pay-outs increase with the number of numbers chosen and matched.

7.25 The game itself is unlike a lottery in any traditional or generally understood sense. Rather it displays attributes more commonly associated with betting and/or gaming. It involves placing a wager at fixed odds in which the amount which can be won can be increased by raising the stakes on specific bets. The game is repetitive with draws at 5-10 minute intervals which increases the temptation for players to chase losses. The nature of the way the game is played, with computerised displays of winning numbers, makes it inevitable that it will provide a focal point in whichever location it is played; and this itself stimulates playing. The Board has serious reservations about the prospect of Keno being played in public houses. They are not appropriate venues for such gambling: the law has always tried to ensure that only small scale gambling is permitted in them.

## Lottery statistics

7.26 The first table below gives details of accounts/returns received from 1 April 1995 until 31 March 1996 for lotteries registered with the Board. It shows the proceeds for society and local authority lotteries in accounts received, whether under the new arrangements or the old.

7.27 The second table shows comparative figures for the total ticket sales on accounts received for each year from 1 April 1991 to 31 March 1996 for lotteries in Great Britain under schemes registered with the Board. Any comparative exercise will need to reflect the May 1994 changes to the requirements for those who need to register with the Board.

Table 26

DETAILS OF ACCOUNTS AND RETURNS RECEIVED IN THE PERIOD 1 APRIL 1995 TO 31 MARCH 1996 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	1,716	73,380,945	17,532,304	23.89	22,957,153	31.28	32,891,488	44.82
Scotland	146	5,579,372	1,536,207	27.53	2,024,709	36.29	2,018,457	36.18
<b>TOTAL</b>	<b>1,862</b>	<b>78,960,317</b>	<b>19,068,511</b>	<b>24.15</b>	<b>24,981,862</b>	<b>31.64</b>	<b>34,909,945</b>	<b>44.21</b>

**Local Authority Lotteries**

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
England and Wales	47	601,503	168,737	28.05	252,953	42.05	179,813	29.89
Scotland	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>47</b>	<b>601,503</b>	<b>168,737</b>	<b>28.05</b>	<b>252,953</b>	<b>42.05</b>	<b>179,813</b>	<b>29.89</b>

**Total All Lotteries**

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
	1,909	79,561,820	19,237,248	24.18	25,234,814	31.72	35,089,758	44.10

Table 27

TOTAL TICKET SALES AND NUMBERS OF LOTTERIES SHOWN ON ACCOUNTS AND RETURNS RECEIVED BETWEEN 1 APRIL 1991 AND 31 MARCH 1996.

**Society Lotteries**

	1991/92		1992/93		1993/94		1994/95		1995/96	
	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	51.01	956	42.42	972	39.95	983	34.25	982	73.38	1,716
Scotland	2.75	93	2.92	89	1.68	103	3.76	102	5.56	146
<b>TOTAL</b>	<b>53.77</b>	<b>1,049</b>	<b>45.34</b>	<b>1,061</b>	<b>41.62</b>	<b>1,086</b>	<b>38.01</b>	<b>1,084</b>	<b>78.96</b>	<b>1,862</b>

## Local Authority Lotteries

	1991/92		1992/93		1993/94		1994/95		1995/96	
	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	2.11	149	1.41	106	1.33	85	0.73	60	0.60	47
Scotland	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>2.11</b>	<b>149</b>	<b>1.41</b>	<b>106</b>	<b>1.33</b>	<b>85</b>	<b>0.73</b>	<b>60</b>	<b>0.60</b>	<b>47</b>

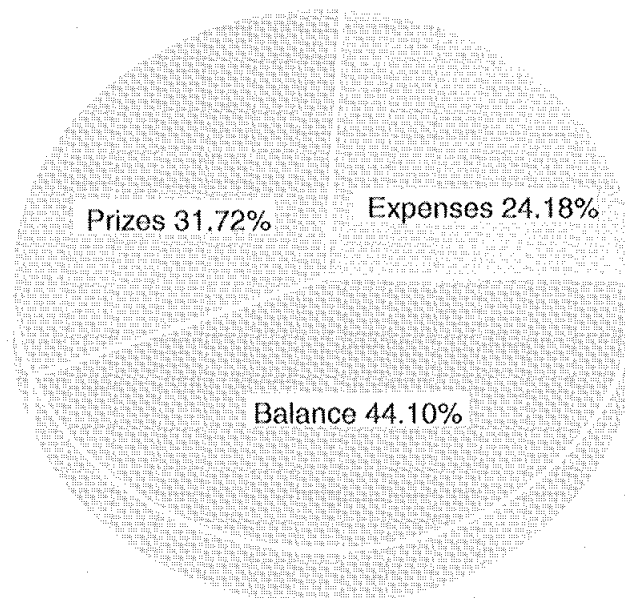
## Total All Lotteries

	1991/92		1992/93		1993/94		1994/95		1995/96	
	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
<b>TOTAL</b>	<b>55.88</b>	<b>1,198</b>	<b>46.75</b>	<b>1,167</b>	<b>42.95</b>	<b>1,171</b>	<b>38.74</b>	<b>1,144</b>	<b>79.56</b>	<b>1,909</b>

# SOCIETY & LOCAL AUTHORITY LOTTERIES

## APPROPRIATION OF PROCEEDS

1995/96



### Legend

Expenses

Prizes

Balance

# **8 : Inspectorate, Operational Issues and Enforcement**

## **Introduction**

8.1 During the year Mr G Rimmer Senior Inspector for the Northern Region and Mr R Allwood, Mr T H Holder and Mr G F Hughes the Inspectors for Birmingham, South Wales and the South East areas respectively retired after service totalling 51 years with the Board. A programme to recruit and train three new Inspectors was completed during the year and further recruitment of two more to fill one of these vacancies and a forthcoming retirement is taking place. Mr G Smale was promoted to Senior Inspector Northern Region. These appointments will maintain the Inspectorate's full complement of 35.

8.2 As mentioned in paragraph 2.15 the Inspectorate is structured into five regions with offices in London, Bristol, Nottingham, Manchester and Glasgow. Each regional office has a Senior Inspector in charge and a number of Area Inspectors who are based either at the regional office or work from their homes. Regional offices are supported by an Administrative Officer who acts as the office manager. Headquarters Inspectorate staff comprise the Board's Specialist Machines Inspector, the Deputy Chief Inspector and the Chief Inspector supported by a Personal Secretary and Intelligence Officer.

8.3 The Inspectorate completes a programme of inspections in accordance with Board policy which is reviewed annually. This programme is designed to ensure that premises licensed under the Act are visited regularly to confirm that gaming is fairly and properly conducted in accordance with the provisions of the Gaming Act 1968 and other Regulations. Action in respect of breaches of the Act or Regulations or breaches of codes of practice or guidelines agreed between the Board and the trade associations will depend on their seriousness and frequency. Serious or persistent breaches may result in objections to the renewal of or applications to cancel licences. The revocation of section 19 certificates held by employees will also be considered in appropriate cases. However in the majority of instances minor transgressions are dealt with by way of the Senior Inspector issuing a formal warning or by an Inspector giving an oral warning or advice. Where proceedings for breaches of the Act or Regulations are justified these will be referred to the appropriate Chief Constable or Chief Officer of Police who continues to have responsibility for the initiation of proceedings.

8.4 During the year the Board's Inspectors made 1996 supervisory visits to casinos and 3199 to bingo clubs. 550 inspections of certificated machines suppliers and 18 lottery inspections were completed. Inspectors also carried out a large number of separate investigations, some of which are referred to later in this chapter. These investigations generally comprise enquiries into certificate of consent applications, revocation of section 19 certificate cases, irregularities and complaints in respect of licensed or other premises and unlawful gaming. Inspectors also assisted police in the majority of 24 prosecutions which were initiated in respect of gaming and lottery related offences and were named in 12 warrants issued under section 43 of the Gaming Act 1968.

8.5 The Board continues to provide the police, the courts and other authorities with specialist assistance and advice. During the year Inspectors assisted by the Specialist

Machines Inspector gave 22 talks to the police and 16 to gaming licensing authorities. The South East Region held one gaming course for Metropolitan Police Officers and Inspectors in the Northern Region and the Specialist Machines Inspector assisted in instruction on two courses hosted by the Greater Manchester Police.

8.6 The Inspectorate regards its commitment to training of police and licensing justices as an important function. In particular it provides the opportunity for police officers of various ranks to consider their responsibilities under the Act. The Inspectorate maintains a close liaison with the National Criminal Intelligence Service, Police Licensing and Clubs Units throughout the country and with other agencies. The Board wishes to thank these for the valuable assistance the Board's staff and Inspectorate have received during the year. In particular it wishes to record its thanks to Detective Constable Barry Peabody of the Financial Intelligence and Money Laundering Section, National Criminal Intelligence Service who has been the Board's Liaison Officer for the past 14 years and retires later in 1996. Detective Peabody has assisted the Board on many occasions during that period and has travelled with the Board's Inspectors during investigations abroad and particularly in America.

## Casinos

8.7 As reported earlier there were 119 casinos operating throughout England, Wales and Scotland at 31 March 1996. In contrast to most casinos in jurisdictions throughout Europe, Australia, America and elsewhere they are small in size and must operate as clubs. Generally they are furnished to a high standard: in addition to providing casino games, the most popular of which are Roulette and Blackjack, many have restaurants which provide meals of good quality to members and their guests. Card room facilities are common where games of equal chance such as Poker, Kalooki and Mah Jong are played. In some casinos card room competitions are frequently arranged. London casinos continue to offer high stake gaming and attract major players from all over the world. These casinos are world famous in the international gaming market and provide facilities of the highest standard.

8.8 In addition to the inspection programme outlined in paragraph 8.3 above the Inspectorate completed seven extended in-depth inspections of casinos. These inspections are detailed and carried out by a number of Inspectors supervised by a Senior Inspector possibly over a period of several days. The objective is to examine all aspects of the casino operation and to audit internal and control procedures with a view to identifying weaknesses. The inspections are carried out with the co-operation of licensees who are subsequently advised of any perceived shortcomings.

8.9 The majority of casinos also have their own internal audit inspection programmes. In some cases, notably the group operators, these programmes are detailed with audit teams responsible solely for that function. The results of such audits may be passed to a compliance committee which generally consists of non-executive directors to whom the executive director responsible for compliance will report. This practice continues to develop and is welcomed by the Board as being a useful safeguard to licensees.

8.10 In the Board's last Annual Report reference was made to the introduction in January 1995 of the Code of Practice Relating to the Prevention and Detection of Money Laundering in Casinos. This Code approved by HM Treasury and agreed between the Board and the British Casino Association has been in operation for one year. The Board's Inspectors are

responsible for ensuring compliance with the Code and the Deputy Chief Inspector meets with a sub committee of the British Casino Association where any difficulties with the Code are addressed. However other than a newly agreed procedure relating to identity confirmation of members and guests the Code remains unchanged and has proved effective in identifying a number of suspicious transactions requiring further investigation.

8.11 The Gaming Clubs (Bankers' Games) Regulations 1994 referred to in the Board's last Annual Report have also been in effect for over 12 months. The most significant change to the previous Regulations was the introduction of two new games of Casino Stud Poker and Super Pan 9. Casino Stud Poker continues to be popular but Super Pan 9 is not and a number of casinos have removed these tables.

8.12 The use of computer technology in casinos continues to develop. Inspectors are required to have sufficient skills to understand the methods of recording used with a view to detecting inaccuracies in proper recording or failure to record. The detailed inspection programme referred to in paragraph 8.8 has been reviewed to take into account this development.

8.13 Once again this year a number of cases alleging dishonesty by certificated staff have come to notice. In one case three employees were charged with conspiracy to defraud the casino by means of collusion. Prison sentences of 2½ and 1½ years were imposed on two while the third received a suspended sentence of 1½ years imprisonment. One player concerned in the conspiracy received 180 days community service with orders for £2,000 compensation and £225 costs. Another person has yet to be prosecuted. In another case a certificated employee was sentenced to 12 months imprisonment suspended for 12 months, fined £1,000 with £250 costs for collusion with a casino member to steal monies from the casino. In yet another case a certificated employee was sentenced to 3 months imprisonment following an alleged collusion with a casino member.

## Bingo

8.14 Like casinos, bingo outlets licensed under the provisions of Part II of the Gaming Act 1968 must operate as clubs. As mentioned earlier in this Report, the trend continues towards the development of large purpose-built "out of town" clubs. Providing substantial seating capacity in comfortable surroundings with licensed bars, eating areas, computerised calling and prize display facilities, these clubs which often provide ample car parking prove very popular with those who are able to travel to them independently. However licensees also regularly provide free coach transport from nearby towns or localities. Bingo players are attracted by the large prizes in and inducements to attend these clubs and in some cases admissions reach 10,000 per week. Inspectors report that the growth in popularity of these clubs clearly affects smaller clubs who find it difficult to compete.

8.15 As also mentioned elsewhere in this Report, the Board continues to be concerned that the charging system within clubs can be unclear to players. In addition, the Board's Inspectors continue to identify cases of unlawful charges being made, in some cases involving substantial amounts of money, or of failure to notify or display charges. During the year seven warnings were issued together with one warning by police for related offences.

8.16 Inspectors continue to report that some licensees and managers are unsure over the interpretation of the controls on advertising in section 42 of the Gaming Act 1968 subsequent to its amendment by the Bingo Act 1992. Whenever possible Inspectors will offer advice.

However there is some evidence that licensees have sought to exploit the complexity of the section and as a consequence one licensee and one newspaper were warned by police and in four other separate cases licensees and management received Senior Inspector's warnings, all in relation to the advertising of inducements contrary to section 42(1)(a) and 42(3)(a) of the Act.

8.17 As reported in paragraph 4.15, the Bingo Association of Great Britain and the Board have agreed amendments to the Code of Practice for the operation of mechanised cash bingo. Paragraph 10 of the Code provides for the display on notice boards of the serial numbers of playing positions. This, together with the requirement for licensees to check and test equipment also contained in the Code, is designed to obviate fraud by staff and players. A major mechanised cash bingo fraud was investigated by the Board's Inspectors and the police during the year and it is believed that the revised code will help prevent repetition.

## The National Game

8.18 In March 1995 the maximum prize payable in the National Game was raised to £250,000. Despite this the main prize is usually in the region of £90,000 to £100,000 and slightly lower for Saturday afternoon games. Prizes in the National Game are generated solely by ticket sales which average around 640,000 per game. Improvements in technology have helped to improve control of the game. The National Bingo Game Association is undertaking the installation of Integrated Services Digital Network (ISDN) lines in clubs. This development allows for more sophisticated methods to be adopted in running the game and provides more secure and reliable operating conditions.

8.19 The Board's Inspector responsible for oversight of the National Game receives each week a set of daily reports from the Game's management. Each report is reviewed and where necessary passed to Area Inspectors for further enquiries. During the year, 20 such enquiries were made relating mainly to club difficulties such as ticket sale errors, incorrect closing numbers, ticket printing and packaging deficiencies. Each was dealt with and resolved without need for further action.

## Gaming Machines

8.20 As mentioned in chapter 6, the provisions of section 27 of the Gaming Act 1968 require that those who sell, supply or maintain gaming machines to which Part III of the Act applies hold certificates from the Board to do so. The supply of machines themselves is strictly controlled and Inspectors visit certificated suppliers to ensure compliance with the legislation. In addition the Board's Specialist Machines Inspector completed over 90 visits to machine manufacturers and converters to identify at an early stage of development machine features which might later prove illegal or outside the agreed guidelines relating to both jackpot and amusement with prizes machines. Advice is also provided on other equipment and in particular skill with prizes machines. The Board's Inspector has been heavily involved in the development of the arrangements for machine control and testing (see paragraphs 6.17 to 6.19) and will be monitoring the one year trial period for the machine testing regime. He also provides advice to other authorities and when appropriate gives talks to interested parties on methods of machine fraud, unlawful machines and current developments in the machine field. During the year he attended 11 conferences and trade shows and appeared as an expert witness for the prosecution in a number of court cases. The Inspectorate also report that subsequent



to the introduction of the Amusement Machine Licence under the provisions of the Betting and Gaming Duties Act 1981 as amended in November 1995 (whereby HM Customs and Excise require such licences to be obtained in respect of skill with prizes machines) operators and suppliers have become confused in general over the difference between the requirement to pay amusement machine licence duty and the need for a permit required in the case of machines subject to the provisions of section 34 of the Gaming Act 1968. In the majority of cases enquiries are referred to HM Customs and Excise.

## Unlawful Gaming and Lotteries

8.21 The Board's Inspectors continue to receive reports alleging the conduct of unlawful lotteries. When appropriate every effort is made to take action. In one case referred to police an investigation which commenced in 1993 led to the two principals involved being charged and convicted of an offence of trading with intent to defraud creditors. One defendant was sentenced to 18 months imprisonment and the other was fined £750 with £250 costs. In another case magistrates fined a defendant £250 with £7,500 costs for the conduct of an unlawful lottery and competition. Police also took action by way of caution in respect of unlawful lotteries conducted in public houses where prizes of £1,000 per week were distributed. These cases demonstrate effective action.

8.22 Previous reports have indicated an intention to seek prosecution for the unlawful sale, supply and use of gaming machines. The Board's Inspectors have stressed however to the legitimate supply industry that specific information is required before effective action can be taken. To demonstrate this in one case a joint police/Inspectorate operation was mounted against the proprietor of a snooker club who was subsequently fined £10,000 in respect of 20 counts of illegal use of machines designed for unlawful gaming. In another case warrants were executed on 12 premises in Greater London where video poker and jackpot machines were being operated illegally. In addition to the large number of machines seized, other gaming equipment was found clearly indicating that some premises were being operated as unlawful gaming establishments. Several of those responsible have been dealt with by way of police caution and all equipment monies and machines confiscated. In other cases action is pending.

8.23 The Metropolitan Police Clubs and Vice Unit continues to take action in respect of unlawful gaming in the west end of London. During the year this led to five successful prosecutions of unlawful gaming houses resulting in fines totalling £1,700 and the forfeiture of £1,599 cash seized from the gaming tables. However there continues to be a concern that the somewhat limited fines imposed offer little deterrent to those who organise such gaming activities.

8.24 In previous reports the Board has drawn attention to the provisions of section 15 of the Lotteries and Amusements Act 1976 which may permit the operation of "casino nights" at exempt entertainments such as bazaars, sales of work or dinner/dances. However all too often these events are professionally promoted in support of a commercial enterprise. Whenever these activities are brought to the Board's attention effective action is sought and in one significant prosecution involving a casino night promotion in a public house the promoter was found guilty of an offence contrary to section 2 of the Gaming Act 1968 and fined £2,000 with £500 costs and the gaming equipment confiscated.

## Complaints from Public

8.25 Complaints that are received from members of the public and players in respect of licensed and other gaming lawfully conducted receive full enquiry by the Inspectorate who notify the complainants in writing or make a personal visit to them to explain the results of the enquiry. During the year the breakdown of complaints which were investigated was as follows:-

Casinos 32 of which 5 complaints were found to be justified.

Bingo 118 of which 18 complaints were found to be justified.

Others 55 of which 35 complaints were found to be justified. These related to such matters as illegal lotteries and competitions, and allegations concerning the irregular operation of gaming machines.

# Appendix I

## Selection of Key Gaming Industry and Board Statistics: 1991/92 to 1995/96

	1991/92	1992/93	1993/94	1994/95	1995/96
<b>CASINOS</b>					
Operating at year end	120	118	118	119	119
Drop ((£million)	1,914	2,061	2,230	2,461	2,548
House win as % of drop	19	19	18	17	18
American roulette as % of total drop	65.6	68.6	68.4	66.1	61.9
Applications for certificates of consent or their continuance					
(a) made	8	29	27	39	14
(b) determined (including withdrawn)	5	24	23	40	24
– of which refused	1	1	1	3	1*
* Revocation subsequently rescinded					
<b>BINGO</b>					
Clubs holding gaming licences at end of year	963	927	910	903	906
Amount staked (year to end August: £million)	661	715	787	811	906*
Applications for certificates of consent					
(a) made	68	153	142	172	112
(b) determined (including withdrawn)	52	155	125	179	121
– of which refused	0	1	2	0	0
* Year to end March					
<b>CERTIFICATION OF CASINO AND BINGO EMPLOYEES</b>					
Certificate issued or re-issued	4,917	3,727	4,166	4,396	5,233
Applications refused	16	2	4	4	6
Certificates revoked	61	99	80	55	76

	1991/92	1992/93	1993/94	1994/95	1995/96
<b>GAMING MACHINES</b>					
Jackpot (or club machines) licensed	38,401	37,207	271,272	*	*
Amusement with prizes (AWP) machines licensed	186,786	201,461			
Certificates to sell, supply and maintain in force at year end	1,041	1,032	1,002	988	889
Certificates refused or revoked	6	0	3	4	6
<b>LOTTERIES</b>					
Society scheme registrations at year end	1,074	1,072	1,086	377	530
Local authority scheme registrations at year end	51	46	85	25	21
Schemes revoked	2	3	1	–	–
Number of lotteries held under Board registered schemes	1,198	1,167	1,171	1,144	1,862
Total ticket sales (£million)	55.88	46.75	42.95	38.74	78.96
<b>GAMING BOARD</b>					
Grant-in-aid (£million)	2.79	2.96	2.92	3.04	3.32
Staff	77	76	77	77	77
– of which Inspectorate	35	34	35	35	35

\* These figures are no longer available from Customs & Excise.

# Appendix II

## RESPONSE BY THE GAMING BOARD TO HOME OFFICE CONSULTATION PAPER ON CASINOS AND BINGO CLUBS

### CONTENTS

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## Introduction

1 The Home Office published a major consultation paper on 27 February 1996 on the scope within the current "regulatory framework for updating the controls and for relaxing some restrictions" (paragraph 2.1.2) which apply to casino and bingo gaming. Comments on the proposals were requested by the end of May 1996. This note gives the response of the Gaming Board which is the regulatory body for casinos, bingo clubs, gaming machines and the larger society and all local authority lotteries in Great Britain. Under the Gaming Act 1968 the Board is required to keep under review the extent, character and location of gaming in general, and in licensed premises in particular, and to advise the Secretary of State on developments so that the law may respond to change. Given its regulatory role, the Board clearly has a major interest in the proposals, their impact on the industry and the Board's ability to regulate it effectively, and their effect on the public.

2 As the consultation paper makes clear (paragraph 1.2.2) and as the Board has repeatedly emphasised, gambling regulation has three basic objectives:

- to ensure permitted forms of gambling are crime-free, conducted in accordance with regulation and honest
- to ensure players are treated fairly and are not exploited
- to provide some protection for children and vulnerable persons.

In preparing this response, the Board has considered the extent to which each of the Government's proposals, and the set of proposals as a whole, might impact on each of these objectives and has prepared its comments in that light. The Board regards it as essential that whatever changes are introduced should leave a regime which is capable of effective regulation and enforcement, as is the case today.

## General comments on the Government's approach

3 The Board has told Ministers that it welcomes the Government's initiative in considering to what extent the controls on casinos and bingo clubs in the 1968 Act continue to meet present day requirements and in making proposals where it believes changes should be made. By and large the regulatory system introduced by the 1968 Act has ensured that the three objectives of gaming regulation have been met in Great Britain while permitting the development of what is, as the figures in the consultation paper illustrate, a very substantial and successful industry. Among the main elements in the Act's success - in controlling the abuses which followed the inadvertent deregulation of gaming in the 1960s - have been the certification and licensing procedures; the requirements that casinos and bingo clubs should be genuine members' clubs, should not allow gaming on credit and 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.

4 However, much has altered in the 28 years since the Act was introduced. General gambling opportunities have expanded greatly both here, through for example the National Lottery, and abroad. There is a greater public acceptance of gambling as an acceptable and pleasurable leisure activity for the many though there is growing concern about a vulnerable minority who have problems with their gambling. There has in contrast been relatively little change over these years in the regulations relating to casinos and bingo clubs in Great Britain

and it is understandable that the gaming industry should be pressing for some easing of the restrictions. For its part, the Government is committed to reviewing regulations to ensure that they remain necessary. The consultation paper provides an opportunity to consider sensible changes and, given their significance also to the general public, the Board welcomes the fact that the Government has put out its proposals for wide public consultation.

5 The paper makes no proposals to change the certification and licensing requirements in the 1968 Act or the Board's powers to vet and regulate. The Board regards this as particularly important. In the Board's view, these requirements and powers together with the resources to exercise them have been, and remain, crucial in ensuring that casino and bingo gaming are crime-free and conducted honestly in accordance with the law. Likewise, and as is made clear later in this note, because of the likely expansion of casino and bingo gaming as a result of the package of proposals which has been brought forward, it will be important that the Board is adequately resourced in order to allow it to undertake properly its responsibilities in respect of these certification and licensing requirements and otherwise policing and vetting the expanded gaming sector. The Board will need extra resources and is writing separately to the Government on this.

6 The licensing arrangements are also crucial to ensuring that proper consideration is given to local needs and circumstances and, in particular, to determining, as the 1968 Act requires, whether there is sufficient demand for proposed casino and bingo facilities in a particular locality.

7 The Board does have concerns that a rather piecemeal approach might be adopted in introducing the changes. It notes that the proposals, if agreed, would fall to be enacted in different ways. For instance, new casino permitted areas and new charging arrangements for bingo could be introduced in regulations made under the 1968 Act; paragraph 2.1.8 of the consultation paper lists proposals for Deregulation Orders on which the paper constitutes formal consultation; whereas further consultations are envisaged before other matters discussed, such as the introduction of a new type of gaming machine in casinos, might be pursued under further Deregulation Orders. The Board indicates in the paragraphs below where it considers that implementation of a particular proposal could be safely pursued in isolation from other measures. In other cases, there are significant potential inter relationships between separate proposals. For instance, it would be difficult for the Board, the licensing justices and the industry itself to make sensible decisions on an application for a casino in a new area without knowing whether or how many casino slot machines would be permitted and what arrangements might be made for publicising casinos or postal applications. And the resource implications for the Board would be very different under different packages of proposals. In the Board's view therefore careful handling is needed.

8 The Board is also rather surprised that the Deregulation Act is considered capable of carrying such an extensive range of amendments, some of which at least are likely to prove controversial. Very extensive amendments to the Gaming Act might in due course call at least for a Consolidation Act if not a new Gaming Bill: it is not clear that it would be satisfactory simply to leave them in a range of orders under the Deregulation Act.

9 The Board notes that the Government believes that the casino industry has a responsibility to respond to the risks of problem gambling. The Board agrees that this should be pursued by the industry (see paragraphs 14 and 15 below). Problem gamblers can cause damage to themselves and those near them. A significant proportion also commit illegal acts to pursue their gambling. It seems appropriate that those who benefit from new gambling

opportunities and deregulation through increased revenue and profitability should help to mitigate the social problems so caused. However, this question of problem gambling is not confined to casinos: it applies over the whole of the gambling and lotteries field. Since no one regulatory authority covers the whole of that field, the Board considers that Government should take the lead in commissioning further research into problem gambling of all kinds and should actively explore and encourage practical ways of reducing and dealing with it.

## Proposals in respect of casinos

10 When the 1968 Gaming Act was introduced, casino gaming was relatively uncommon. In the United States, it was available only in Nevada, and Las Vegas in particular. Many European countries did not permit it and, in those that did, its form was often severely restricted. France for instance only permitted table games and not gaming machines. Since then, the industry has expanded greatly. In the United States, first Atlantic City, then Indian reservations and now many states have casino gaming. It has been legalised in many European countries, for example Spain, Netherlands, Denmark, Portugal and Greece. France now permits gaming machines in casinos. And all these countries have less stringent restrictions than in Great Britain.

11 In contrast, there has been little change to the law here in the last 28 years. It is not surprising therefore that the British Casino Association (of which all casino operators are members) has been pressing for relaxation, arguing that there “are signs that our casinos are now unable to compete with the more relaxed regimes of our competitors both in Continental Europe and worldwide, and that the laws governing casinos do not reflect the more liberal attitudes to gambling in Britain which have developed over the last decade”. The Board has some sympathy with these views.

12 In the light of such developments, the Board believes that generally the proposals in the consultation paper in respect of casinos represent a well-balanced package of measures which will remove some of the restrictions on casinos which are no longer essential, particularly from a regulatory viewpoint, and in a manner which will not result in any major risk to the three principles of gaming regulation listed in paragraph 2 above. The proposals, particularly in relation to permitted areas, publicity and gaming machines, are however likely to lead to a substantially enlarged industry, consisting of both more and larger casinos. Although it is difficult to make firm estimates at this stage, the Board would be little surprised if turnover at least doubled and the number of casinos increased in the longer term from the current 120 to a figure which eventually settled at nearer 200. This will have considerable implications for the resources needed by the Board to ensure that it can regulate casinos effectively. As mentioned earlier, the Board is writing separately to the Government on this. Nonetheless, the Board is content that, providing its resources are increased appropriately, it will be able to continue to regulate the industry effectively.

13 The casino industry itself will also need greatly increased numbers of staff at all levels. This will present particular difficulties and challenges in managerial and supervisory grades where there is currently only a limited pool in this country of those with the levels of knowledge and expertise needed. There are indeed very few people with any extensive knowledge of managing casino slot machine gaming. Care will be needed to ensure that the standards rightly expected of such staff in British casinos are not allowed to slip.



14 One matter on which the Board does have concerns is the question of compulsive gamblers and others who are vulnerable to, or have, financial or other problems with their gambling. There is generally agreed to be a correlation between the amount of problem gambling and addiction and the availability and accessibility of gambling outlets. The Board therefore thinks it inevitable that the proposals for the deregulation of casinos in the Home Office consultation paper will increase the numbers, if not the proportions, of casino patrons with gambling problems if only because of the increased, and different (see paragraph 30 below), player base that will result. In this context, the industry has recently taken some useful initiatives. In particular, the British Casino Association published last year a "Problem Gambling Position Statement" which amongst other things encouraged casinos to display notices giving the telephone number of Gamblers Anonymous for those who suffer problems with their gambling. A group of casino operators also recently commissioned research in order to gain a better understanding of the extent of casino gaming in general, and problem gambling in particular. This showed that, whilst the great majority of casino patrons were social gamblers, a small minority, 7 per cent, were identified as problem gamblers with 2 per cent of these regarded as having severe problems. Problem gamblers were significantly more likely to be regular players of continuous forms of gambling including casino games, horse and dog betting, cards with friends, slot machines outside of a casino and National Lottery scratch cards.

15 The Board believes that consideration will need to be given to whether the industry needs to build on these initiatives in the light of the proposals in the consultation document. A variety of initiatives are in use abroad. In addition to notices and leaflets on help lines and other support facilities, these include special training for staff on the characteristics and behaviour of problem gamblers and the action they should take in specific cases, financial and other support for treatment and other services for problem gamblers and voluntary and other systems for barring those with severe problems from the casinos.

16 The Board's comments on the separate proposals for change in the consultation paper are as follows. The Board supports the proposals to retain the principle of unstimulated demand (paragraph 5.1.3) and thus the demand criterion (section 5.3 of the paper) and the ban on live entertainment (section 5.7) and agrees with the Home Office that it would not be practicable for a system of resort casinos to co-exist with the existing extensive network in Great Britain (section 5.9).

(a) New permitted areas (section 5.2 of consultation paper)

17 The Home Office paper suggests 13 new permitted areas for casinos to add to the existing 53. The Board supports the criteria for defining new permitted areas and agrees with the resulting list of new areas. It is therefore content with what is proposed, subject to it receiving sufficient resources to deal with the initial influx of applications for certificates of consent and licences and with the ongoing policing and monitoring of the additional new casinos.

18 Particular consideration will have to be given however to the way in which the initial influx of applications is handled. Outside London, the current permitted areas support an average of nearly two casinos each. Given that many of the new areas are attractive locations, it may be reasonable to assume that on average each new area would support in the longer term three new casinos. In turn, it may not be unreasonable to assume that initially there might be twice this number of applications for a licence, ie an average of six per area, making

a total of 78 for the 13 areas. To put this in context, the Board granted only 22 applications for certificates of consent in the whole of 1995/96, a number of which were technical and therefore relatively straightforward.

19 The Board will need adequate resources to handle this influx in a way which does not discriminate unfairly between applications from existing licensees and new entrants to the industry. In the Board's view, the fairest way would be for two administrative deadlines to be set. The first would be the date by which all the initial tranche of applications had to be with the Board. The second would be the date by which the Board would aim to deal with all but the most intractable. This latter date would depend crucially on the resources made available to the Board and might have to differ between areas according to the number of applicants.

20 The Board is required to consider applications for certificates of consent according to statutory criteria which include their financial standing but without taking account of demand in the locality which is a matter for the Licensing Justices. The Board gives advice on demand to the Justices subsequently. Licensing Justices will for their part therefore face a particular problem if as expected the number of applicants exceeds the number of casinos which it is believed the area can bear in terms of demand. They will of course be able critically to examine the assumptions on which applicants have based their proposals and compare the types of facilities being offered by different applicants. The need to have planning permission and an adequate supply of good quality staff for a proposed casino will also be limiting factors. The Board expects to be able to offer helpful guidance and advice about demand to justices based for instance on the experience in other areas. But the Board does not believe that justices will be able to, or in law could, choose between applicants who meet the relevant tests in the legislation. Initially therefore, they may have to grant more licences than the area will bear and a period of intensive competition and retrenchment may follow. It will be very important to monitor activity during this period in order to ensure that temptations to act improperly are resisted. The Board will consider whether additional safeguards are needed to protect the public in a competitive new market.

21 The BCA has suggested to the Board that the definitions of the new permitted areas should not be so tightly drawn as to prevent casinos being located in town peripheries away from the town centre. Such "out-of-town" areas often have advantages in terms of ease of access, parking and avoidance of crime and disturbance, particularly for an activity which routinely continues until 4am. The Association argues that planning controls can be used to determine appropriate locations in an area for example by ensuring that casinos are not situated in essentially residential areas and the permitted area definitions need not be over-prescriptive. The Board has sympathy with this view.

22 Finally, the Board believes that it will be very important to consider carefully the timing of any changes in the list of permitted areas. The Board appreciates that, as it is a matter for the Home Secretary's regulation making powers, changes could be made in theory at any time. However decisions about future investment by the industry, and the consideration of applications by the Board and licensing justices, would be made much more difficult if uncertainty still surrounded what other significant changes might be made (particularly on publicity and machines) and their timing.

#### (b) Publicising casinos (sections 4.2 and 4.6)

23 The consultation paper suggests that "it would be acceptable to allow the name, address and telephone number of casinos to be published in telephone directories and in

publications such as listing magazines, hotel brochures and holiday guides” on the grounds that “it should be easier than it is at present for those people who wish to go to casinos to find out about them”. The Board agrees that limited publicity of an informational nature should be permitted in order that people can find the location of their nearest casino. Indeed, having accepted the principle, it is hard to see why permitted publications should be limited in the way suggested. From a regulatory point of view, the Board also has concerns that the proposal as currently formulated would make the type of publication allowed difficult to define. The BCA has suggested that the scope should be widened to relate to any publication which does not have a national circulation. The Board supports this approach and therefore would be content for such advertisements to go into non-national, but not national, publications.

24 The Board believes that publicity should not be promotional and therefore supports the limited items which the Home Office has suggested might be included, perhaps with the addition of limited factual information on the facilities available. Entries should be restricted to one per casino per publication and should be limited in size, perhaps to one-eighth of an A4 page as has been suggested by the BCA. The Board does believe however that such publicity should be able to make it clear that casinos are members clubs and that the person can write or telephone to obtain membership details, although it would not support the inclusion of application forms in the advertisement. As it believes publicity should not be promotional, the Board does not support the use of billboards etc or loose leaflet distribution. The Board suggests that some of the detailed safeguards might be appropriate for Board/industry codes of practice.

(c) 24 hour-rule, postal applications and group membership (section 5.4)

25 The Board agrees with the Home Office that casinos should remain as clubs and be subject to a waiting period for members. It is however content, as suggested in the consultation document, that the waiting period be reduced from 48 to 24 hours and that such a change could reasonably be made ahead of any others. This change in isolation would not have resource implications for the Board.

26 The Board is also content that postal applications should be permitted. It believes that a standard form of application should be used and time and date stamped on receipt, thereby triggering the 24 hour period. It is content for any method of delivery of the application to be used, including fax, providing it includes a signature. There will be implications for, and a need to amend, the Board’s code of practice on money laundering, for instance to meet the requirements therein to identify members. If postal applications were permitted by law, the Board believes that it can deal with the detailed issues through agreement with and codes of practice for the industry.

27 The Board again has no objections in principle to the proposal that membership of one casino in a company group should be adequate to gain admission to all casinos in that group. Special arrangements would be needed to confirm the identity of a member of one casino visiting another casino in the group. The Board believes it could agree a suitable system with any casino groups which wished to take advantage of such a provision.

28 As the consultation paper says, postal applications could also lead to the revival of “junkets” or organised trips to casinos by individuals or parties from either elsewhere in Great Britain or abroad. As described in paragraph 5.4.11, such operations caused major problems

in this country in the 1960s. Large numbers of overseas visitors were brought to London and encouraged to game. They often incurred substantial debts which were then settled at a discount with the tour operator. The operator recovered the full debt on return home, sometimes using force. Such organised visits were effectively ended by the restrictions in the 1968 Act particularly in respect of membership and credit. Nonetheless, "junkets" are nowadays a recognised feature of the international casino industry, with jurisdictions abroad operating various licensing and control systems to prevent abuse. The Board believes that it should no longer object to them, provided they are subject to satisfactory safeguards. It believes that arrangements whereby the Board has the power to require that the person or organisation paid by the casino to organise the visits needs to obtain a Board certificate that they are fit and proper and an agreed Board/industry code of practice on what is and is not permissible within the constraints of the Gaming Act would provide adequate control. It acknowledges that such a code would have to include some provision for the payment by casinos of such things as hotel bills and air fares, which are currently not permitted.

29 The changes in paragraphs 26 to 28 above would place additional responsibilities and therefore pressures on reception staff and the Board believes that, as a necessary safeguard, such staff should be required to be certificated by the Board in the same way as, for instance, dealers/croupiers are currently. This would need an amendment to the provision in Section 19 of the 1968 Act.

(d) Gaming machines (section 5.5)

30 Permitting for the first time significant numbers of high powered gaming machines (casino slots) will have an impact on the character of British casinos. Experience abroad suggests that casino slots are very popular and that where large numbers are permitted, they tend increasingly to dominate traditional casino games. They are likely to encourage some existing social gamblers to gamble more heavily and to bring a new and different type of player into casinos and as a result can increase the amount of problem gambling. However high stake/prize slot machine gaming is now common elsewhere in the world and the casino is the right environment for it. For its part therefore, provided consideration is given to the implications for problem gambling (see paragraphs 14 and 15 above), the Board is not opposed to the proposals in the consultation paper in respect of numbers of machines, stake and prize limits, the linking of machines within casinos and the imposition of a statutory minimum rate of return. These are relatively modest compared with many foreign jurisdictions. The Board agrees also that it should not be possible to cite demand for machine gaming in support of an application for a new casino licence (paragraph 5.5.12).

31 The Board considers it essential however that the provision of this new form of machine gaming in Great Britain should be accompanied by adequate regulatory supervision and control, as is also common elsewhere. It therefore believes that:-

- (i) Gaming machine manufacturers which wish to supply casino slot machines to the British market should first be required to obtain 'fit and proper' certification from the Board.
- (ii) An appropriate testing regime acceptable to the Board should be established to ensure that all gaming machines in a casino comply with the law and any operational requirements (eg random operation). Often abroad the testing facilities are provided by a private sector commercial organisation and the Board believes similar arrangements would be suitable in Great Britain.

- (iii) Machines within a casino should be connected to an on-line computerised monitoring system. The BCA has told the Board that a minimum of 50 machines is needed for such monitoring systems to be sensible and economic at the present time. In absolute terms, the cost of on-line monitoring is not large and this matter needs to be explored in more detail. But in principle, the Board would prefer to see an increase in the number of machines in casinos rather than no on-line monitoring. It is essential that the right system for regulating casino slots should be in place from the start.
- (iv) There are considerable opportunities for fraud by those who operate, supervise and manage the machine gaming and such persons therefore should be required to hold a Board certificate in the same way as those involved in table gaming are currently. This will require an amendment to the 1968 Act.
- (v) There will also need to be an amendment to the Act to ensure that machine gaming can only be offered during statutory casino opening hours.

(e) Credit and the use of debit cards (section 5.8)

32 The Board welcomes the Home Office decision to retain the ban on the use of credit in casinos. It is content with the proposal that debit cards should be permitted, subject to the protections at (a) to (d) listed in the consultation paper.

33 The Board also strongly favours option 2 which additionally proposes limits on the frequency and size of debit card transactions in the absence of any specific arrangements between the casino and the member to the contrary and it considers that these arrangements could best be made in a code of practice. Casino gaming is hard gaming and there can be a temptation to chase losses. Whilst the Board acknowledges that the equivalent limits on cashing cheques were agreed between the BCA and the British Banking Association largely to prevent the acceptance of cheques which could not be met, they do in the Board's view also have the merit that a player who wishes to play beyond these levels must make separate and conscious arrangements to do so. Without an equivalent properly established arrangement for debit cards, the player could be induced on the spur of the moment to gamble excessively. It will also be important to ensure that facilities are not provided within the casinos which permit transfers to be made from credit card accounts to debit cards.

34 The Board also believes that the proposal in respect of debit cards could be progressed in advance of the other proposed changes. It has little resource implications for the Board.

(f) Liquor licensing (section 5.6)

35 The Board has long agreed that it is anomalous that casinos in England and Wales, unlike other places of late night entertainment, cannot serve alcohol after midnight. It therefore fully supports the proposal to allow the provision of special hours certificates to be extended to casinos. Again, this change could be progressed independently of the others: it has no resource implications for the Board.

36 The Board agrees with Government that there should be no change in the arrangements by which alcohol may not be served on the gaming floor.

## Proposals in respect of bingo clubs

37 The Board acknowledges that, as with casinos, there has been relatively little change in the regulations in respect of bingo clubs in the last 28 years and that bingo is a softer form of gambling. Nevertheless, although the Board can support a number of the proposals, it does have reservations about others as they currently stand. Government's stated intention (paragraph 6.1.2) is to seek to remove a number of unnecessary restrictions on commercial bingo whilst preserving the nature of the game of bingo and ensuring that those protections that are necessary in the interests of participants remain. However the Board believes that some of the proposals could transform the industry.

38 On the one hand, the Board believes that the changes, particularly in respect of advertising and amounts of added prize money, will favour the large, publicly quoted companies operating big purpose-built clubs at the expense of the small independent operators who run businesses from for instance converted cinemas. It should be recognised that this will accelerate the current trend involving the gradual reduction in the numbers of smaller, socially based clubs offset by increases in the numbers of much larger, more impersonal, albeit comfortable and well-appointed, operations which put greater emphasis on the gaming, through for example mechanised cash bingo and large numbers of amusement-with-prizes gaming machines. Such an effect may indeed be a consequence of many proposals for deregulation.

39 On the other hand, the Board fears that the proposals in respect of abolition of the 24 hour rule/membership requirement and the demand criterion will result in the development of an entirely new type of commercial bingo operation, offering short and intensive periods of cash bingo to relatively small groups of players. The Board's concerns about the impact if large numbers of such cash bingo outlets are opened are spelt out below.

40 The Board wishes to emphasise that, although cash bingo is at the softer end of gaming, it has remained so largely as a result of the existing controls and is still an activity in which the only product changing hands is money. The opportunities for fraud and dishonesty by unscrupulous operators are substantial. Indeed, the opportunities are greater than in many other forms of gambling as the stakes go into a pool. Intense competition increases the temptation to cut corners.

41 The Board's comments on the separate proposals for change in the consultation paper are as follows. The Board also notes the paper's comments on the prevalence of mechanised cash bingo (section 6.9) and on prize bingo (section 6.10) and that the Board and the industry have been invited to consider further if, and when, appropriate. The negotiations on increases in the stake and prize limits for prize bingo have currently stalled because of difficulties over the code of conduct guaranteeing a return to players of 50% of stake money.

### (a) Advertising (sections 4.3 and 4.6)

42 The consultation paper proposes removing the remaining restrictions on print advertising, ending the ban on cinema advertising and, subject to comments received, removing the legislative ban on broadcast advertising. The Board believes that it is hard to justify continuing restrictions on print advertising given the freedoms available to the National Lottery and the football pools. Further, the current law, following the amendments made by the 1992 Bingo Act, is complex and difficult to regulate and enforce. The Board therefore

does not oppose the removal of the restrictions on print advertising. It also has no objections to cinema advertising although it does consider that such advertising should be restricted to those aged over 18.

43 Broadcast advertising is more difficult. Although both the National Lottery and the football pools can advertise on TV and radio, that advertising is, because of the nature of the two sectors, largely generic in form. The Board has some unease about the possibility of highly competitive TV and radio advertising between rival bingo operators. It would suggest therefore that at least initially, permitted broadcast advertising should be of the generic type eg advertising bingo as a product or the National Game. The Board also believes that controls should be in place to avoid broadcast advertising which might be widely seen or heard by children.

#### (b) Abolition of club status and the 24 hour rule (section 6.3)

44 As mentioned above, the Board fears that the proposal in respect of abolition of the 24 hour rule/membership requirement, particularly when coupled with abolition of the demand criterion, will result in the development of an entirely new type of commercial bingo operation, offering short and intensive periods of cash bingo to relatively small groups of players. It envisages for instance that many arcades currently offering low value prize bingo will seek to convert their activities to cash bingo, that new operators will seek to establish cash bingo arcades in high street shopping areas and that many public houses will seek to offer cash bingo on a commercial basis. In many cases, particularly in arcades, the harder form of gaming provided by mechanised cash bingo may be installed. Whilst these concerns have been addressed to an extent by the proposed minimum fixed seating requirement of 200, the Board does not consider that this protection would be effective in preventing large numbers of applications for bingo licences in respect of high street and public house premises. Many operators are aware of the potential profits even from small scale gaming.

45 Whilst the Board acknowledges that all this must to an extent be speculative and that the actual effects will depend on the way in which the various sectors react, it is concerned that there could be potentially many hundreds, and possibly even some thousands, of these small outlets. As explained above, cash bingo is an activity in which the scope for fraud and dishonesty by the unscrupulous is substantial and intense competition inevitably increases the temptation to cut corners. The Board does not believe that large numbers of such cash bingo outlets would be capable of effective policing and regulation and this would also damage its ability to regulate the larger outlets, as well as affect the range of services they provide.

46 If contrary to what is said above public bingo licences are to be permitted, the Board believes that it would be better to have a clean break and issue in future only public bingo licences (option B in paragraph 6.3.15 of the document), rather than have a hybrid system (option A).

#### (c) Abolition of demand criterion (section 6.2)

47 As the consultation paper states, the Board does not itself raise objections to new licences on demand grounds, largely because it does not have the resources to collect the data on which it could do so. Nonetheless and although it is a matter more for licensing justices than itself, the Board does believe that the criterion is a useful safeguard for justices to apply

at their discretion when local circumstances justify it. The Act provides for a local licensing system and to make it a meaningful control it is important that justices have adequate powers to grant and refuse licences.

(d) Three year licences (section 6.4)

48 The Board is not opposed to licences of three years duration, provided that the two new procedures outlined in the consultation paper are introduced at the same time. These would allow the Board to draw matters of concern to the justices attention and allow licensees to apply for modifications to licence conditions between renewals. Licensees may need guidance on what amounts to a significant modification and therefore would need to be drawn to justices' attention. This change could be made independently of the others.

(e) Charges (section 6.5)

49 As the consultation paper says, the Board considers, and the Government accepts, that as a matter of principle some limits should be maintained on the amounts of the players' money which operators may retain, and that charges should be transparent to the players. Otherwise there is a risk of exploitation. The current participation fee system is one way of providing limits but the present arrangements are complex, difficult to understand and explain and lack transparency for the players. It also results in annual discussions and argument about the amount of any increase.

50 The consultation document suggests, and the Board believes, that a system based on some form of percentage limits would be an improvement. Within the limits operators would have more flexibility: there would for instance be no need for the two-hour charging periods in the current system. The charging system would be more readily understandable, and more easily explainable, to the player. It would therefore be more transparent and there would be no need for annual reviews. The paper invites the Board and the industry to consider detailed proposals for such a scheme.

51 After some hesitation, the Bingo Association of Great Britain has told the Board that it is prepared to enter into such discussions. There has not yet however been time to get these underway. The Board understands that BAGB accepts that the current system lacks transparency but that it is not convinced that a percentage based scheme would be better. The Board's view is that, as a minimum, it would want to see greater transparency of charges for the player.

52 The Board is not convinced that, in the event that a percentage scheme were established, all requirements for notification of charges could be swept away (see paragraph 6.5.7 of the document). However, decisions on this can await more detailed consideration.

(f) Added prize money (section 6.6), linked bingo (section 6.7)  
and multiple bingo (section 6.8)

53 The Board does not oppose the proposals to abolish the limits on added prize money or on the prizes for and frequency of games of multiple bingo and believes these could be progressed independently of other changes. As indicated earlier, it does believe that abolition of the added prize money limit will benefit particularly the larger operators who have greater



resources at their disposal. The Board supports the retention of controls on the prizes in linked bingo . With current technology, there are difficulties in handling and controlling large linked bingo games. If bingo operators wish to organise very large games, they should do so through the separate provisions for multiple bingo.

(g) Credit and the use of debit cards (section 6.11)

54 The Board welcomes the continued ban on credit and credit cards but supports the proposal to permit bingo premises to accept debit cards. Again this change could be progressed independently of the others. As with casinos, arrangements will be needed to prevent facilities being made available within bingo clubs which would permit transfers to be made from credit card accounts to debit cards.

**Advertising of gaming machines (section 4.4)  
and betting offices (section 4.5)**

55 The Board is concerned that the proposal to allow non-broadcast advertising of amusement-with-prizes gaming machines on premises which have such machines will lead to an undesirable form of advertising designed to emphasise the prospects of winning substantial sums on the machines and that this will as a consequence encourage extended and repeated playing on a type of machine which causes some concerns because of the risks of addictive playing. While the Board has no objections of principle to the proposal to end the restrictions on print advertising of betting offices, it will as matters stand permit the advertising of the availability of gaming machines on the outside of the premises, whilst other locations with such machines will continue to be prevented from doing so. In the Board's view, this restriction should be applied equally to betting offices.

**Gaming Board for Great Britain  
May 1996**

# Appendix III

## The Board's Staff and Offices

### SENIOR STAFF OF THE GAMING BOARD AT 31 MARCH 1996

Secretary Mr T J Kavanagh

Chief Inspector Mr W A Galston

Deputy Chief Inspector Mr R G White

#### Section Heads

Casino and Bingo Mr D Aldridge

Lotteries and Machines Mr J Buckle

Finance and Management  
Services Mr S Birkett

## THE BOARD'S STAFF AS AT 31 MARCH 1996

	Grade	Staff in Post
<b>Administrative Staff</b>	5	1
	7	1
	SEO	1.8
	HEO†	5
	EO	8
	PS	2
	AO*	16
	AA	4
	Typists	2
	Messenger/Paperkeeper	1
	<b>Total</b>	<b>42</b>
<b>Inspectorate</b>	Chief Inspector	1
	Deputy Chief Inspector	1
	Senior Inspector	5
	Inspectors	27
	Machines Inspector	1
	<b>Total</b>	<b>35</b>
	<b>TOTAL</b>	<b>77</b>

\* including 5 at regional offices

† includes an accountant

## 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

### 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 D W Burns  
Berkshire House, 168-173 High Holborn, London WC1V 7AA

Tel No. 0171 306 6216  
Fax No. 0171 306 6268

## South West Region

Senior Inspector Mr A Carpenter  
Unit 16, Apex Court, Woodlands, Almondsbury, Bristol BS12 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  
Warwickgate House, Warwick Road, Old Trafford, Manchester M16 0QQ

Tel No. 0161 872 6016  
Fax No. 0161 873 8248

## Scottish Region

Senior Inspector Mr K MacLean  
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 1996
	£
<u>Casino licences</u>	
Grant	32,030
Renewal	6,58
Transfer	7,090
<u>Bingo licences</u>	
Grant	2,640
Renewal	825
Transfer	925
<u>Casino certificate of consent</u>	
New licence	6,120
Transfer of licence	3,060
<u>Bingo certificate of consent</u>	
New licence	1,835
Transfer of licence	610
<u>Certificate to organise games of multiple bingo</u>	
Grant	148,000
Renewal (for 3 years)	143,000
<u>Registration of club or institute</u>	
Part II	190
Renewal of registration	90
Part III	100
Renewal of registration	60
<u>Gaming machines certificate (Section 27)</u>	
Grant	3,720
Renewal	1,480
<u>Employees certificate of approval (Section 19)</u>	
Certificate of approval	72

	From 1 April 1996
	£
<b><u>Gaming Machines</u></b>	
Grant of certificate for the sale, supply or maintenance of gaming machines	3,720
Renewal of certificate for the sale, supply or maintenance of gaming machines	1,480
<b><u>Lotteries</u></b>	
Application for registration of society or local authority lottery scheme	570
Renewal of registration of society or local authority lottery scheme (three-yearly)	60
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)	65
More than £10,000 to £20,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	115
More than £20,000 to £50,000	140
More than £50,000 to £200,000	285
More than £200,000	515
Application for certification as a lottery manager under Schedule 2A	2,215
Inspection of lottery return by member of the public	2
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 RECEIPTS AND PAYMENTS ACCOUNT 1995-96

### FOREWORD

1. 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.
2. 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 reflected 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 included in this account.
3. Since 1 April 1987, the Board has been financed by a grant in aid from the Home Office administration, police, probation and other services, England and Wales [Class VIII Vote 1]. 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 account is prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at the year end. Under the Home Office Memorandum 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.
4. As the senior full time official of the Gaming Board, the Secretary carries the responsibilities of an Accounting Officer for the Board. His role and duties as an 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.
5. Fees received by the Board in respect of licensing certificates issued under sections 19 and 27 of the Gaming Act 1968 and certain other provisions are paid over to the Home Office for appropriation in aid of Class VIII, Vote 1. Other 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. Although receipts from the latter fees are not shown in these accounts, the estimated amounts receivable in 1995-96 stated in the Board's latest memorandum trading account is £2,011,390.



6. The members of the Gaming Board for Great Britain during 1995-96 were as follows:-

Lady S Littler (Chairman)  
Mr W B Kirkpatrick  
Sir R Barratt CBE, QPM (retired 30 April 1995)  
Lady C Trethowan JP  
Mr B P Austin  
Mr D Elliott CBE, QPM (appointed 1 August 1995)

7. The Board members costs referred to in paragraph 2 above which are not included in the accounts are as follows:-

	<u>Chairman</u>	<u>Other</u> <u>Members</u>	<u>ERNIC</u>	<u>Total</u>
	£	£	£	£
Pay	33,995	51,094	8,676	93,765
Pension	-	5,281	-	5,281
Travel	1,904	4,810	-	6,714
	<u>35,899</u>	<u>61,185</u>	<u>8,676</u>	<u>105,760</u>

8. Fuller details of the Board's activities, and progress on its objectives during the year, are given elsewhere in the annual report. A list of the Board's objectives appears in chapter 2 of that report.

T J Kavanagh  
Accounting Officer  
The Gaming Board for Great Britain

Date: 5 June 1996

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

I have audited the financial statements on pages 91 to 96 which have been prepared in a form directed by the Secretary of State for the Home Department with the approval of the Treasury.

## **Respective Responsibilities of the Gaming Board and Auditor**

As described on page 88 the Gaming Board is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them and to report my opinion to you.

## **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 judgments made by the Gaming Board in the preparation of the financial statements.

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 receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In my opinion:

- the account properly presents the receipts and payments of the Gaming Board for the year ended 31 March 1996 and the balances held at that date and has 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 receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

J J Jones  
Associate Director for  
Comptroller and Auditor General

21 June 1996

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

THE GAMING BOARD FOR GREAT BRITAIN

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1996

	<u>Notes</u>	<u>1995-96</u>		<u>1994-95</u>	
		£	£	£	£
H M G Grants received	2	3,260,000		3,038,000	
Operating Receipts	3	<u>1,486,457</u>	4,746,457	<u>1,163,396</u>	4,201,396
Less					
Salaries and wages	4	1,957,704		1,874,411	
Other operating payments	5	<u>1,290,911</u>	<u>3,248,615</u>	<u>1,224,604</u>	<u>3,099,015</u>
Surplus from operations			1,497,842		1,102,381
Other receipts/other payments (net)	6		<u>(38,064)</u>		<u>33,458</u>
Surplus for the financial year			1,459,778		1,135,839
Appropriations	7		1,516,515		1,116,064
Excess of (payments over receipts)/receipts over payments for the financial year			<u>(56,737)</u>		<u>19,775</u>

The notes on pages 93 to 96 form part of this account

THE GAMING BOARD FOR GREAT BRITAIN

STATEMENT OF BALANCES AS AT 31 MARCH 1996

	<u>Notes</u>	<u>1995-96</u>	<u>1994-95</u>
		£	£
Balance at beginning of year		147,897	128,122
Excess of (payments over receipts)/ receipts over payments for the financial year		(56,737)	19,775
Balance at end of financial year	8	<u>91,160</u>	<u>147,897</u>

The notes on pages 93 to 96 form part of this account

THE GAMING BOARD FOR GREAT BRITAIN

NOTES TO THE ACCOUNT

1 This account is drawn up in a form agreed by the Secretary of State for the Home Department with the approval of the Treasury.

2	H M G Grant Received	1995-96	1994-95
		£	£
	Grant received from Class VIII Vote 1 (Subhead 04)	3,260,000	3,038,000
3	Operating Receipts		
	Receipts of fees etc		
	Section 19 certificates	389,618	308,367
	Section 27 certificates	462,100	302,850
	Lotteries & Amusements Act	243,439	228,374
	Certificate of Consent - Bingo	187,100	242,685
	Certificate of Consent - Casino	61,200	81,120
	National Bingo	143,000	-
	TOTAL	1,486,457	1,163,396

**THE GAMING BOARD FOR GREAT BRITAIN**

**NOTES TO THE ACCOUNT**

4 **Salaries & Wages**

a) Staff costs incurred in the financial year were:

	1995-96	1994-95
	£	£
Salaries, wages and allowances	1,620,276	1,556,659
Employer's NI contributions	124,208	119,918
Pensions and accruing superannuation liability	206,423	191,774
Service Charge	6,797	6,060
<b>TOTAL</b>	1,957,704	1,874,411

b) Senior employees

The total remuneration of Mr T J Kavanagh, as Secretary to the Board, was £50,902.

He is an ordinary member of the Principal Civil Service Pension Scheme.

c) Other senior employees

One senior employee received remuneration in the salary band £40,000-£50,000.

d) Average number of staff employed by the Gaming Board was

Staff	43	(1994-95: 44)
Inspectorate	36	(1994-95: 35)

e) Employee costs for the year, analysed by category, were

	Staff	Inspectorate	Total
	£	£	£
a) Salaries & Wages	719,567	900,709	1,620,276
b) Social Security Costs	52,958	71,250	124,208
c) Other Pension Costs	89,462	116,961	206,423
<b>TOTAL</b>	861,987	1,088,920	1,950,907

THE GAMING BOARD FOR GREAT BRITAIN

NOTES TO THE ACCOUNT

5	<u>Other Operating Payments</u>	<u>1995-96</u>	<u>1994-95</u>
		£	£
	Rent and Rates	614,418	625,320
	Maintenance	20,671	24,308
	Professional fees	267,878	222,221
	Travelling and subsistence	217,920	180,173
	Recruitment	12,650	29,367
	Postage and telephone	36,543	34,028
	Office supplies, printing, stationery	21,201	45,273
	Publications	2,459	2,480
	Hospitality	1,486	1,041
	Other computer expenditure	35,370	120
	Training	17,276	6,399
	Central Services	32,795	43,230
	Gaming Regulators European Forum	977	1,577
	Audit fee	9,095	8,813
	Miscellaneous and bank charges	172	254
	<b>TOTAL</b>	<b>1,290,911</b>	<b>1,224,604</b>
6a	<u>Other receipts</u>		
	Bank interest received	7,202	5,888
	Court Costs awarded	4,913	49,109
	Other miscellaneous	1,424	1,214
	<b>TOTAL</b>	<b>13,539</b>	<b>56,211</b>
6b	<u>Other Payments</u>		
	Computer equipment	33,627	20,097
	Office furniture and equipment	17,976	2,656
	<b>TOTAL</b>	<b>51,603</b>	<b>22,753</b>

THE GAMING BOARD FOR GREAT BRITAIN

NOTES TO THE ACCOUNT

7	Appropriations	1995-96	1994-95
		£	£
	Amounts surrendered to the Consolidated Fund via the Home Office during the year	1,516,515	1,116,064
8	Balance at end of financial year		
	Cash at bank	73,423	125,663
	Cash held at offices	17,737	22,234
	TOTAL	91,160	147,897

T J Kavanagh  
Accounting Officer  
The Gaming Board for Great Britain

Date: 5 June 1996



# 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 1995 AND 31 MARCH 1996

ENGLAND	1 April 1995	31 March 1996
London	21	21
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.		

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

	1 April 1995	31 March 1996
Birkenhead	1	1
Birmingham	5	5
Blackpool	2	2
Bolton	1	1
Bournemouth	4	3
Bradford	2	2
Brighton	2	2
Bristol	4	4
Coventry	3	3
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	3
Northampton	1	1
Nottingham	2	2
Plymouth	2	2
Portsmouth	3	3
Ramsgate	1	1
Reading	2	2
Ryde	-	-

	1 April 1995	31 March 1996
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	1
Torbay	1	1
Walsall	1	1
Warley	–	–
West Bromwich	–	–
Wolverhampton	1	1

#### WALES

##### THE AREAS OF THE FORMER COUNTY BOROUGHES OF:–

	1 April 1995	31 March 1996
Cardiff	3	3
Swansea	1	2

#### SCOTLAND

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

	1 April 1995	31 March 1996
Aberdeen	2	2
Dundee	2	2
Edinburgh	4	4
Glasgow	4	4
<b>TOTAL:</b>	<b>119</b>	<b>119</b>

# Appendix VII

## Code of Practice for the operation of mechanised cash bingo/electronic cash bingo

1. This revised version of the code has been agreed between the Gaming Board for Great Britain and the Bingo Association of Great Britain. It shall have effect from 15 April 1996 and shall apply to cash bingo played on or at fixed installations (including fixed installations with hand-held playing boards) utilising electronic and mechanical apparatus, with or without sound equipment, any part of which is used in playing the game.
2.
  - a) A charge for playing mechanised cash bingo or electronic cash bingo, being a charge which comes within the control of section 14 of the Gaming Act 1968, shall be notified to the local licensing authority and the aggregate of charges for mechanised cash bingo or electronic cash bingo games, together with charges for admission and all other cash bingo in any one charging period, shall not exceed that permitted by the Gaming Clubs (Hours and Charges) Regulations in force at the time.
  - b) The display of charges which may be incurred in any one charging period shall show the charge for playing each game or session of mechanised cash bingo or electronic cash bingo and the number of games or sessions which may be played in that charging period.
  - c) Any game for which a charge exceeding 50p is made shall be played for a full house.
3. Mechanised cash bingo or electronic cash bingo shall not be a substitute for ticket or book bingo and shall be played only before or after the main game(s) of ticket or book bingo, or during an interval in such games. It shall not utilise the total permitted charges nor be the only cash bingo game played in a charging period.
4. The equipment used shall conform to the following design standard
  - a) In installations separated from the main seating area playing positions on boards or screens shall be at not less than 40.5cm centres.
  - b) The playing boards or screens shall present not less than 15 numbers and no fewer than 75 numbers shall be used in the game.
  - c) In the case of a coin operated system there shall be located at each playing position, and clearly visible, a visual indicator activated at the time of payment. In the case of electronic cash bingo there shall be a clearly visible display of the play ticket.
  - d) The number of positions in play in any one game of mechanised cash bingo or electronic cash bingo shall not exceed such a number as may be agreed between BAGB and the Gaming Board for Great Britain from time to time. Where this involves more than one installation of mechanised cash bingo or electronic cash bingo, the installations shall be so synchronised that no player may play more than the maximum number of games which may be played in the charging period.

5. In all games of mechanised cash bingo or electronic cash bingo it shall remain the responsibility of the player to cover or otherwise physically monitor the numbers called and the onus shall remain on the winning player to stop the game to make a claim.
6. Operators shall be bound to ensure:
  - a) No player pays more than one participation fee per game or per session, or plays more than one board per game UNLESS in sessions which operators allow more than one board to be played simultaneously the number of simultaneous games allowed is notified on the charging notice and the number of games in the relevant charging period(s) reduced accordingly to ensure that no player exceeds the total of charges allowed in that charging period.
  - b) No other game is played on the same unit simultaneously with a game of mechanised cash bingo or electronic cash bingo.
  - c) Participants in mechanised cash bingo or electronic cash bingo play only on mechanised cash bingo, electronic cash bingo or prize bingo units and the sale of chances in games of mechanised cash bingo is made only at this equipment, or in the case of electronic cash bingo, at the cash desk terminal.
  - d) The accuracy of the mechanised cash bingo or electronic cash bingo equipment, either by physically cross-checking at least once per session or by means of a test mode or a slot by slot test before the commencement of the first session each day. Evidence of these tests shall be retained for examination by the Gaming Board for Great Britain Inspectors on the bingo club premises for a minimum of four months.
  - e) The number of players and the prize money payable in each game is published before the game is completed.
  - f) Rules of play for mechanised cash bingo or electronic cash bingo are displayed in the area(s) used for playing the game. The rules for mechanised cash bingo or electronic cash bingo shall effectively include the following:-
    - i) no player may pay more than one participation fee per game EXCEPT in those sessions as notified in that club's charging notice. Infringement of this rule shall invalidate the player's participation in that game.
    - ii) Prepayment and the activation of the visual indicator at the player's position or in the case of electronic cash bingo the display on the screen of the play ticket are pre-requisites of a winning claim.
  - g) The start and finish of each series of mechanised cash bingo or electronic cash bingo games and any change to a game other than mechanised cash bingo or electronic cash bingo is clearly announced.
7. Where the calculation of participation fees, duty and prize money results in a prize that includes a decimal of a penny, the prize may be rounded up to the nearest 1p. In this limited case the Gaming Board for Great Britain will not require that the amounts by which prizes are rounded up shall be aggregated for the purpose of sub-section 8 of section 20 of the Gaming Act 1968.

8. a) Where the equipment includes a facility for players to make advance payment for more than one game, no coin of a larger denomination than £1 shall be used. Operators shall ensure that any credit due to a player may be recovered by that player at the end of any game of mechanised cash bingo or electronic cash bingo.
- b) Where facilities are included for advance payment for more than one game, operators shall provide on the equipment, a facility for a player to pay for and play a single game and where necessary to receive the appropriate change.
9. Records of the number of games played, player's participation fees and prize money paid shall be retained on the bingo club premises for examination by Gaming Board for Great Britain inspectors for a minimum of four months.
10. The serial numbers of all MCB playing positions must be clearly displayed for inspection on the Members Notice Board.

**GAMING BOARD**

**26 March 1996**

# Appendix VIII

## Guideline for the Use of Smart Cards in Amusement-With-Prizes (AWP)

In November 1993 the Board informed BACTA that it was content that the credits on smart cards should be regarded as tokens within the meaning of the 1968 Gaming Act, and that the Board would not itself take action against any operator using smart cards in AWP machines. The Board believed however that smart cards should only be operated in accordance with guidelines acceptable to it and which would ensure that the cards were not used in a manner which would otherwise breach the Act.

Discussions between BACTA and the Board have produced the following guidelines on the use of smart cards. These must be followed to ensure that the use of such cards complies with the requirements of the 1968 Act.

- (a) A facility must be available on the premises which will show the player what credits his card holds without requiring credits to be spent on a game to be played.
- (b) The system must allow the player to be able to commit payment for one game only while the smart card must be partly ejected for re-insertion for every £1 value of stake committed.
- (c) The smart card must be partly ejected by the AWP and re-inserted by the player before any replayable token wins can be committed for playing further games.
- (d) There is a prohibition on cash winnings recorded as credits on the card being used to play further games; these must be exchanged for cash only.
- (e) Replayable tokens or non-cash prize tokens must be exchanged for non-monetary prizes, each individually worth no more than the statutory limit.
- (f) The "stake" purse should have a maximum value determined by the machine operator which reflects both the need for adequate security and the modes of operation required.
- (g) The smart card must have up to 5 separate purses to reflect the prize structure of the AWP machine on which it is to be used.
- (h) Smart card credits must be purchased with cash.
- (i) If the smart card is to be used on equipment other than AWP, the replayable or non-replayable token prize purses for AWP use must at all times remain separately identifiable to ensure they cannot be exchanged for prizes worth more than the statutory maximum.

The Gaming Board for Great Britain

June 1995



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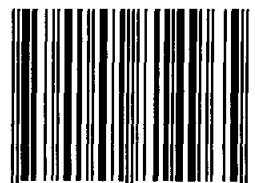
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