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Report of the GAMING BOARD FOR GREAT BRITAIN 1996/97

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**REPORT OF THE GAMING BOARD
FOR
GREAT BRITAIN 1996/97**

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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-eighth report of the Gaming Board for Great Britain covering the period 1 April 1996 to 31 March 1997.

LADY S LITTLER
Chairman

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1 : Introduction and General

Introduction

1.1 This is the twenty-eighth 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 three years. Chapter 2 gives an overview of the Board's responsibilities and how it carries these out. Chapters 3 to 8 report on each of the main areas of Board work: casino gaming; licensed bingo; certification of employees; gaming machines; lotteries; and Inspectorate and enforcement. Chapter 9 gives the results of the triennial survey of registered clubs conducted by the Board.

Size of the Industry

1.2 The industry which the Board regulates is a very substantial one. There were 116 casinos open in Great Britain at 31 March 1997, 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 (ie money exchanged for chips) was £2.6 billion in 1996/97: operators retained about 18 per cent of this at £470 million.

1.3 Great Britain has around 850 commercial bingo clubs currently operating with total stakes amounting to almost £1 billion in the year to March 1997.

1.4 Over 250,000 gaming machines are sited around the country in a large number of different locations. The coin machine industry's trade association (BACTA) estimated about four years ago that some £9 billion a year was fed into these machines with some £1.4 billion retained by suppliers and site owners. The figures are likely to be larger now.

1.5 The larger society and all local authority lottery schemes which the Board regulates had combined total ticket sales of about £115 million in 1996/97.

1.6 The Board is aware that efforts have been made from time to time by trade associations and others to improve the statistical information available about these industries and support them. A selection of key industry and Board statistics is given at Appendix I.

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 adverse effects for themselves, their families and society in general. The small minority of gamblers who have problems in controlling their gambling can cause damage to themselves and those

near them. A significant proportion of problem gamblers also commit illegal acts to 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.

Proposals to remove certain restrictions on casinos and bingo clubs

1.10 Nonetheless, the Gaming Act is now nearly 30 years old and, as described in last year's Report, the Government published on 27 February 1996 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. The Board made it clear at the time that it welcomed the Government's initiative in considering to what extent the controls in the 1968 Act continued to meet present day requirements and in making proposals where it believed changes should be made. The Board also welcomed the fact that the Government had put out its proposals for wide public consultation.

1.11 The Board submitted its detailed response to the consultation paper on 30 May 1996 and published it as Appendix II to last year's Report. It contained the following main elements.

- (i) The Board particularly welcomed the fact that the paper made 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 considered that generally the proposals in respect of casinos (with the appropriate safeguards) represented a well-balanced package of measures which would remove some restrictions which were no longer essential from a regulatory viewpoint. The proposals, especially in relation to permitted areas, publicity and gaming machines, were however likely to increase very substantially the number and size of British casinos. This would have considerable implications for the resources needed by the Board to ensure that it can regulate casinos effectively. It was also likely to increase the numbers of people with a gambling problem and steps were likely to be needed to help these.
- (iii) The Board did 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 considered 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 had not at that time been able to discuss with the Bingo Association of Great

Britain (BAGB) the proposals for a possible new charging system based on percentage returns as the Association was unwilling to enter such discussions. The Board said that considerable further work was still needed both on the question of club status and demand and on a revised charging system before any sensible proposals for change could be taken forward. It was however able generally to support the other proposals on bingo.

Subsequent developments in respect of casinos

1.12 Following consideration of the responses to the consultation paper, the Home Office was able to bring forward Parliamentary Orders under the procedures established by the Deregulation and Contracting Out 1994 to:

- (i) reduce the waiting period for new members of casinos before they can game from 48 to 24 hours.
- (ii) allow casinos in England and Wales to apply for special hours certificates to provide alcohol after midnight, until 3am in London and 2am elsewhere. (Casinos in Scotland were already able to serve alcohol throughout permitted opening hours.)
- (iii) permit the use of debit (but not credit) cards for payments for gaming, as well as cash and cheques previously allowed.

The Orders were finally approved by Parliament in March 1997 and the changes came into effect on 3 April in respect of the first two and on 19 April in respect of the third. The Board supported all three measures, none of which had any major resource implications for it or was likely to have any major impact on the numbers of problem gamblers. The use of cheques and debit cards is subject to an agreed joint Board and British Casino Association Guideline (see Appendix VII) which in particular limits the amount which, in the absence of any higher pre-agreed figure, can be drawn on a particular account for gaming by means of cheques and debit cards to £750 per gaming day.

1.13 In addition, in November 1996, the Home Office published a further paper ("Second Consultation on Casino Deregulation") taking forward those proposals in respect of casinos which required further consultation. These proposals were to:

- (i) allow members of a casino to have immediate access to gaming facilities in other casinos within the same group (rather than having to apply as now separately at each casino at which the person wishes to game).
- (ii) remove the requirement for applications in person for casino club membership, thus allowing postal applications.
- (iii) allow notices giving factual information about casinos - name, address, telephone numbers and limited details about the facilities available - in non-national publications, including newspapers and magazines. (Notices would not be permitted on billboards or in mailslots or in publications which are wholly or mainly designed to promote the casino.)

- (iv) permit casinos a maximum of three slot machines per gaming table subject to a discretion for the licensing justices to substitute a lower number on grounds of demand and suitability of premises. There would be no maximum limit on either stakes or prizes, although a power to impose them would be retained, and machines could be linked within (but not between) casinos.
- (v) consider further what new “permitted areas” should be added to the current list of areas in which casinos can be located (see Appendix VI). The provisional list consisted of five areas around London (Croydon, Dartford, Docklands, Redbridge and Slough), six towns elsewhere in England (Gloucester, Hastings, Ipswich, Oxford, Peterborough and Swindon), seven conference towns (Bath, Eastbourne, Exeter, Harrogate, Norwich, Telford and York) and three resort areas (Folkestone, Morecambe and Weymouth).

1.14 The Board submitted its response to this paper on 29 January 1997. A copy of that response is at Appendix II. In it, the Board:

- (i) reiterated that it had no objection of principle to the, albeit somewhat revised, proposals on the five matters covered by the second paper, subject to satisfactory safeguards and the provision of adequate additional resources to allow it to continue to regulate the industry effectively. The Board was pleased that the Government had acknowledged the importance of, and planned to adopt, most of the safeguards and protections suggested by the Board.
- (ii) re-emphasised however that the changes were likely to lead to a substantially enlarged industry, with both more and larger casinos and with considerable implications for the resources needed by the Board. The scale of the proposals (specifically in respect both of the new, additional casinos which would result in particular in the new “permitted areas” and of the new regulatory regime for casino slot machines) was such that the Board could not absorb the extra work resulting from them. The Board would not be willing to place standards, quality and effectiveness of regulation at risk and it would not be in the industry’s interest, let alone that of the general public, for it to do so. More is said on Board resources in paragraphs 1.35 to 1.38 below. The Board also said that, in introducing new permitted areas, the Government should produce a single consolidated list of all, new and existing, areas defined in a way which used current local authority boundaries which as far as possible were consistent one with another but did not substantially extend the coverage of any current area
- (iii) pointed out that the proposals would increase the opportunities for casino gaming and that 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 did not believe that it should oppose the proposals in the consultation paper on the grounds of their impact on the small minority of the population who suffer, or potentially may suffer, problems with their gambling activities. It did however believe that the Government should arrange that careful analysis is made of the impact of the proposed changes on the number of problem gamblers, and the extent of their problems, and that the Government, the Board and the industry should consider

in the light of that analysis whether there is need to build on the initiatives to help and support those adversely affected. More is said on problem gambling in paragraphs 1.26 to 1.28.

1.15 Following consideration of the responses to the paper, the Minister then responsible for gambling policy, Mr Timothy Kirkhope, announced the Government's conclusions by way of reply to a Parliamentary Question on 13 March 1997. He said that:

- (i) there was broad support for the proposals on advertising, group membership and postal applications and the Government intended to prepare draft proposals on these in the form of a deregulation order under the 1994 Deregulation and Contracting Out Act.
- (ii) some concerns had been expressed about the nature of casino slot machines. They were however common in casinos throughout the world, usually in greater numbers than the Government proposed. The Government believed that such machines must be strictly regulated and accepted the Board's view that more detailed work was required on the technical specification, monitoring and other arrangements before legislation could be introduced. The Government was still considering the matter and would continue its discussions with the Board and the industry.
- (iii) most of the new "permitted areas" attracted support or neutrality from their local councils and reasonable support from other local interests. The Government proposed however to remove Peterborough from the list (as a result of local opposition) whilst the local authorities in Slough and Croydon were still considering their position. On the basis of up-to-date information, it was proposed to add Milton Keynes and Weston-super-Mare to the conference towns category. The Government also proposed, as recommended by the Board, to redefine existing permitted areas to reflect local authority boundary changes. Before any new areas were introduced however the Government would need to address the resource, timing and other practical implications.

1.16 Following the General Election and the change of administration, the new Government will wish to establish its own priorities for its legislative programme and its attitude and approach to the proposed changes, not only in respect of casinos but also for bingo and gaming machines as mentioned below.

Subsequent developments in respect of bingo

1.17 Following consideration of the responses to the February 1996 consultation paper, the Home Office brought forward Parliamentary Orders under the 1994 Act in respect of bingo to:-

- (i) remove all restrictions on bingo advertising, including broadcast advertising.
- (ii) permit, as for casinos, the use of debit (but not credit) cards for payment for gaming, as well as cash and cheques previously allowed.

The Orders were approved by Parliament in March 1997 and come into effect on 19 April. Bingo advertising, as with other forms of gambling, will be subject to specific codes of practice issued by the Independent Television Commission, the Radio Authority and, in respect of non-broadcast advertising, the Committee of Advertising Practice. These include provisions which, in particular, prevent advertisements which are directed at, or are attractive to, children, which feature or encourage reckless playing or which present gambling as an alternative to work or a way out of financial difficulties.

1.18 Of the other proposals in the February 1996 paper, the Government decided not to proceed with those relating to the abolition of licensing authorities' power to refuse bingo licences on the grounds of demand; nor to remove the requirement that bingo clubs must operate as clubs and that new members must wait 24 hours before gaming; nor to remove the restrictions on the amount of operators' own money they may add to prizes. Proposals remain under consideration to replace the current system limiting the amounts operators may charge by one based on the percentage of the players' money which may be retained; to remove restrictions on the frequency and prizes in multiple bingo (generally known as the National Game); and to extend the duration of bingo licences from 1 year to 3 years. The proposals in respect of a percentage charging system are dependent upon discussions between the Board and the two bingo trade associations (the BAGB and the British Bingo Operators Association, a new separate association representing the major operators). Little progress was made on these discussions during the year because of the reluctance of the BAGB to consider a percentage system. More is said on this in paragraph 4.14.

Availability and advertising of gaming machines

1.19 As described in last year's Report, changes were implemented at the end of June 1996 by Parliamentary Order under the 1994 Deregulation and Contracting Out Act to permit:

- (i) an amusement-with-prizes machine which pays a maximum prize of £10 in cash, instead of £8 in tokens, and which is restricted essentially to adult environments, including for the first time betting shops.
- (ii) an increase 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.

Both changes have given a boost to the gaming machines industry, with increased numbers of machines sited and increased takings from machines. More is said on the "all cash" machine in paragraphs 6.3 to 6.9.

1.20 Along with the proposals in respect of casinos and bingo clubs, the February 1996 consultation paper included a proposal to allow non-broadcast advertising of amusement-with-prizes gaming machines on premises which have such machines. The Home Office brought forward proposals to implement this in the draft Deregulation (Betting and Bingo Advertising etc) Order. In its report on the draft Order, the House of Commons Deregulation Committee expressed concern that the proposal could lead to undesirable and misleading forms of advertising which might have a greater impact on children. In the light of this and other comments both by the Commons Committee and the House of Lords Delegated Powers Scrutiny Committee, the Home Office said that it would wish to consult further with the

Gaming Board, the industry and other interested parties before taking the proposal any further forward. More detail is given in paragraphs 6.22 and 6.23.

Review of the 1968 Act

1.21 When commenting on the February 1996 consultation paper, the Board expressed surprise that the Deregulation Act was considered capable of carrying such an extensive range of amendments, some of which at least were likely to prove controversial. It added that 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 was not clear that it would be satisfactory to leave them in a range of orders under the Deregulation Act.

1.22 When it commented on the draft Deregulation (Betting and Bingo Advertising etc) Order, the House of Commons Deregulation Committee said that the current gaming law was too complex. They requested the Law Commission to examine gaming law with a view to consolidating and simplifying it, and they urged the Government to bring forward any resulting measure as a priority. The House of Lords Delegated Powers Scrutiny Committee noted that the proposed changes would add further to the piecemeal amendment of this highly complex area of the law, reinforcing the already strong case for early consolidation.

1.23 The present regulatory arrangements for gaming, and in particular the certification and licensing arrangements, are still remarkably effective in achieving the three objectives set out in paragraph 1.9. With relatively minor continuing adjustments, the 1968 Act could last for a further period, perhaps five or ten years, though the Gaming Board agrees with the Committees that consolidation and simplification is highly desirable.

1.24 However there are various factors making for significant change at the present time. The advance of the National Lottery has challenged the conceptual basis on which gambling and lotteries are regulated in Great Britain and disturbed the competitive balance between those industries. The technology available to the gambling and lottery industries at home and overseas is changing rapidly and becoming more similar. The industries themselves are converging. Concern about problem and addictive gambling is growing, as gambling opportunities grow. There is the prospect of devolution, which will raise inevitable questions about where responsibility for gambling legislation in Scotland and Wales should rest. The questions of unregulated gambling on the Internet, ships and aircraft and the possible effects of interactive television need to be addressed.

1.25 For all these reasons the Gaming Board considers that the time is becoming ripe for a thorough review of all the gambling and lottery legislation by an independent review body which could seek the views of the wider public and those who are concerned about the effects of gambling as well as those of the industry, of the various bodies engaged in regulation and of Parliament. Instead of proceeding as now by means of piecemeal proposals aimed at deregulation, an independent review body should seek a comprehensive approach to the regulation of all the gambling and lottery industries which meets the three objectives of regulation in a way appropriate for the 21st century. This should take account of the relative softness and hardness of the various types of gambling and lotteries offered and apply consistent standards over the whole field including, in particular, to the minimum age for participation in gambling and the protection to be given to children and the vulnerable.

Problem gambling

1.26 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.

1.27 There is, as also said earlier, 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. Many of these expressions of concern have centred on the introduction of the National Lottery, and in particular of its scratchcard games, although the evidence collected by the office of the National Lottery suggests that there has been little impact on problem gambling from the Lottery. But other relaxations, both already made and in prospect, in the regulations relating to betting and gaming, including those mentioned elsewhere in this Report, have also raised worries amongst some.

1.28 The Board would like to see greater public understanding of the effect of increased gambling opportunities of particular kinds. Members of the public often practise several forms of gambling. Problem gambling therefore concerns more than one sector and more than one regulatory body in the gambling industry and the Board believes that the Government should promote a co-ordinated approach to research and action. But it is also important that the industry itself takes a proactive stance. Like the Home Office, the Board therefore welcomed the initiatives taken by the British Casino Association in for example preparing a position statement, sponsoring research and providing notices in casinos and a leaflet indicating where people with problems can get help. It also welcomes the initiative to establish the National Association for Gambling Care, Educational Resources and Training, which has the potential to do much good work in this area, and again like the Home Office hopes that adequate support and funding will be forthcoming from all sectors of the gambling industry. It will be important to monitor the impact of the various changes to ease gambling regulations and to act if serious adverse effects arise for problem gambling.

Lottery related issues

(a) **Impact of the National Lottery**

1.29 As reported in the last two years, many of the gaming associations and organisations with which the Board deals made representations to it about the adverse impact that the National Lottery has had on their businesses. They expressed particular concerns about the

way in which the National Lottery is able to promote all its activities while they were strictly circumscribed in what they could do. It seems to the Board that recent evidence suggests that the adverse effects of the National Lottery on the sectors with which it deals have at the very least levelled off and that those sectors are benefitting from the various measures to ease the regulations over the last year or so. Nonetheless, the Board acknowledges that there will inevitably continue to be pressures from the rest of the gaming industry seeking parity of treatment with the National Lottery. The Board would repeat what it said last year. 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.

(b) Prize and expense limits for society and local authority lotteries

1.30 One particular change was introduced during the year in respect of the statutory limits applicable to society and local authority lotteries. Within an unchanged overall combined statutory limit of 80 per cent of the proceeds of such lotteries which can be used for expenses and prizes (thereby protecting the minimum figure of 20 per cent which must go to the good cause), promoters can now appropriate up to 55 per cent (rather than 50 per cent) for prizes and up to 35 per cent (rather than 30 per cent) for expenses. More is said on this in paragraphs 7.19 and 7.20.

(c) Keno and keno type games

1.31 Keno is a game which is popular abroad and variants may in different jurisdictions be treated as casino gaming, as betting or as lotteries. It does not fit easily into the British regulatory systems for gambling. It consists of a fixed-odds game in which frequent draws take place (perhaps every 5 to 10 minutes) and in which typically players select between 1 and 10 numbers to match the 20 winning numbers displayed as a result of the draw. In character as a repetitive addictive form of gambling, it is more akin to hard gambling. The Board's current view, in the wake of the Crown Prosecution Service's decision in respect of the bookmakers "49s" game, is that Keno, in this classic fixed odds form, is not a lottery at all, but betting, but even if it is a lottery it in any case cannot be organised in a way which meets the requirements of the 1976 Lotteries and Amusements Act. During the year, the Board revoked the lottery registration of a society which proposed to run Keno under that registration. More detail on all this is given in paragraphs 7.10 to 7.18.

1.32 However, since that time the Board has been approached about proposed variants of keno-type on line games. These can best be described as games which in form are very similar to the bi-weekly National Lottery draw but run on a more frequent basis and with smaller prizes. In these, a proportion of the cost of the ticket goes into a pool to provide the prizes. These games do meet the accepted legal definition of a lottery and can be organised to meet the requirements of the 1976 Act. Charities and other societies can therefore legitimately run them as lotteries. It remains to be seen how popular they might be but under current legislation there is nothing to prevent lottery tickets being sold in pubs and clubs.

1.33 The Board has made clear its unease about repetitive, frequent and on-line games in pubs and clubs. They are not appropriate venues, and were never intended by Parliament to be used, for hard gambling: the law has always tried to ensure that only small-scale gambling is permitted in them. It is a basic assumption of the gambling legislation that hard gambling should only take place in premises licensed for that purpose such as casinos or betting shops and where strict controls can be maintained to prevent those under 18 being present. Much

will depend on the final form and frequency of such lottery games and their popularity as to whether they give rise to real concerns which require action. The Board considered the issue significant enough for the Chairman to write to Mr George Howarth, the Minister now responsible for gambling policy, drawing his attention to the potential problems and the possible need to act.

(d) **Prize competitions**

1.34 The Board has commented in past years on the proliferation of competitions, often conducted by means of premium rate telephone lines, which in the Board's view are in reality lotteries conducted for commercial purposes or gain and are therefore illegal. The prizes on offer have become steadily more attractive and valuable whilst the cost of the telephone call to enter can be substantial. During the year, ICSTIS (the body which supervises the conduct of premium rate telephone services) published a consultation document on telephone competitions in the United Kingdom which addressed amongst other things the question of illegal lotteries. More detail is given in paragraph 7.26. The Board welcomes the ICSTIS initiative. ICSTIS is still considering how to react to the responses to its consultation.

Board resources

1.35 Like many other organisations in the public sector, the Board is facing a squeeze on its budget. Its grant-in-aid from the Home Office was cut by 2 per cent in real terms in 1996/97 and is to be subject to further cumulative cuts of 10 per cent over the next three years. The Board finds the cuts difficult to accept when all expenditure is recovered through the fees charged for certificates, registrations, etc and not from general taxation, when the gaming industries have made no complaints about these fee levels and when gaming fees, which cover the bulk of the Board's work, have only been increased once in the last 5 years and then by only 2 per cent. Moreover, the Board has absorbed a considerable amount of additional work and costs over the last few years without extra resources: for instance in dealing with casino continuance certificates, external lottery managers, administrative work previously done in the Home Office and elsewhere, an increasing need for legal advice, and additional work consequent on deregulation.

1.36 In the Board's view, the essence of the problem lies in the method under which the Board is funded. Briefly, although the industries the Board regulates meet all the costs of regulation, about two thirds of the fees relating to the Board's activities is collected by the courts and goes straight to the Exchequer. The Home Office is unable to offset it against the Board's expenditure under the present public expenditure arrangements. As things stand therefore at present, the Home Office has to make a public expenditure bid for the resources for gaming regulation and this bid is compared with those for prisons, law and order, immigration, etc. Given the general blitz on public expenditure and the competing pressures, it is extremely difficult to secure adequate finance for gaming regulation and, as mentioned below, this threatens Government proposals for deregulation.

1.37 The Board has also made it clear in recent Reports that it already considered that the resources available to its Inspectorate in London and in respect of its work on gaming machines were inadequate. In the light of its particular concerns about the position in London, the Board has decided following a review to reallocate two Inspectorate posts from the North of England to the South East. In the absence of the extra resources it requested, it felt it must

act to deal with its concerns about the position in, and the priority it felt it must give to, the South East.

1.38 In addition, the Government's package of proposals for deregulation of the casino industry will inevitably result in a substantially enlarged industry. The Board welcomes the fact that the Government has recognised that the Board does not have the resources to process applications for new, additional casinos resulting in particular from the proposed extra 20 or more permitted areas or to deal with the proposals for casino slot machines. However, the Board is disappointed that it is still not clear whether or how any additional resources could be provided because of the general constraints on public expenditure.

Internet gambling

1.39 Concerns have been growing, amongst Governments, regulators and commercial gambling organisations around the world, about the potential for the proliferation of uncontrolled and unregulated gambling opportunities on the Internet. So far the threat remains largely potential, with only a few operating sites offering world wide on line gambling. But, if such opportunities were to increase (for example through the Internet becoming available through cable television receivers or through interactive satellite television), large scale and hard gambling activities could become available in people's homes with no proper control over such matters as gambling on credit or by children and other young persons. The potential also arises for criminal involvement in organising the gaming and for its use for money laundering and other criminal purposes.

1.40 The Gaming Regulators European Forum (GREF), which is chaired by the Chairman of the Board, has formed an Internet Gaming Working Party to assess the threat such gambling presents to control and regulation in Europe, to consider the actions being taken by countries to control the threat and to consider whether there is any further action which GREF, or individual members, should be taking to respond to the threat. The working group met in London in October 1996 and further discussions were held at the annual full GREF meeting in May 1997 in San Sebastian. The Board will continue to work with GREF and other governmental and regulatory agencies both here and abroad to monitor developments in Internet gambling and to consider any appropriate responses to them.

2 : The Organisation and Work of the Board

Introduction

2.1 This is the fourth 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.

2.2 The Board has also 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 unduly stimulate the demand for gaming. Among the key elements in the Act's success - in controlling the abuses which had followed the inadvertent deregulation of gaming in the 1960's - have been: the certification and licensing procedures; the requirements that casinos and commercial bingo operations should be genuine members' clubs and should not allow gaming on credit and that casinos and gaming machine operators should not be able extensively to promote or advertise the gaming they provide; and the creation of the Gaming Board as a dedicated regulatory body to control and monitor the industry.

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 backgrounds of those to be engaged in gaming and lotteries are checked with the police for the existence of any criminal records. The provisions of the Rehabilitation of Offenders Act 1974 in relation to spent convictions do not apply in respect of applicants for Board certificates. The Act does not require the Board to 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 registered. 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. The full list of Board members appears at the beginning of this Report. There were no changes during the year.

2.13 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 41 during 1996/97. Inspectorate staff are employed by the Board and numbered 34 during 1996/97. Specialist legal and accountancy advice is sought from outside consultants as and when required.

2.14 The Board's Inspectorate is arranged into five regions covering: South East England; South West England and South Wales; North of England and North Wales; Midlands; and Scotland and North East England. The individual regions are responsible for inspecting and monitoring certificate and licence holders in their regions and for dealing in the first instance with any problems or difficulties that arise. Their work is supervised and co-ordinated by the Chief Inspector and his Deputy at Board headquarters in London. The 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.

2.15 The total cost of the Board's operations, including the salaries and other expenses of the Board members, amounted to £3.47 million in 1996/97. The Board is required to cover its expenditure through the fees charged for certification and licensing (see paragraphs 2.28 to 2.30 below).

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

The Board's procedures

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 regular meetings with trade associations. It promulgates its views and advice and the reasons for them as appropriate, and summarises them in the Annual Report. To the extent that the Board gives confidential advice to the Home Office in connection with Government policy decisions, it is for the Home Office to promulgate this if it considers it appropriate.

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 various Home Office consultation papers including on casinos and bingo clubs, pools competitions and lottery prize and expense limits; the review and revision of various codes of practice especially those relating to casinos; the review of best practice and area boundaries for the Board's Inspectorate; consideration of the legality of various Keno on-line lotteries games; and various discussions and meetings with industry trade associations and operators to discuss matters of interest and concern.

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: 1996/97

Section	Target	% Achieved (previous year's figures in brackets)
Casino Section		
determination of certificate of consent applications	within 4 months of receipt	67 (50)
Bingo Section		
determination of certificate of consent application	within 8 weeks of receipt	84 (74)
Certification Section		
issue of certificates of approval to first time applicants	within 6 weeks of receipt	95 (90)
Machines Section		
determination of applications for new certificates	within 3 months	52 (78)
processing of renewal applications	before expiry date	69 (90)
Lotteries Section		
determination of applications to register lottery schemes	within 6 weeks	74 (72)

2.25 It can be seen that in most sections a high proportion of cases were completed within the targets set. Relatively few casino certificate 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. The figures for the machines section show a disappointing lowering of performance, both for the issuing of new certificates and the processing of renewal applications. Reasons for this vary. Some applicants were slow to submit evidence required to help determine their applications. Others, where the certificate was due for renewal, tended to submit their application at the last possible date. There were also some problems with file management within the Board. 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 1996/97: 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 past years that, whilst overall the income generated by fees broadly matched the corresponding expenditure on regulation, this had been achieved by charging more than the full cost of recovery in respect of gaming and correspondingly less than the full cost in respect of lotteries. Such differential charging arrangements run counter to general Government policy on fees.

2.29 Consequently having considered the anticipated levels of applications for certificates and licences for 1997/98 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 1997/98 and are given in Appendix IV. These fees have now only been increased once in the last five years and then by only 2 per cent.

2.30 The Gaming Board has recommended to the Home Office that lotteries fees should be increased by 3 per cent from this year. Whilst this will help reduce the deficit in income from such fees, there will still be a shortfall of about £130,000 in 1997/98. Ministers have agreed that this deficit can be financed from public funds but have asked the Board to take steps to eliminate it over the next few years. Taken with the new fees structure introduced in May 1994, lotteries fees have increased on average by about 17 per cent since April 1992 if the Board recommendations go through. The current levels of lotteries fees, before any 1997/98 increase, 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 strategic and operational plan.

2.32 Internal audit of the Board's work is conducted on its behalf by Home Office Internal Audit. Following completion of the first five year review programme and an assessment of the Board's audit needs, the Board and Internal Audit 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 instead reviews one or more major aspects of the Board's work across all sections of the Board. The 1996/97 audit therefore examined the financial management systems within the Board, and carried out a follow-up report on information technology.

2.33 The National Audit Office completed the audit of the Board's accounts for 1996/97 in May 1997. 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. Two working groups consisting of Board officials and representatives of the bingo industry trade associations (the Bingo Association of Great Britain (BAGB) and the British Bingo Operators' Association (BBOA)) and of BACTA (the trade association for the coin-operated amusement machine industry) respectively continued to meet at intervals and have proved valuable vehicles through which to address and make progress on specific issues of importance and current concern to the respective sides. Board officials met with representatives of the British Casino Association (BCA) on a number of occasions to discuss in particular developments with and arrangements for implementing the Government's deregulation proposals. A working group consisting of Board officials and representatives of the National Bingo Game Association (NBGA) also met during the year. As described in paragraphs 3.7 and 3.8, 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 are 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 was endorsed by the judge in a judicial review case involving the Board in late 1995.

2.39 During the year, the Board continued to discuss with the BCA revisions to and the need to update aspects of the guidelines relating to casinos. The Board and the Association agreed revised versions of the guidelines relating to cheques and incorporated into them provisions on debit cards in the wake of the Parliamentary Order permitting their use and to competitions in card rooms. A new guideline relating to socialising with members and visits to and gaming in other casinos was also agreed. The revised and new guidelines were promulgated at the end of April 1997. Copies are at Appendices VII to IX. Work continues on updating the remaining guideline relating to club activities. The Board is also promulgating a revised version of its Code of Practice on the prevention and detection of money laundering and has prepared a draft revised version of its Accounting Guide on which it will shortly be consulting the casino industry. The Board/BACTA working group began a comprehensive review of the guidelines relating to gaming machines and agreed a code of practice relating to prize bingo played in amusement arcades (see paragraphs 6.17 and 6.18 and Appendix IX).

2.40 The main guidelines now in operation therefore are:

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

2.41 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

2.42 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.

2.43 As mentioned earlier, the Board's staff will offer advice to existing or potential certificate, registration and licence holders. The Board's Inspectorate discuss problems and other relevant issues with licence and certificate holders during their regular monitoring and inspection visits. Minor, isolated and/or inadvertent contraventions of gaming legislation, regulations, approved guidelines or conditions attached to licences/registrations are normally

dealt with by verbal or written warnings. All staff will answer telephone enquiries as far as they are able at the time they are received: if they need to obtain further advice first, they will undertake to call back. Replies to written enquiries, other than those relating to particular applications which are handled within the arrangements for such casework, are normally sent within 20 working days. No charge is made for the provision of advice.

2.44 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.

International activities

2.45 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, Chief Inspector and Deputy Chief Inspector of the Board attended the eighth annual meeting of the Gaming Regulators European Forum in Budapest in June 1996. Representatives of 16 countries were present. The Board's Chairman was elected Chairman of GREF and the Board's Secretary remains one of its two Joint Secretaries.

2.46 The Chairman, Secretary and Chief Inspector also attended the Annual Conference of the International Association of Gaming Attorneys in Monte Carlo in September 1996. The Chief Inspector chaired the Regulators Group for a separate one-day conference attended by over 60 delegates from 16 countries. The Chairman moderated a session on "regulation and self regulation on the casino floor" at the Group's conference and presented a paper on the question of whether the gaming industry is over or under regulated at the main conference. The Board is a member of the European Association for the Study of Gambling and the Chairman, Chief Inspector and head of Casino and Bingo Sections attended its conference in Amsterdam, also in September 1996. The Chairman chaired a session on "regulation of gaming and the political perception of gaming" and the Chief Inspector chaired one on "gaming and crime".

2.47 During the year, the Inspectorate also had a large number of contacts with overseas regulatory bodies. These are described in paragraphs 8.11 to 8.13.

3 : Casino Gaming

Number of licensed casinos

3.1 At 31 March 1996 there were 119 clubs licensed for gaming under Part II of the Gaming Act 1968, all of which were trading at that date. Six clubs held concurrent licences in respect of altered, enlarged or substitute premises. All except one of these disposed of their original licences during 1996/97. Last year's Annual Report noted that one casino still held concurrent licences from 1994/95 at 31 March 1996. The original licence for this casino was one of those surrendered during 1996/97.

3.2 During 1996/97 eight new licences were granted in respect of altered, enlarged or substitute premises and in total eight licences were surrendered or allowed to lapse. However one of the licences surrendered was not in relation to a new licence being taken up. Therefore at 31 March 1997 seven casinos held concurrent licences of which one had been held over since 1995/96.

3.3 At 31 March 1997 there were 118 licensed clubs of which 116 were trading. A casino in Bournemouth stopped trading during the year and surrendered its licence in February 1997 (see paragraph 3.2 above) and another in Dundee had stopped trading but still retained its licence as at 31 March 1997. A casino in Manchester was temporarily closed for refurbishment following fire damage. The distribution of individual operating casinos by location is given in Appendix VI.

Structure of casino ownership

3.4 The Rank Group Plc, via its subsidiary Grosvenor Casinos, owned 30 operating clubs as at 31 March 1997 having bought a company holding the licence for a casino in Swansea from the Skyadd group, surrendered the licence for a casino owned in Bournemouth and temporarily closed a casino in Manchester following fire damage. The Stanley Leisure Organisation owned 22 operating casinos having purchased the licence holding company for a club in Coventry from the Stakis group. Stakis at 31 March 1997 had 20 operating clubs following the sale of the Barracuda Club to Ladbrokes, the Coventry casino to Stanley and the closure of a casino in Dundee. Eight further licence holding companies owned between seven and two casinos. The remaining thirteen clubs were owned by single licence holders.

Objection to gaming licence

3.5 On 18 June 1996 the Board lodged objections to the renewal of the gaming licence held by Hazelman Limited in respect of the Royal Casino in Walsall under paragraphs 20(1)(b) and (c) of Schedule 2 to the Gaming Act 1968. This is the first time since 1991 that the Board has pursued in court objections under this part of the Act which relate to whether the applicant and/or beneficiaries of the casino are fit and proper persons. The substance of the objections mainly concerned various financial matters including failure to comply with the Board's gaming reserve requirements. The renewal hearing was held throughout the week commencing 17 March 1997 and continued on 14 April 1997, when the licensing justices refused to renew the licence and awarded costs to the Board.

Casino gaming reserves

3.6 At the court hearing of which details are given in paragraph 3.5 above, questions were raised by the licence holder as to some aspects of the Board's gaming reserve requirement. The Board has said that the purpose of a gaming reserve is to ensure that punters are paid out in all circumstances and also that it provides a measure of reassurance as to the operator's financial strength and stability. Whilst the Board believes that the industry is generally clear about its requirements it may be helpful to confirm the arrangements the Board expects to be in place. These are:-

- (i) That a dedicated reserve of an amount calculated according to the formula set out in the Notes for Guidance accompanying the form GB1 (and reproduced at Appendix X of this Report) should be available, either as an overdraft facility or as a cash deposit, solely to be used to meet payments to players.
- (ii) That the reserve is separate from any other account held by the licence holder in respect of the operation of the casino and should only be drawn on for the purpose of paying winnings to players when there are insufficient alternative funds readily available. Cash reserves needed for the exchanging of chips in the normal course of business and for other operational requirements are additional.
- (iii) That when a reserve has had to be called upon it should be reinstated to its full amount within a reasonable period. Whilst it is not possible to lay down a hard and fast rule, the Board would expect a reserve once used to be replenished within two months. Failure to achieve this without adequate explanation would be of concern to the Board.

By prior written agreement with the Board "group" gaming reserve arrangements can apply whereby a single gaming reserve is available to be drawn upon by more than one casino in circumstances where:-

- (a) Two or more casino licences are held by the same licence holder; or
- (b) Two or more casino licences are held by different companies which have the relationship of parent and subsidiary, or each of which is ultimately 100% beneficially owned by the same person.

A group gaming reserve is normally calculated by taking the highest reserve required from among the individual casinos in the group and adding to it 25 per cent of the reserve required for each of the other casinos.

Informal meetings with casino operators

3.7 The Board continued its programme of informal meetings with casino operators. A meeting with the directors of Casino Royale Club (Newcastle) Limited was held in June 1996 and the directors of A & S Leisure were seen in September 1996. In November 1996 the Board met with Ladbroke Group directors as part of this programme but also, as agreed with the directors on granting continuance of three certificates of consent in June 1995, to review progress on Ladbroke's re-entry into the casino industry.

3.8 These meetings are valued by the Board as they provide an opportunity to discuss various particular and general issues with long standing casino operators outside the formal certificate of consent interview structure. Those attending can also use the occasion to air any areas of concern directly with Board members. The Board considers that this helps to minimise misunderstandings or potential difficulties in the fulfilment of its regulatory function.

Applications for certificates of consent and their continuance

3.9 During 1996/97 the Board received 20 applications for certificates of consent or their continuance, an increase of six on those received in 1995/96. There were 13 applications for new certificates, two for certificates to transfer licences and five continuance applications.

3.10 Of the applications received for new certificates of consent, eight were due to applicants wishing to either move their casinos to substitute premises or make major alterations to or extend existing premises. The other five applications were in respect of proposed new casinos. Seven of the applications were granted during the year, all within the four month target. Six remained under consideration at the year end, the oldest of which had been with the Board for just under four months.

3.11 The two transfer applications received were of a relatively technical nature and were granted within the four month target.

3.12 Of the five applications received for continuance of certificates of consent only one was still under consideration as the year ended and had been outstanding for just under six months. One of the applications resolved was within the four month target and two others took five and seven months to complete. One application was deemed to have fallen as investigation into the company restructuring that prompted its submission revealed that it did not in fact trigger continuance under the terms of paragraph 35(A) of Schedule 2 to the Gaming Act 1968.

3.13 Five applications were outstanding at 31 March 1996 of which two were for new certificates and three were for continuance of existing certificates. All were resolved during 1996/97 although only one was within the four month target. Three took between five and eleven months to resolve. One of the continuance applications fell as a new application was received following further restructuring within the company concerned.

3.14 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

3.15 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 or arrangements, 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 13 occasions during the reporting year.

3.16 A case of particular note where Board demand advice was provided concerned the Stakis Riverboat Casino in Glasgow. Stakis, having been an objector at two relatively recent applications for a new casino in Glasgow on grounds of demand, were planning to increase substantially the number of tables operated at the Riverboat. As well as providing demand advice the Board brought this situation to the attention of the licensing authority who questioned the competence of a renewal application suggesting that what was planned could constitute a different casino requiring a new licence. The Licensing Board also ruled that they would not hear the issue of competence separately from the renewal application itself. As a result Stakis withdrew their plans for the additional tables and the renewal was granted.

3.17 Demand advice was also provided when Grosvenor Casinos Ltd made application for a new licence for substitute premises for the Connoisseur Casino in London. The new premises were located in a different licensing area of London and attracted trade objections. The application was heard by the South Westminster Licensing Committee during June 1996 and was refused as the Committee was not satisfied that existing facilities in the area of the type that would be supplied by the new premises, or outside the area but reasonably accessible to prospective players, were insufficient to meet the demand. Grosvenor Casinos lodged an appeal which was heard at Southwark Crown Court in November 1996. The appeal was also refused by a majority of the Court.

No smoking areas

3.18 During 1996 an operator was granted an extended gaming area in order to enable it to provide a designated no smoking area within the casino. The Board recognises that laudable and legitimate arguments can be made for the provision of no smoking areas. However it is concerned that such an application might be made simply as a device to obtain space for additional gaming tables without needing to demonstrate demand for them. The Board has brought this issue to the attention of licensing authorities suggesting that, should they receive such an application, consideration be given to whether no smoking areas could be provided within the existing area and/or by the re-distribution of existing tables.

British Casino Association Annual General Meeting

3.19 The Gaming Board Chairman spoke at the Annual General Meeting of the British Casino Association which was held on 13 November 1996. She outlined the Board's view on progress with the deregulation process particularly emphasising the Board's need for additional resources to regulate the enlarged gaming industry that would result from the introduction of the proposed changes. She also noted the positive and co-operative approach taken by the Association in its various discussions with the Board.

Deregulation of casino gaming

3.20 The Home Office consultation process on casino deregulation continued during 1996/97 with the publication of a further consultation paper in November 1996, the laying of certain deregulation orders/regulations and a ministerial reply to a written parliamentary question in March 1997 describing progress and plans. A full description of progress made is given in Chapter 1. The following specific changes were made.

- Drinks Licensing and 24 Hour Rule The Deregulation (Casinos) Order 1997 was approved by Parliament during March 1997 and came into force on 3 April 1997. This allows licensing justices to permit casinos in England and Wales to provide alcohol until 3.00 am in London and until 2.00 am elsewhere. It also reduced from 48 to 24 hours the waiting period before new members may take part in gaming.
- Debit Cards The Deregulation (Debit Cards) Order 1997 completed its passage through Parliament and came into force on 19 April 1997. This allows the acceptance of payment by debit cards (but not credit cards) in casinos.
- Sunday Opening in Scotland The Deregulation (Gaming on Sunday in Scotland) Order 1997 came into force on 15 April 1997 permitting an extension of the hours during which gaming is permitted on Sundays in Scotland. With effect from Sunday 20 April 1997 casinos have been allowed to open from 2 pm until 4 am bringing them into line with the present arrangements in England and Wales.

3.21 Other matters such as the numbers of permitted areas, casino group membership, the acceptance of postal applications, relaxations on advertising and the number and type of slot machines allowed in casinos are still under consideration by the Home Office.

Increase in club or jackpot machines in casinos

3.22 As noted in last year's Report, an order implementing an increase in the number of club or jackpot machines allowed in casinos from two to six came into force on 20 June 1996. Most casinos have increased the number of machines within their premises with many operating the maximum allowed. The Board understands that the additional machines have proved to be successful, generating substantial increases in revenues through increased machine playing.

Revisions to guidelines

3.23 As described in paragraph 2.39, the Board and the BCA agreed and promulgated revised and updated guidelines relating to the use of cheques and debit cards and to card room competitions and new guidelines relating to socialising with members and visits to other casinos. Copies are at Appendices VII and IX

Casino attendance

3.24 The figures on casino attendances for the last four years are given below. There were 11.3 million visits to casinos in Great Britain in 1996/97, 3.3 per cent more than in 1995/96.

Table 2

CASINO ATTENDANCE BY REGION: Number of Visits

	1993/94	1994/95	1995/96	1996/97
Scotland	1,108,252	1,010,901	979,886	1,107,415
North	3,025,773	3,039,431	2,967,547	3,000,346
Midland & Wales	2,068,119	2,017,967	2,113,930	2,187,576
South	2,144,985	2,115,362	2,108,210	2,206,214
SUB-TOTAL	8,347,129	8,183,661	8,169,266	8,501,552
London	2,626,177	2,786,136	2,783,266	2,813,420
GREAT BRITAIN TOTAL	10,973,306	10,969,797	10,952,839	11,314,971

Financial performance

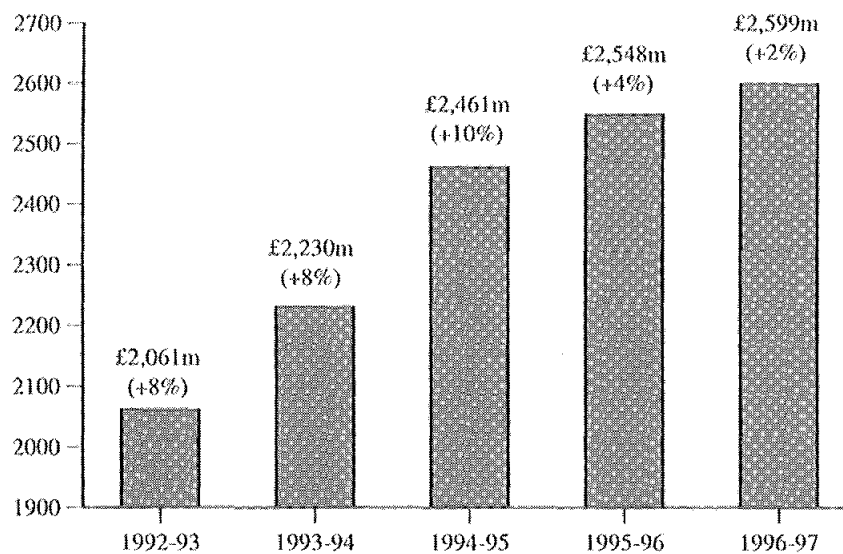
3.25 The total drop (money exchanged for chips) in casinos in Great Britain during the financial year 1996/97 was £2,599 million, an increase of £51 million (2.0 per cent) on the 1995/96 figures.

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

Table 3

DROP PER YEAR: OVERALL

(Change from previous year in brackets)



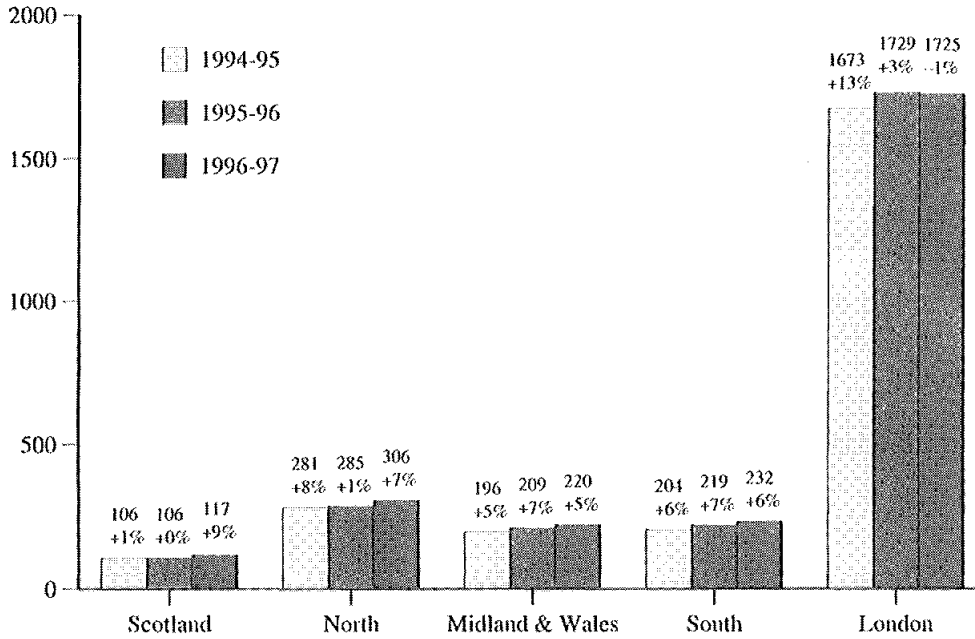
Note on Table 3 - Percentage figures are correct to the nearest whole percentage.

3.26 The drop in London casinos showed a decrease of £4 million for the year, while that for the rest of Great Britain increased by £55 million. Approximately 66 per cent of the total drop produced by all the casinos in Great Britain occurred in the London casinos. The drop figures by region for the last three years were:-

Table 4

DROP PER YEAR £M: By region

(Change from previous year in brackets)



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

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

Table 5

PERCENTAGE DISTRIBUTION OF DROP BY GAMES

	1992/93	1993/94	1994/95	1995/96	1996/97
American Roulette	69.3	68.4	66.1	61.9	59.8
Punto Banco including Baccarat	12.2	12.9	14.5	13.5	16.7
Blackjack	17.3	17.6	17.5	16.7	16.3
Casino Stud Poker	-	-	0.7	6.8	6.3
Craps	1.0	1.0	1.0	0.9	0.9
Super Pan 9	-	-	0.1	0.1	0.1

Notes on Table 5

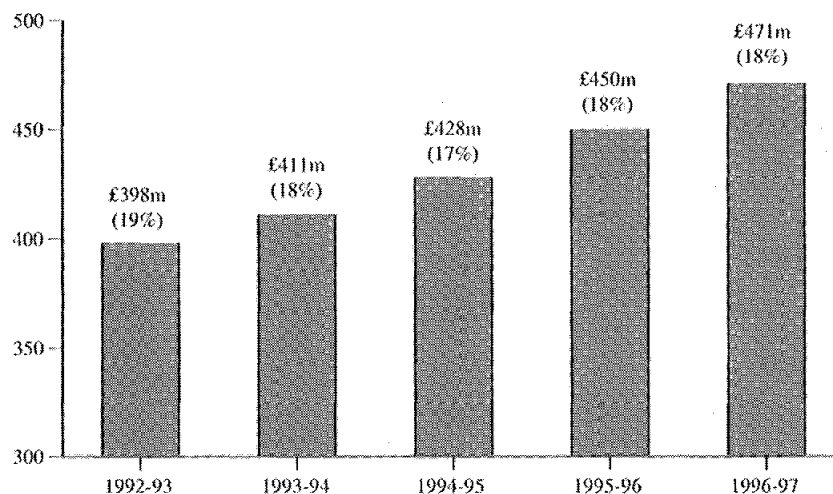
- The figures for each financial year do not include the unallocated drop received at the cash desk. Table 3, however, does include unallocated drop.
- Casino Stud Poker and Super Pan 9 were only available from 1 January 1995 and the 1994/95 drop recorded therefore only represents the three months to 31 March 1995.
- Percentages for 1992/93 are slightly different to those shown in previous reports as inaccuracies in the earlier calculations have recently been identified.

3.28 There was an increase of £21 million (4.7 per cent) in the total retained by casinos as house win. The figures for house win over the last five years were:-

Table 6

HOUSE WIN: Overall

(Percentage of drop in brackets)



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

Numbers of certificates of consent and licence applications

3.29 The following tables show the results of consent applications made to the Board during the period 1 April 1996 to 31 March 1997 and the number and outcome of licence applications.

Table 7

NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1996	1	1	2
New applications received in 1996/97	10	3	13
TOTAL	11	4	15
Certificates issued	6	3	9
Applications withdrawn	-	-	-
Applications refused	-	-	-
Applications not determined by 31 March 1997	5	1	6
TOTAL	11	4	15

Table 8

NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1996	2	-	2
New applications received in 1996/97	8	3	11
TOTAL	10	3	13
New licences issued	6	2	8
Applications withdrawn	-	-	-
Applications refused	1	-	1
Applications not determined by 31 March 1997	3	1	4
TOTAL	10	3	13

Table 9

CERTIFICATES OF CONSENT TO TRANSFER A LICENCE

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1996	-	-	-
New applications received in 1996/97	2	-	2
TOTAL	2	-	2
Certificates issued	2	-	2
Applications withdrawn or fallen	-	-	-
Applications refused	-	-	-
Applications not determined by 31 March 1997	-	-	-
TOTAL	2	-	2

Table 10

TRANSFER OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1996	1	-	1
New applications received in 1996/97	2	-	2
TOTAL	3	-	3
Licences issued	3	-	3
Applications withdrawn	-	-	-
Applications refused	-	-	-
Applications not determined by 31 March 1997	-	-	-
TOTAL	3	-	3

Table 11

RENEWAL OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1997	1	-	1
Applications received in respect of licences expiring in 1996/97	107	11	118
TOTAL	108	11	119
Licences renewed	106	11	117
Licences surrendered or allowed to lapse	6	2	8
Applications refused	-	-	-
Applications not determined by 31 March 1997	1	-	1
TOTAL	113	13	126

*All but one of the licences surrendered or allowed to lapse were in respect of casinos where substitute or enlarged premises were opened in their place.

Table 12

CONTINUANCE OF CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1996	3	-	3
New applications received in 1996/97	5	-	5
TOTAL	8	-	8
Applications allowed	5	-	5
Applications withdrawn	-	-	-
Applications fell	2	-	2
Applications refused	-	-	-
Applications not determined by 31 March 1997	1	-	1
TOTAL	8	-	8

4 : Licensed bingo

Size of the industry

4.1 The number of bingo clubs holding Board certificates at 31 March 1997 was 942 (see table 13). This represents a decrease of 19 clubs or 2 per cent from the figure at 31 March 1996. An increase of 16 clubs in Scotland did not offset the decrease of 35 in England and Wales. At 31 March 1992 the number of such clubs was 1,019: there has thus been a decrease of 7.5 per cent in the numbers of such clubs over the last five years. Whilst no statistics are available, the Board believes that this reduction has been offset by an increase in the average size of the clubs.

4.2 The small rise in the number of clubs holding gaming licences whilst the number known to be operating has fallen slightly is in part due to the continued trend of the larger companies to apply for Certificates of Consent and then Gaming Licences for large clubs on "greenfield sites" before the premises have been constructed. This means that a company may have more than one current licence for clubs in the same area, but without all of those clubs operating. As the newly built clubs open, smaller clubs will be closed and the licence surrendered. There are approximately 19 clubs which have received a Certificate of Consent since 31 March 1995 which are licensed but not yet operating.

4.3 The two largest operators amongst the 942 bingo clubs holding Gaming Board certificates of consent are Top Rank (part of the Rank Organisation) which holds certificates for 160 clubs, of which 134 were operating, and Gala Clubs (part of Bass plc) which holds certificates for 153 clubs, of which 138 were operating. 4 other operators held certificates for between 20 and 29 clubs; 3 operators held certificates for between 15 and 19 clubs; 4 operators held certificates for between 10 and 14 clubs; 14 operators held certificates for between 5 and 9 clubs; the remaining 345 certificates were held by "singleton" operators or in groups of less than five clubs. Around 100 of the clubs are those in holiday camps which may only operate on a seasonal basis.

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

Table 13

NUMBER OF BINGO CLUBS 1997 (1996 IN BRACKETS)

	England and Wales	Scotland	Total
Holding Board certificates at 31 March 1997	812 (847)	130 (114)	942 (961)
Holding gaming licences at 31 March 1997	783 (796)	125 (110)	908 (906)
Known to be operating at 31 March 1997	739 (742)	111 (113)	850 (855)

The financial trend

4.5 The figures below give the amount of money staked in licensed bingo clubs over the latest five years and show a continuation of the upward trend. There was an increase of just under 7 per cent in the latest year, bringing the increase over the last two years to 14 per cent. The amount of money staked, which does not include cash staked on machines, is now approaching £1 billion per year.

Table 14
AMOUNT STAKED ON LICENSED BINGO BY YEAR

	Amount staked in £million	Percentage change from previous year
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
April 1996 to March 1997	967	6.7

Source: Customs and Excise

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 slightly from 688 to 686. It seems that improvements in technology which permit easier linking are ending the generally downward trend of the last few years, and linked bingo clearly remains 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 multiple bingo. 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 632 at 31 March 1997, compared with 659 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. Generally, the daily national prize is of the order of £90-100,000, with additional regional and local prizes, but the 'Supanova' game was played on one occasion in the year to end March 1997 with a national prize of £250,000. The maximum single prize permitted by regulation is £250,000.

Meetings with the industry: trade associations

4.10 For many years the industry had been represented by a single trade association, the Bingo Association of Great Britain (BAGB). However, conflicts of views on the future shape of the industry had been apparent for some time within the Association between the large operators and the smaller, independent groups. This came to a head during the discussions of the Government's proposals for deregulation and culminated in the creation of a second association, the British Bingo Operators Association (BBOA), in October 1996. This initially included only Top Rank and Gala Clubs, but they were subsequently joined by three other larger operators. The Board made it clear from the start that it would treat both associations even handedly and would generally expect both to be present at any discussions of significance affecting the industry. Having two associations creates practical difficulties and the Board hopes that in the future an opportunity will arise for the organisations to come together into a single association.

Meetings with the industry: Board/Bingo Industry Working Group

4.11 During the early part of the year the discussions with the BAGB centred on the proposals in the Home Office consultation paper on casino and bingo deregulation (see paragraph 4.13 below).

4.12 The first meeting of the Working Group following the creation of the new bingo trade association, the British Bingo Operators Association, was held on Thursday 5 December 1996, and was attended by representatives of both the BAGB and BBOA. The following were the main items addressed:

- i) hours and charges (PAR) fees;
- ii) use of debit cards;
- iii) advertising;
- iv) three year licensing;
- v) national game changes;
- vi) certificates of consent for linked bingo;
- vii) hand held mechanised cash bingo equipment;
- viii) the impact of the mid-week National Lottery draw.

Deregulation of Bingo

4.13 As reported last year, the Home Office issued a consultation paper on casino and bingo deregulation on 27 February 1996. Developments since then, and in particular the making of Parliamentary Orders removing all restrictions on the advertising of bingo and permitting the use of debit cards to pay for bingo gaming, are described in paragraphs 1.10 to 1.11 and 1.17 to 1.18 of the Report. Separately, the Scottish Office brought forward an Order under the

Deregulation and Contracting Out Act bringing bingo clubs opening hours in Scotland into line with those in the rest of Great Britain.

The charging arrangements for bingo

4.14 The Home Office's consultation paper mentioned above invited the Gaming Board and the industry to consider detailed proposals for replacing the current participation (PAR) fee system limiting the amounts operators may charge by a scheme based on a system of maximum percentage limits to be retained by the operator. This is a difficult area which has been under consideration between the Board and the industry for some years now but without, regrettably in the Board's view, making progress. The Board continues to believe that a percentage limit system would be the best approach. It would provide a fair return for the player, considerably simplify matters for the operators without imposing any greater constraints, and reduce the work load for the Board's Inspectorate. However, there are concerns in some parts of the industry about the proposals and a BAGB working party has been looking at the options. Whatever emerges from that process, the Board regards it as important to keep in mind that the overriding objectives of the proposals are to benefit the public through transparency of charges and a fair return to the player. The Board continues to be concerned in particular about the complexity of current charging notices and the lack of full information provided to players.

Increases in charges and prizes

4.15 The Board held its annual meeting with the industry on levels of charges and prizes on 5 December 1996. The BAGB and BBOA were both represented. Both sought an increase in the PAR fee limit from £8.00 (+ VAT) to £12.00 (+ VAT) per charging period. They emphasised that this would help the industry respond to the impact of the National Lottery, especially with the introduction of the Wednesday game. The BAGB and BBOA both sought an increase in the prize bingo stake and prize limits to £80.00; the same limit that had been requested the previous year. This request had at that time been linked to a proposed Code of Practice which in particular would guarantee a 50 per cent return, after tax, to players, but no agreement had been reached on this. They also requested an increase in the maximum cash prize in prize bingo from 30p to £5, in line with that recently agreed for amusement arcade prize bingo (see paragraphs 6.17 to 6.18). They could not agree however on the limits for added prize money and linked bingo: the BBOA sought increases whilst the BAGB wanted no change.

4.16 Bearing in mind that an 18% increase in the PAR fee limit had been granted by the Home Office last year and that little or no progress had been made in the negotiations mentioned above on possible changes to the charging regime and more transparency, the Board recommended to the Home Office that no increase should be made in PAR fees pending the outcome of those discussions. Likewise, in view of the differences of opinion between the two associations on added prize money and the linked bingo prize limit and the fact that both of these had been increased substantially in the last few years, the Board again decided not to recommend any increase. As the negotiations on a minimum percentage return for prize bingo had foundered after over 2½ years of effort, the Board was not prepared to recommend an unconditional increase to £80 in the prize bingo stake and prize limits. Nevertheless, it took note of the arguments presented by the associations, particularly those about the commercial

pressures in the wake of the National Lottery, and recommended to the Home Office that the stake and prize limits be increased to £50. The Board was also sympathetic to the proposal to increase the maximum cash return for prize bingo to £5 in line with the agreement reached with BACTA for arcades and recommended this to the Home Office.

4.17 The Home Office wrote to both associations indicating that it accepted the Board's recommendations. In view of other pressures and the General Election however no date for implementation had been set at the time of preparation of this Report.

BAGB annual general meeting

4.18 As is customary the Chairman of the Board addressed the BAGB AGM on Tuesday 23 April 1996. The meeting as usual afforded a good opportunity for an exchange of views between operators and the Board.

Meetings with operators

4.19 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 intends to start a process of informal meetings with bingo operators on the same basis as those currently arranged for casinos.

All cash machines and the number of jackpot machines in bingo clubs

4.20 As described in paragraph 1.19, the bingo industry benefitted from the Parliamentary Order which permitted clubs to site all cash amusement with prizes machines with a maximum payout of £10 (rather than the £8 token machines) or to have four (rather than two) club or jackpot machines.

Partnerships

4.21 The Board has received enquiries during the year about bingo certificates of consent for partnerships. The view taken by the Board with regard to this matter is that it is the partnership itself which is treated as certificated, rather than the partners as individuals. The Board considers the skills, experience, aptitude, etc, of the people concerned taken together, and grants a certificate of consent if it considers that jointly they will be fit and proper to carry out the relevant business.

4.22 Changes in a partnership are therefore also dealt with on the basis that certificates are issued to a partnership as an entity, and not to individuals. As long as the business for which the partnership was formed still remains in place and continues to operate, changes of partnership are treated in much the same way as changes in company directors. The normal checks will be made on any new partner, and the ability of the new partnership to continue to run the business in a fit and proper manner will be assessed. Further information on partnerships is given in paras 6.24 to 6.27.

Consent applications

4.23 The following tables show the results of consent applications made to the Board during the period 1 April 1996 to 31 March 1997 and the number and outcome of subsequent licence applications.

OUTCOME OF BINGO CONSENT AND LICENCE APPLICATIONS 1 APRIL 1996 - 31 MARCH 1997

Table 15

NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1996	10	2	12
New applications received in 1996/97	38	6	44
TOTAL	48	8	56
Certificates issued	41	8	49
Applications withdrawn	5	0	5
Applications refused	0	0	0
Applications not determined by 31 March 1997	2	0	2
TOTAL	48	8	56

Table 16

NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1996	44	9	53
New applications made	35	5	40
TOTAL	79	14	93
Licences issued	34	6	40
Applications withdrawn	13	3	16
Applications refused	0	0	0
Applications not determined by 31 March 1997	32	5	37
TOTAL	79	14	93

Table 17

TRANSFER CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1996	3	1	4
New applications received in 1996/97	35	7	42
TOTAL	38	8	46
Certificates issued	34	7	41
Applications withdrawn	1	0	1
Applications refused	0	0	0
Applications not determined by 31 March 1997	3	1	4
TOTAL	38	8	46

Table 18

TRANSFER OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1996	22	0	22
New applications made in 1996/97	31	4	35
TOTAL	53	4	57
Licences issued	23	4	27
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 1997	30	0	30
TOTAL	53	4	57

The oldest certificates of consent which still apply to currently open premises were issued in 1969. There are more than 20 clubs still operating with certificates of consent issued in that year.

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

4.24 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 A certification scheme for casino executives was introduced in January 1994 (white certificates). It has now been in operation for over three years and although only relatively small numbers are involved, the scheme is regarded by the Board as an important element in the overall regulation of the casino industry. A total of 161 such certificates had been issued by 31 March 1997 with 18 certificates 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 1994/95 Annual Report gave the parameters for the green, grey, white and pink certificates.

Applications

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

Table 19

APPLICATIONS FOR CERTIFICATES OF APPROVAL 1992/93 TO 1996/97

	Number of applications received	Number of certificates issued
1 April 1996 - 31 March 1997	5,518	5,051
1 April 1995 - 31 March 1996	5,755	5,233
1 April 1994 - 31 March 1995	4,847	4,396
1 April 1993 - 31 March 1994	4,472	4,166
1 April 1992 - 31 March 1993	4,032	3,727

The difference between the two columns mainly reflects applications withdrawn or rejected.

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, particularly for applicants from overseas. However, on average during the year 95 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 90 per cent in 1995/96, and 89 per cent in 1994/95.

5.6 Applicants for the casino managers' grey certificate 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. A new policy was introduced on 1 March 1997, whereby applicants for the casino managers' grey certificate are interviewed locally by the regional Senior Inspector and an Inspector, rather than being required to attend the Board's headquarters at Berkshire House in central London. This change will be reviewed in 1998. Applicants for white certificates continue to be interviewed at headquarters.

5.7 The Board has since July 1993, as a matter of course when it issues a certificate, sent an accompanying advisory letter to the certificate holder. This letter gives, in broad terms, the kinds of activities which might result in revocation of the certificate and also asks the certificate holder to inform the Board of any convictions and/or formal cautions which they might receive. Applicants are still required to declare all convictions, formal cautions and pending prosecutions on every application for a fresh certificate. In past Reports, the Board has expressed its view that individuals who have been involved in a liquidation or receivership in which creditors remain unpaid are, prima facie, unlikely to be fit and proper to hold a Board certificate. The letter now requires certificate holders to notify the Board if they are made bankrupt, enter into a Composition with creditors, or an Individual Voluntary Arrangement under the Insolvency Rules 1986.

Quality of managerial applicants

5.8 The standards of first-time applicants for the managers' grey certificate remained high. Where an applicant does not meet the required standard, the application is normally deferred by agreement to allow the applicant to improve his or her knowledge of the Gaming Act 1968 and the Regulations made under it. In fact, all applications were granted 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 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. As mentioned earlier, where such applicants are new to the industry and have not previously held a grey certificate, they are interviewed by a panel, normally consisting of a Board Member and the Chief Inspector. Four such applicants were interviewed during the year and all 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 1997 were as follows:

Table 20

REASONS* FOR REVOCATION OF CERTIFICATES 1 APRIL 1996 - 31 MARCH 1997
(1 APRIL 1995 - 31 MARCH 1996 IN BRACKETS)

	Certificate	Per cent Holders
Socialising with members	24	27 (12)
Collusion with players	10	11 (7)
Involvement with drugs (including drug-related convictions)	10	11 (18)
Incurring convictions after the issue of a s19 certificate (excluding drug-related convictions)	8	9 (10)
Bingo - theft and misappropriating funds	6	7 (10)
Theft from employers	5	6 (10)
Visiting and gaming in another casino	5	6 (10)
Allowing gaming on credit in breach of s.16 of the Act	5	6 (3)
Failure to provide proper management controls	4	5 (4)
Failure to report collusion	3	3 (0)
Failing to declare convictions in breach of s.23 (6)	2	2 (8)
Others**	5	6 (8)

* The principal reason is shown in each case.

** Relates to failure to co-operate with receivers, breach of Sect 12 of the Act, DSS fraud, Breach of BCA Code of Practice and assault of a casino member.

5.11 The statistics show a significant increase in revocations for socialising with members i.e. casino staff mixing socially with casino members outside the casino. As mentioned in paragraph 2.39, the Board and the British Casino Association agreed and promulgated guidelines for accepted practice on socialising with members and visits to other casinos. These were issued on 25 April 1997. A copy is at Annex IX.

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

Interviews

5.13 During the period 1 April 1996 to 31 March 1997, 199 interviews were held.

Table 21

REASONS FOR INTERVIEWS IN CONNECTION WITH CERTIFICATES OF APPROVAL: 1 APRIL 1996 - 31 MARCH 1997

Type of certificate	Number of interviews	Remarks
Casino executive (white)	4	4 were granted
Gaming manager (grey)	47	47 were granted 1 was a re-application after revocation
Gaming inspector (yellow)	4	4 were re-applications after revocation and were granted
Gaming dealer (blue)	17	9 were re-applications following earlier revocation 17 were granted
Bingo manager (pink)	102	97 were granted, including 2 re-applications following earlier revocation 3 were deferred 2 were withdrawn
Existing holders of certificates of approval relating to casinos and subject to adverse reports	23	20 had certificates revoked (5 of these were casino managers) 3 had no further action
Existing holders of certificates of approval relating to bingo clubs and subject to adverse reports	2	2 were revoked

Judicial review of decision in section 19 revocation case

5.14 The 1995/96 Report made reference to the Board and police action against London Clubs International Plc, and that Mr Max Myer Kingsley, who was Chairman of LCI at the time of the Board and police action, had challenged the Board's decision to revoke his managers' (grey) certificates, by way of judicial review. Following dismissal of the application in the High Court, Mr Kingsley lodged an out of time application to the Court of Appeal for leave to appeal: this was rejected. Following this, the outstanding section 19 cases of other LCI directors were dealt with by the end of the year.

Attendance at Gaming Board interviews

5.15 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

5.16 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 63 certificate holders had their certificates revoked without interview, including 12 who made written representations. Three retained their certificates after the Board had considered their written representations.

Reapplication after revocation action

5.17 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

5.18 The Board received 750 enquiries from regulatory authorities in other countries where British staff holding the Board's certificate were seeking employment.

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

5.19 A number of applicants failed to disclose a full record of their convictions, even though the application form makes it clear that the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975 authorises the Board to require such disclosure.

5.20 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. Four prosecutions were initiated by the police during the year.

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

Decisions by outcome and issues by type, 1996/97

5.22 The outcome of applications for section 19 certificates, and certificates issued by type, for 1996/97 were as follows:

Table 22

SECTION 19 CERTIFICATES: DECISIONS BY OUTCOME

	New certificates issued	Old certificates re-issued	Total certificates issued	Applications refused	Applications withdrawn	Revocations*
Casino Executive	16	2	18	0	0	0
Casino Manager	81	27	108	0	2	13
Casino Supervisor	103	31	134	0	0	2
Casino Inspector	1,385	322	1,707	0	58	27
Casino Dealer	2,751	163	2,914	0	401	38
Bingo Manager	153	17	170	0	6	7
TOTAL	4,489	562	5,051	0	467	87

*A total of 87 individuals had certificates revoked: the number of certificates revoked was 229.

Table 23

SECTION 19 CERTIFICATES: ISSUES BY TYPE

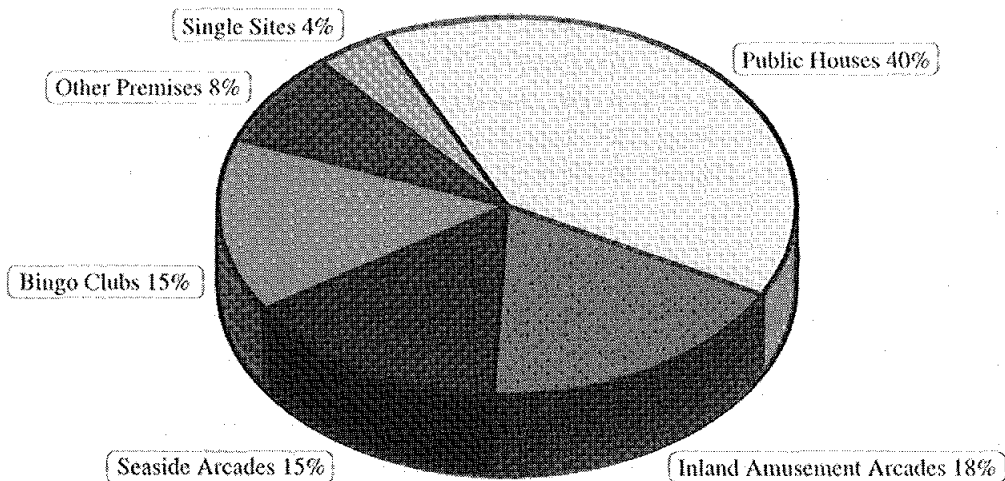
	New applications	Transfers	Promotions	Re-issues
Casino Executive	11	5	0	2
Casino Manager	0	34	47	27
Casino Supervisor	0	25	78	31
Casino Inspector	54	802	529	322
Casino Dealer	2,176	575	0	163
Bingo Manager	109	44	0	17
TOTAL	2,350	1,485	654	562

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 may do so only if they hold a certificate granted by the Board under section 27 of the Gaming Act 1968. Certificate holders are not however required to submit to the Board details of the numbers of machines they sell, supply or maintain. It is therefore difficult to establish the precise numbers of gaming machines, be they the traditional, token accepting Amusement With Prizes (AWP) machines, the newly introduced all cash machine or the club or jackpot machine. While machines used for gaming must, with certain exceptions, be covered by a licence issued by HM Customs and Excise under section 21 of the Betting and Gaming Duties Act, the manner in which that Department collates its statistics does not allow separate identification of those which are gaming machines within the meaning of the 1968 Gaming Act.

6.2 However, from analysing figures from the bands of duty imposed by C&E and from articles in the trade press it is possible to make some estimate of the numbers. These suggest that there are in the region of 220,000 AWP machines (including the new all cash machine) currently sited in Great Britain. In addition there are in the region of 42,000 jackpot machines located in casinos, bingo clubs and private members clubs; the vast majority of these are located in private members' clubs. Estimates produced in 1993 by BACTA (the coin operated amusement machine industry trade association) suggested a combined annual turnover of AWP's and jackpot machines of around £9 billion with some £7.2 billion paid out to players as prizes. BACTA also estimated the distribution of the location of AWP's at that time to be as follows:



These figures will have changed somewhat since then, particularly with the advent of the all-cash machine and its introduction into licensed betting offices. The Board hopes that BACTA may be able to produce more up to date figures of the numbers and locations of gaming machines.

The Deregulation (Gaming Machines and Betting Office Facilities) Order 1996

6.3 As detailed in last year's Report, the above Parliamentary Order permitting siting of the all cash machine came into effect on 20 June 1996. This:

- provided for the introduction of the all cash AWP machine, paying up to a maximum £10 cash prize, to be located in essentially adult environments such as liquor licensed premises, bingo clubs and age restricted amusement arcades.
- allowed betting shops to provide additional facilities, including in particular up to two all cash machines.
- increased the number of jackpot or club machines permitted in casinos, bingo clubs and members' clubs to six, four and three respectively.

6.4 The newly introduced all cash machine allows a maximum cash payment of £10; no prizes may be awarded by means of tokens. The maximum stake remains at 25p, to be paid either by token or coin(s). In effect all such machines accept the stake by means of coins. To reflect the higher level of prize (the traditional AWP machine can only award a maximum of £4 in the form of a cash prize, or a top prize of £8 in the form of tokens or non-monetary prizes) the siting of the all cash machine has been restricted to ensure that the playing of the machine by children is minimised. For example, those amusement arcades with a section 34(E) permit issued by the local authority where entry to the premises by any persons under the age of 18 is strictly prohibited may site the all cash machine anywhere on the premises. This applies to most inland arcades. Seaside arcades may also site the all cash machine, but they must ensure that those aged under 18 cannot gain access to it. In effect a physical barrier must be placed around that section of the arcade where the all cash machine is situated, and access must be restricted to this "designated area" by means of an entrance. The access must be supervised to ensure that those aged under 18 do not gain admittance, and it should be possible to observe the area within the barrier. Notices must be prominently displayed indicating that access to the designated area where the all cash machine is sited is prohibited to persons aged under 18. Failure to enforce the prohibition can result in loss of the local authority permit.

6.5 Within public houses the all cash machine should be sited in the bar area only. Therefore the all cash machine should not be located in a children's room, family room or a room where children are made welcome. Usually up to two machines may be sited in the bar, but the final decision with regard to numbers rests with the local licensing justices. Other premises which have a justices on licence are governed by the same rules as apply to public houses although the local justices may be prepared to allow more than two machines depending on the circumstances (for example, within the bar area of a ten pin bowling alley).

6.6 The Order permitted betting offices to site up to two all cash machines. It also permitted betting offices to sell racing periodicals and specialist betting publications, sell society and local authority lottery tickets, handle prize competitions and pay football pools winnings. Under 18s may not play an all cash machine in a betting office as they may not gain access to the premises. With regard to the deployment of the new machine in bingo clubs, as these are private members' clubs, and the admittance of those aged under 18 to such premises is normally restricted, it is felt there is adequate protection offered.

6.7 As described in last year's Report the Board also negotiated with the industry certain safeguards for the player of the all cash machine. First, the new machine should have affixed to it a statement of the minimum percentage payout (70 per cent) similar to that previously attached to AWP's in a bingo club. Second, such machines are expected to comply with the guideline on acceptable methods of machine control and the establishment of a satisfactory machine testing regime. A draft guideline is currently in place, with the effectiveness of the testing regime being assessed. The intention is to ensure for example that there are no hidden features on the machine which act in an unfair manner against the interests of the player.

6.8 The all cash machine has been in existence for almost a year, and it has proved popular both with the industry and the public. One concern however is that it appears that such machines are being sited in areas not permitted by the Order. It is too early to assess how serious this problem is, or may grow to be, but both the Board and the industry are troubled by this development. If need be, the Board may suggest to the Home Office that action is needed.

6.9 In addition, the Order allows bingo clubs to site four as opposed to the previous two club machines (which can pay up to a £250 prize), while the limit for casinos increases to six. Private members' clubs may now have three club machines. The maximum stake for these remains at 25p.

Gaming machine trends

6.10 There can be no doubt that the introduction of the all cash machine has acted as a stimulus to the domestic market. Although some of the smaller arcades and those situated on the coast have shown a lukewarm response to its introduction, the take-up rate in public houses and betting offices has been considerable. It has been estimated that within 18 months of its introduction some 90 per cent of the traditional AWP's in public houses will have been replaced by the all cash machine. The success of the new machine seems to have eaten in to the market for other coin operated machines, namely pool tables, video games and SWP's and jukeboxes. The newly created betting office market has also stimulated manufacture; it has been estimated that 10-15,000 all cash machines have been built to satisfy this new area of demand.

6.11 The relaxations in the number of jackpot machines which can be sited has also helped boost the industry. To satisfy the extra demand from casinos, bingo clubs and private members clubs it is estimated by some in the trade that an additional 15,000 club machines will be required.

£1 play machines

6.12 As reported last year, BACTA submitted representations to both the Home Office and the 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. It has been the Board's long standing interpretation of the legislation that the 1968 Gaming Act currently requires machines to be able to accept the stake for a single play (which is at present a maximum of 25p). Both the Board's legal advisers and the Home Office have confirmed that this is also their understanding of the Act. Accordingly, BACTA was informed by the Board that it could not alter its interpretation of the Act, and that machines should still be able to accept the stake for a single play. However, the Board also informed the industry that it no longer had any

objection in principle to gaming machines which could only accept £1 coins (or indeed the £2 coin when it is introduced); it would therefore not oppose any proposal to amend the law. The Home Office, BACTA and the Board began work on a consultation paper to amend the law by means of an Order under the 1994 Deregulation and Contracting Out Act. The Home Office was unable to issue the paper before the General Election was called.

The BACTA/Board working group

6.13 This group has continued to meet during the course of the year. It has been able to make progress on several fronts. Issues tackled this year include machine control and testing, prize bingo played in amusement arcades, moneybank displays and a planned review of all guidelines. Some of these issues are dealt with in greater depth in the following sections. The Board regards the working group as a useful and helpful forum and welcomes the positive approach adopted by the industry towards it.

Machine control and testing

6.14 As described in last year's Report, the Board and BACTA have agreed a draft set of guidelines relating to the controls permissible on AWP machines of a reel based nature (including the all cash machine) manufactured for use under section 34 of the 1968 Gaming Act. It is the intention that this document will make available an agreed list of those features which, if incorporated in AWP machines, will ensure that they operate in a way consistent with the requirements of the 1968 Act and do not otherwise contain features regarded as breaching previously agreed guidelines or advice issued to the industry concerning the performance of machines.

6.15 An agreed testing regime has also been introduced on a trial basis during the period of this report. By means of BACTA developed software it is possible to extract from each AWP data relating to its performance over a sequence of games. It is therefore now possible to analyse how each machine has behaved over a period of games, and to test its performance against a computer generated "random" model. Similarities in the profile of the performance of an individual machine measured against the profile of a "randomly" operated machine of the same nature would indicate that the program controlling the AWP is complying with the requirements of the Act and guidelines. Variance between the machine's data and that produced from the random model would call this into question; further tests would then be required. If the machine did not comply with the legislation or the guidelines, the Board would request that it be removed from the market.

6.16 At the time of writing it is still too early to determine how successful this trial testing regime has been. Early results appear encouraging, but a full review of the trial will be undertaken during 1997. It should be noted that the Board takes the view that certificated suppliers have an obligation to ensure, so far as they reasonably can, that machines which they supply conform to the requirements of the legislation and do not contain features which are undesirable. Once the trial is satisfactorily concluded and both the guidelines and the testing regime are formally ratified, the Board will draw these guidelines to the attention of all section 27 certificate holders and make clear to them that they can best satisfy themselves that machines supplied by them do conform with the 1968 Act's requirements by ensuring that the manufacturer or convertor from whom they obtain machines, whether BACTA members or not, are aware of and are implementing the agreed control/testing regime. It will thus be the

certificate holder's responsibility to satisfy himself that all his machines have been provided by a reputable manufacturer/convertor who fully complies with this regime.

Prize bingo played in amusement arcades

6.17 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 then current level of 30p to £5. BACTA said such a move was necessary to make the game more attractive to the players. Without this increase BACTA feared that the game would disappear, and so alter the character of seaside arcades. Despite its original reservations that such a move would change the nature of the game from one played for non-monetary cash prizes to one mainly played for cash, the Board said it was willing to support this application provided the Home Office did not feel it ran counter to the original intentions of Parliament. However, the Board made clear that it believed that, if a maximum cash prize of £5 were to be permitted, safeguards should be offered to the players. First, operators of the game should not pay out to the players, by means of prizes, less than 50 per cent of the money staked by players in any one week. Second, no person who is, or appears to be, under the age of 18 should be permitted to participate in any game.

6.18 During the year the Home Office confirmed that it was permissible to increase the maximum cash prize payable in this form of bingo from 30p to £5, and the Minister stated that he had no objections to an increase of this scale. BACTA and the Board, through the channel of the Board/BACTA working group, agreed a Code of Practice which would apply to bingo played under section 16 of the Lotteries and Amusements Act 1976 where the cash prize offered to a successful player in any one game exceeds the maximum stake prescribed by the Act. This Code, which includes the two safeguards, can be found at Appendix XI. The new £5 maximum cash prize level came into effect on 27 January 1997 through the provisions of The Amusements with Prizes (Variation of Monetary Limits) Order 1996 (SI 1996 No. 3208).

Maximum prize to be paid from a section 31 (club or jackpot) machine

6.19 As outlined in Chapter 1 of this Report, the Home Office consultation document entitled "Second Consultation on Casino Deregulation" includes the proposal to introduce into casinos the type of slot machines common to other countries. However, the British Casino Association expressed concern over the length of time it could take for such machines to appear in British casinos (assuming that the recommendation gains Parliament's approval). As an interim measure the association asked the Board if it would be possible to introduce enhanced club machines into casinos. They argued that as casinos are the most regulated area of the gaming industry and cater for a relatively sophisticated clientele, machines of a harder gaming nature should be available to casino members.

6.20 The BCA argued that there was nothing to prevent the Board negotiating different prize limits for club machines in different locations through its administrative agreement (which currently limits prizes in all locations to a maximum of £250) as long as the Board was content that such an agreement could be enforced. The BCA wanted casinos to be able to offer prizes up to £1,000 based on a 25p stake. As part of the request the BCA stated that they had sought and obtained undertakings from the trade associations for both bingo clubs and private

members' clubs that they would continue to limit themselves to the use of £250 maximum pay-out machines. Having achieved these commitments, the BCA asked the Board to agree to a £1,000 machine for casinos only by means of an administrative agreement.

6.21 However, as Board officials discussed this proposal with other areas of the gaming industry, it became apparent that the BCA did not have the level of support that had first been indicated. If a club machine capable of awarding a prize of up to £1,000 was permitted in casinos, some bingo clubs would wish to offer their members the same facility. BACTA also queried whether the administrative agreement would be effective in limiting enhanced club machines to casinos only. To site an enhanced machine in a private members' club or a bingo club would not be unlawful; BACTA was concerned that any guidelines issued by the Board regarding suitable locations for the proposed machine could be widely ignored. Discussions on the issue are continuing.

Advertising of machines

6.22 As stated in paragraph 1.20 of this Report the draft Deregulation (Betting and Bingo Advertising etc) Order included a proposal to allow non-broadcast advertising of AWP gaming machines on premises which have such machines. However, the House of Commons Deregulation Committee expressed concern that the proposal could lead to undesirable and misleading forms of advertising, especially with regard to children. In addition, it was felt that the scope of the proposal had not been clearly described and it had only become clear at a late stage that certain other types of video tape advertisements and moving displays would be permitted under the proposal.

6.23 The Committee acknowledged that there were difficulties in drafting an appropriate amendment which would be clear and enforceable and, although they would have preferred a more limited proposal, accepted the suggestion made by the Home Office that the Gaming Board should issue guidance. Given the importance of this guidance for the continuance of necessary protection, they wished to see the guidance before any draft Order on the proposal was laid. The House of Lords Delegated Powers Scrutiny Committee also expressed concern about the nature of the consultation process. In its response, the Home Office said it noted the Committees' comments about the advertising of AWP machines and would wish to consult further with the Gaming Board, the industry and other interested parties before bringing forward that proposal. Pressures of time brought about by the May 1997 General Election meant that this process could not be undertaken, and the advertising of AWP's was subsequently dropped from the Order.

Partnerships

6.24 During the course of the year the Board reviewed the manner in which it deals with changes to the membership of partnerships for section 27 certificate holders. The Board is now advised that, for the relevant purposes of the 1968 Act, a partnership can legally be considered a "person" in much the same manner as a company. It was therefore agreed that the Machines Section should act on this revised advice, bringing its treatment of partnerships in to line with the way it deals with changes to shareholders or principal officers of companies.

6.25 In practice, when dealing with partnership applications the Board has always taken the view that what it is faced with is a partnership of two or more persons who together approach

the Board on the basis that they are jointly fit and proper. Thus the skills, experience, aptitude, finances etc of the people concerned are looked at together. A certificate is granted if it is considered that jointly they will be fit and proper to carry out the relevant business. Like an application from a small company, the certificate is issued to the partnership as an entity and not to individuals.

6.26 Under the Board's revised practices, neither additions to nor reductions in the numbers of partners are to be regarded as affecting the validity of the certificate as long as the business for which the partnership was originally formed remains in place (and at least one partner is present) and the partnership remains fit and proper. If a new partner joins completion of a personal declaration form and a police check will be required. If serious concerns emerge about whether the new partner is fit and proper, revocation procedures could be instituted. Likewise, the departure of a very experienced partner could call into doubt the continued viability of the certificate holding partnership. If a partner resigned from a certificated partnership but wished to remain in the industry in a new capacity, that person would need to submit a new application.

6.27 Where the Board is notified that only one person now remains in the "partnership", the Board will establish how the functions of the certificate holder are being performed. If serious concerns arise, revocation could once again be considered. If the Board is content for the certificate to continue, when that fell for renewal, and if there was still a solitary person submitting the application, the certificate would be issued to an individual as opposed to a partnership, but renewal rates would be charged despite this change in status.

Trading up of prizes in amusement arcades

6.28 At the time of writing, a decision was still awaited on the Crown Prosecution Service petition to the House of Lords for leave to appeal against the Court of Appeal decision concerning the H B Leisure case. As stated in last year's Report, the Board fully supports the decision of the CPS to pursue this case as it feels the Court of Appeal judgement leaves the law unclear and unsatisfactory with regard to the trading up of prizes in amusement arcades.

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

6.29 The number of new applications received during 1996/97, and their outcome, is shown in the following table:

Table 24

NEW APPLICATIONS FOR SECTION 27 CERTIFICATES

	England and Wales	Scotland	Total
New applications outstanding on 31 March 1996	9	2	11
New applications received in 1996/97	23	5	28
TOTAL	32	7	39
Certificates issued	18	5	23
Applications refused	0	1	1
Applications withdrawn	2	0	2
To be determined, or awaiting payment of fee on 31 March 1997	12	1	13
TOTAL	32	7	39

Renewal of certificates

6.30 A total of 174 certificates reached the end of their five year life during the course of the year. The Board was notified that renewal was not being sought for 64 of these. 110 renewals were therefore left to be considered. The outcome of these applications, together with the 11 renewal applications carried over from the previous year, 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 1996	10	1	11
Applications received in respect of applications expiring during 1996/97	103	7	110
TOTAL	113	8	121
New certificates required	7	0	7
Certificates renewed	98	7	105
Applications withdrawn	0	0	0
Applications refused	0	0	0
To be determined or awaiting payment of fee on 31 March 1997	8	1	9
TOTAL	113	8	121

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

Revocations and refusals

6.32 During the year 1 section 27 certificate was revoked and 1 application for a new certificate was refused.

Certificates in force

6.33 On 31 March 1997 there were 817 certificates in force, 72 fewer than 12 months previously.

Permits

6.34 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. Eleven such permits were issued during the course of the year.

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 1996 there were 551 registrations with the Board, comprising 21 local authority schemes (including 18 modified schemes) and 530 societies. During the 12 months to 31 March 1997 95 further societies were registered by the Board. One new local authority lottery scheme was registered, but 3 expired. The Board received no notifications of modifications to existing local authority schemes. Eighteen registrations were cancelled, comprising 10 societies and 8 local authority schemes. One lottery registration was revoked by the Board during the course of the year for adopting schemes which were contrary to law (see paragraphs 7.11 to 7.18); no applications were refused. The total number of extant registrations with the Board as at 31 March 1997 was thus 625, comprising 11 local authority schemes (including 10 modified schemes) and 614 societies.

7.2 Over the year therefore the total number of registrations increased by 13 per cent. This is a lower increase than in the two preceding years. This slow down was to be expected as initial registration levels were high as societies began to undertake lotteries under the new arrangements following the changes to the legislation brought into effect in May 1994 by the National Lottery etc Act 1993. (Full details of the registration requirements are contained in the Board's 1993/94 Report.) The cumulative total of registrations is nonetheless still increasing. Those societies which first registered with the Board in 1994 under the new arrangements are shortly due to pay a fee to renew their registration for a further three years.

7.3 The number of individual lottery returns received by the Board continued to rise in 1996/97. Returns were received for 2,443 lotteries promoted by societies registered with the Board, compared with 1,862 for the preceding 12 month period. This represents an increase of 31 per cent. The Board received 18 returns for lotteries promoted by local authorities, compared with 47 in the preceding 12 months. Thus the significance of lotteries conducted by local authorities as a means to raise income appears to continue to decline. As can be seen from Table 27, only £600,000 worth of tickets were sold by local authorities registered with the Board in 1995/96. This fell to £260,000 in 1996/97, the lowest figure since the Board started to keep such records. This is in stark contrast to the £32m. raised by local authorities in 1978/79.

7.4 On the other hand, the level of proceeds raised by societies lotteries continued to increase to record amounts. For 1995/96 the proceeds for society lotteries stood at just under £79m. For 1996/97 society lottery ticket sales increased by 46 per cent to £115m. This is the highest figure recorded by the Board and compares with just £45m in 1992/93. Thus it appears that the success of the National Lottery has spilt over into the society lottery sector, with ever increasing sales of scratch cards. The added sales power and commercial approach of the larger Board certificated lottery managers (namely UKCL and Littlewoods Lotteries Limited) have also helped to achieve higher ticket sales. Of the £115m ticket sales, £40m (35 per cent) went on prizes, £30m (26 per cent) on expenses and the remaining £45m (39 per cent) to the good causes.

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

External lottery managers

7.6 At 31 March 1996 there were two companies registered as external lottery managers. This figure has now risen to five, with one other application under consideration.

Action by the Board

7.7 As indicated above, societies which wish to run lotteries are required 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. The last year has seen a continuation of the change of emphasis in the Board's Lotteries Section from concerning itself mainly with the registration of societies and local authorities to the examination of financial returns relating to each lottery held. The additional requirement that where any society or local authority sells more than £100,000 worth of tickets in all its lotteries held in one year it must also submit to the Board, as well as the individual lottery returns, accounts in respect of these lotteries together with a report on the accounts prepared by a qualifying auditor, has also added considerably to the section's work load.

7.8 At the time of registration, societies and local authorities must provide the Board with details of the scheme they intend to run (ie, details of the lotteries). If the society or local authority introduces a new scheme, or modifies an existing scheme in any way, it must also notify the Board of this at least four weeks before any tickets or chances in a lottery in accordance with the new or modified scheme are sold, distributed or offered for sale. The prime concern of the Board is to ensure that all schemes are lawful. In effect this means that they must be lotteries as opposed for instance to betting, and that they must comply with section 11 of the Act which sets out the rules for authorised lotteries. As societies become more inventive in order to secure their own sector of an increasingly competitive market, and the schemes become both more elaborate and draw more on the available technology (for example, on-line lotteries), so the work involved in considering the legality of the schemes submitted to the Board becomes more complex and difficult. This has drawn heavily on the resources of the section. (A more detailed consideration of some of the factors which come into play with regard to the legality of potential schemes is given in the section below on Keno.)

7.9 In addition, both the Lotteries Section and the Board's Inspectorate continue to receive a large volume of telephone and written enquiries relating to free draws, prize competitions and lotteries which do not require registration with the Board. These enquiries fall outside the Board's statutory responsibilities. Although staff 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, it should be noted that in many instances enquirers have to be advised that they may consider it prudent to obtain independent legal advice before proceeding with their proposals. It must be stressed that it is not for the Board to offer a definitive interpretation of the law; that task must rest with the courts.

Keno

7.10 Last year's Report described the concerns the Board held following the submission of a scheme to run "Keno" as a society lottery. Keno is typically a game where a player selects numbers from a field which usually runs from 0 to 80. The player decides how many numbers to select from this field; he can usually make up to 10 selections. Frequent draws (possibly as often as every 5-10 minutes) are held and typically 20 winning numbers are displayed on a TV monitor. The player matches the numbers he has selected to those appearing on the screen and, if a match occurs, he claims his winnings. These are based on fixed-odds, which have been declared to the player at the time of purchase of the ticket or chance. The pay-outs increase with the higher the match between the numbers selected by the player and those which appear on the screen.

7.11 As can be seen from the above description, the game is unlike a lottery in any traditional or generally understood sense. Indeed, it is the view of the Board that in the form described it displays attributes more commonly associated with the activities of 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. Due to the fact that draws are held frequently, and the results displayed in a very public manner by means of a TV screen or monitor, the game has the propensity to become the main focal point of any location where it is sited. The Board believes that this would stimulate the playing of the game, while the rapid nature of the games would enable players to chase their loses. The Board was told by the society wishing to run such games as society lotteries that they would be operated primarily from public houses. The Board had serious reservations about such a development as it does not believe that public houses are an appropriate venue for gambling of this nature; the law has always tried to ensure that only small scale gambling is permitted in them.

7.12 On receipt of the formal notification from the society to vary its approved scheme and to run two variants of Keno as society lotteries the Board had to determine whether the schemes were contrary to law. The Board's main concerns with regard to Keno were first whether it was a lottery at all and, if it was, second whether it could satisfy the requirements of the 1976 Lotteries and Amusements Act, As Amended, section 11 of which sets out a list of rules with which all society lotteries must comply.

7.13 As there is no statutory definition of a lottery the generally accepted definition is that taken from the Judgement of Lord Widgery in the **Reader's Digest Association-v-Williams [1976]** where he said: "*A lottery is the distribution of prizes by chance where the persons taking part or a substantial number of them make a payment or consideration in return for obtaining their chance of a prize. There are really three points one must look for in deciding whether a lottery has been established: first of all, the distribution of prizes; secondly, the fact that this is done by means of a chance; and thirdly, that there must be some actual contribution by the participants in return for their obtaining a chance to take part in a lottery*". The Board had considerable doubts whether in the Keno schemes presented to it there was an actual distribution of prizes as meant in this definition. This concern arose mainly from the fact that participants' chances of winning were at fixed odds with the result that, theoretically, there need be no winners at all or, conversely, that the operator of the scheme might lose in the sense that winnings could exceed revenue. The use of fixed odds was a feature the Board had not seen in any other lawful lottery regulated by it and which struck the Board as typical of betting where there is a one to one relationship between the person who

places a bet and the bookmaker who, depending on the outcome, wins the stake or pays out at the odds he has agreed.

7.14 At the time of considering the schemes the Board took the view that, given the variety of schemes that have in the past been found by the courts to be lotteries, it was unable to conclude that the schemes would not be considered by the Courts to be lottery schemes. However, since then the Board has noted with great interest the Crown Prosecution Service's decision not to prosecute the bookmakers' "49s" game as an unlawful lottery. The CPS were of the opinion that the scheme constituted fixed odds betting, and that the drawing of the winning numbers at the conclusion of each day's horse racing could be constituted an event. This line of reasoning is consistent with the Board's original view that such schemes constitute fixed-odds betting. The Board retains its doubts that any form of Keno which awards winnings through the process of fixed odds can necessarily be considered a lottery.

7.15 In its original analysis of the schemes the Board then went on to consider the question whether, if Keno could be held to be a lottery, it could be run as a lawful lottery under section 11 of the 1976 Lotteries and Amusements Act. At the time of the Board's consideration, the Act required that the amount of the proceeds of a society's lottery or a local authority lottery appropriated for the provision of prizes could not exceed 50 per cent of the whole proceeds of the lottery. The crucial issue in this was whether each Keno draw (which could take place every 5-10 minutes) should properly be regarded as a separate lottery, or whether the whole scheme for the sale of up to 1 million chances should be regarded as a single lottery. If the former was held to be the case the schemes would fall to be unlawful as, by the process of probabilities, out-goings in prizes would often exceed proceeds raised from the sale of tickets or chances in those 5-10 minute periods when few tickets were sold to the public.

7.16 It is the view of the Board that a lottery is a single distribution of prizes. It is complete when there has been a determination of the fate of all the chances purchased by those who participate in the distribution. A ticket bought by someone in Keno represents a chance valid only for the distribution of prizes comprised of the next draw and once that draw has taken place the holder of that ticket has no interest at all in the subsequent draws. The Board does not believe it can sensibly be said that the purchaser is participating in the same distribution of prizes as those who purchase tickets for subsequent draws. The Board therefore ruled that for both schemes each 5-10 minute draw constituted a separate lottery, and it followed that breaches of the maximum prize level permitted would occur on a regular basis. It follows that each of the two schemes was seen to fall foul of section 11 of the 1976 Act and were contrary to law.

7.17 As a result of these deliberations the Board decided, after granting the society a hearing, to revoke its registration to run lotteries under the 1976 Act on the grounds that the society had approved two lottery schemes which were contrary to law.

7.18 Subsequent to the above ruling the Board has been shown a number of on-line schemes which, although on the surface similar in design to Keno, work on the basis that prizes are awarded on a parimutuel, as opposed to a fixed odds, basis. Typically in these games the player again selects numbers which are matched with those drawn, but here the winners share the prize pool. In this way the promoter can guarantee that the prizes paid out will not breach the statutory limits as the prize pool would consist of amounts limited in accordance with the Act. As explained in paragraphs 1.31 to 1.33 the Board believes such games meet both the accepted definition of a lottery as established by caselaw and the requirements of the

1976 Act but retains serious reservations about them being played in such places as public houses and members' clubs.

Expense and prize levels

7.19 Last year's Report referred to the consultation document issued by the Home Office on 21 March 1996 which proposed that, within a continued overall combined statutory limit of 80 per cent of the proceeds of a lottery which could be used for expenses and prizes, greater flexibility could be provided by allowing the separate limits for expenses and prizes to be increased to 35 per cent (from its former level of 30) and 55 per cent (from 50) respectively. The circulation of this consultation document followed an approach made to the Home Office by the Lotteries Council for an increase in the level of expenses permitted for society lotteries to 37.5 per cent. This appeared to be too high a level both to the Board and the Home Office, and the consultation document proposal was offered as a reasonable alternative. It was felt that the added flexibility would allow societies to determine whether enhanced prize levels or increased allowances for expenses allowing, say, enlarged advertising budgets, would enable them to sell more tickets and thus increase the sums raised for the good cause.

7.20 As stated in last year's Report, the Board informed the Home Office that it would not wish to oppose the added flexibilities contained in the proposals as long as the overall guaranteed minimum return to the good cause was not reduced below the 20 per cent level. These revisions to the percentages which may be appropriated for prizes and expenses, within the overall combined limit of 80 per cent, came into force on 10 February 1997 by virtue of the Lotteries (Prizes and Expenses: Variation and Prescription of Percentage Limits) Order 1997 (SI 43/1997). It should be noted that the Board's prior approval is still required for expense levels which exceed the 15 per cent level in the case of all society or local authority lotteries where the proceeds exceed £20,000.

Commission levels

7.21 Such an increase in expense levels will allow those promoting lotteries registered with the Board to allocate higher sums for the payment of commission to those selling their tickets or chances. Since the advent of the National Lottery, both in its on-line and instant format, societies have had to adopt a more commercial approach to the promotion of their lotteries. The increased proceeds from Board registered lotteries show that society lotteries have responded well to the challenge thrown up by the National Lottery. However, societies are competing with each other as much as with Camelot. A finite market place means that societies are willing to offer higher levels of commission to ensure retailers stock their scratch cards. The Board has observed a steady increase in the level of commission being offered to retailers and the introduction of "commission bonuses" to those retailers who sell the winning ticket.

7.22 As stated in last year's Report, the Board does not believe that it can oppose a high commission level if the promoter can clearly demonstrate 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 the tickets. However, the Board does not wish societies to so extend the level of commission offered that it assumes amounts similar to the contribution made to the good cause. Inflated commission levels contained in applications for expense levels above 15 per cent will be viewed critically by the Board. If the lottery sector cannot

show sufficient self restraint in this field following the increase in approved expense levels the Board will need to review the situation further.

Sale of society and local authority tickets

7.23 On 6 June 1996 The Lotteries (Amendment) Regulations 1996 (SI 1306/1996) came into effect; this Statutory Instrument revoked Regulation 6 of the Lotteries Regulations 1993. This removed the prohibition on the sale of lottery tickets by a person in the discharge of any official, professional or commercial function not connected with lotteries when visiting another person in his or her home. This relaxation of the restrictions on the sale of lottery tickets had followed a Home Office consultation paper on the proposal issued in December 1995.

7.24 In supporting the revocation of Regulation 6 the Board noted that concerns could be expressed that those selling tickets could gain access to a household on one basis and then exert pressure on the householder to purchase lottery tickets. However, the Board formed the opinion that these concerns were not of a sufficient magnitude to prevent support for the revocation of the Regulation, which was now seen by many as being too restrictive and out of step with other relaxations in the area of soft gaming.

“Skill competitions”

7.25 The Board has previously made public its concerns about the proliferation of so-called “skill competitions”, often conducted by means of premium rate telephone lines. The Board has always been of the opinion that limited skill plays a part in only the first stage of many 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 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).

7.26 The Board welcomed the publication by ICSTIS (the body which supervises the conduct of premium rate telephone services) in June 1996 of a consultation document addressing the question of premium rate telephone competitions in the United Kingdom. Part of this document focuses on the question of the legality of such “skill” competitions conducted by means of the telephone, and offers suggestions as to how they could be regulated. ICSTIS has suggested that where it is given clear expert legal advice that such a competition is illegal it could use its code of practice to stop the competition. This would be allied to the issue of guidelines to those intending to run such competitions to help ensure that they remain lawful. The Board believes this to be a step in the right direction but does have concerns as to how effective the proposed guidelines will prove to be, and about what will happen in those cases where the legality of the scheme appears to be more doubtful. However, the Board is encouraged that ICSTIS is making efforts to address the issue and looks forward to its final conclusions and proposals.

Lottery statistics

7.27 The first table below gives details of accounts/returns received from 1 April 1996 until 31 March 1997 for lotteries registered with the Board. It shows the proceeds for society and local authority lotteries in accounts received by the Lotteries Section.

7.28 The second table shows comparative figures for the total ticket sales on accounts received for each year from 1 April 1992 to 31 March 1997 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.

7.29 The pie chart shows the distribution of proceeds among prizes, expenses and the good cause.

Table 26

DETAILS OF ACCOUNTS AND RETURNS RECEIVED IN THE PERIOD 1 APRIL 1996 TO 31 MARCH 1997 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	2,221	108,777,234	28,113,174	25.84	37,954,694	34.89	42,709,367	39.26
Scotland	222	6,303,548	1,720,795	27.30	2,031,586	32.22	2,551,167	40.47
TOTAL	2,443	115,080,782	29,833,968	25.92	39,986,280	34.75	45,260,534	39.33

Local Authority Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
England and Wales	18	260,154	78,199	30.44	102,560	39.42	78,394	30.13
Scotland	0	0	0	0	0	0	0	0
TOTAL	18	260,154	79,199	30.44	102,560	39.42	78,394	30.13

Total All Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
	2,461	115,340,936	29,913,167	25.93	40,088,840	34.76	45,338,928	39.31

Table 27

TOTAL TICKET SALES AND NUMBERS OF LOTTERIES SHOWN ON ACCOUNTS AND RETURNS RECEIVED BETWEEN 1 APRIL 1992 AND 31 MARCH 1997

Society Lotteries

	1992/93		1993/94		1994/95		1995/96		1996/97	
	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	42.42	972	39.95	983	34.25	982	73.38	1,716	108.78	2,221
Scotland	2.92	89	1.68	103	3.76	102	5.56	146	6.30	222
TOTAL	45.34	1,061	41.62	1,086	38.01	1,084	78.96	1,862	115.08	2,443

Local Authority Lotteries

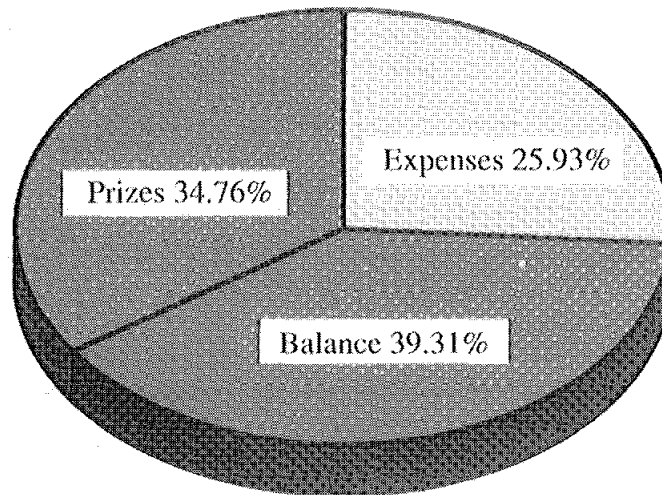
	1992/93		1993/94		1994/95		1995/96		1996/97	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
England and Wales	1.41	106	1.33	85	0.73	60	0.60	47	0.26	18
Scotland	0	0	0	0	0	0	0	0	0	0
TOTAL	1.41	106	1.33	85	0.73	60	0.60	47	0.26	18

Total All Lotteries

	1992/93		1993/94		1994/95		1995/96		1996/97	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
TOTAL	46.75	1,167	42.95	1,171	38.74	1,144	79.56	1,909	115.34	2,461

SOCIETY & LOCAL AUTHORITY LOTTERIES

APPROPRIATION OF PROCEEDS 1996/97



8 : Inspectorate, Operational Issues and Enforcement

Inspectorate staffing

8.1 During the year Mr W A Galston, Chief Inspector, and Mr M O'Donnell, Inspector for the London South West area, retired from the Board. Mr Galston had worked for the Board for over 25 years, with seven of them as Chief Inspector. The Board wishes to express its particular appreciation of his valuable contribution to its work and was gratified that he was awarded an OBE in the New Year's Honours List in recognition of that contribution. Following the retirement of Mr Galston, Mr R G White, Deputy Chief Inspector, was promoted to Chief Inspector; Mr D W Burns, Senior Inspector South East Region, was promoted to Deputy Chief Inspector and Mr J Hyde, Inspector for West Sussex, Hampshire and the Isle of Wight was promoted to Senior Inspector, South East Region. As a result of these changes two new Inspectors were recruited and trained to fill the vacancies arising. In addition, two Inspectors, one the Machines Specialist, resigned from the Board during the year.

8.2 Despite having a full complement of Inspectors for the greater part of the year, the absence of two Inspectors on long term sick leave, both from the already hard pressed South East Region, has caused concern and necessitated a reassessment of work priorities. In short, this meant that the scheduled programme of visits to licensed premises and machine suppliers in that region had to be modified to reflect the reduced manpower available. This further highlighted the manning problems in the South East Region identified in previous Board Annual Reports.

Review of best practice and area boundaries in Inspectorate

8.3 In order to maintain the effectiveness of the Board's Inspectorate and in the light of the proposals on deregulation, a review of best practice was carried out under the direction of the Chief Inspector. This wide ranging review sought to examine closely every aspect of an Inspector's operational and administrative tasks in an attempt to identify areas where current practice could be improved. Areas examined included: routine casino and bingo inspection procedures, Inspectorate returns, training requirements and the method, frequency, and conduct of carrying out in depth casino inspections. In addition the Inspectorate regional and area boundaries were reviewed and revised in order to make best use of current resources and with an eye to probable changes required after further deregulation. Two Inspectorate posts have been reallocated from the North of England to the South East. A further benefit of the review was that the basic case loads of individual Area Inspectors were brought more into line one with another.

8.4 The results of this review have generally streamlined all the administrative and operational practices. The most significant result was the implementation of a new in-depth casino inspection process which will take place more frequently than was previously the case. It is envisaged that this different approach will be constructive for the industry and identify sooner any malpractice and unacceptable trends. The establishment of a higher graded Inspectorate Intelligence/Operations Officer and a Specialist Enquiry Team based in London will also enhance effectiveness.

8.5 The emphasis on IT training has continued with Inspectors attending various courses and being issued with technology to assist them in carrying out their inspection duties. Inspectorate Recruit Training was conducted by the Northern Region at the Greater Manchester Police Training School and the Chief Inspector wishes to record his thanks to the Senior Inspector, Northern Region, for managing the training task and to the Training School Commandant for kindly providing accommodation facilities for the trainees. The course, reduced in length from six to four weeks to enable a better balance between practical and theoretical training to be achieved, will however, where practical in future, be carried out by the relevant Senior Inspector and his Inspectors. The first such course is expected to be run by the South East Region in the summer.

8.6 To achieve a more professional relationship with both NCIS (National Criminal Intelligence Service) and the Police Service various memoranda of understanding have been formulated. This will enhance both knowledge and understanding and is very much welcomed by all concerned. In addition, the Inspectorate have accepted an invitation to join FFIN (Financial Fraud Information Network) as associate members. This membership is proving to be of great value in the exchange of relevant information. The Chief Inspector is also involved in an exercise conducted by the Home Office with all Inspectorates, e.g. police, drugs, prisons, fire, to establish best practice. The results will be finalised in January 1998.

Inspection visits and other operational activities

8.7 During the year the Board's Inspectors made 1,921 supervisory visits to casinos and 3,080 to bingo clubs. In addition they made 494 inspections of certificated machine suppliers and 17 lottery inspections were completed. The Inspectorate also carried out a large number of separate investigations. The majority of these were enquiries into certificate of consent applications, revocation of Section 19 certificate cases, External Lottery Manager applications, and complaints in respect of licensed premises or other premises and unlawful gaming. Inspectors also assisted the police in the majority of 11 prosecutions which were initiated in respect of gaming and lottery related offences and were named in 16 warrants issued under Section 43 of the Gaming Act 1968.

8.8 The Board continues to provide the police, courts and other authorities with specialist assistance and advice. This is considered to be particularly important for new licensing areas and Magistrates with the prospect of significant deregulation. During the year Inspectors, assisted by the Specialist Machines Inspector, gave 13 talks to police and 24 to gaming licensing authorities. Unusually, and due to the resource problems already highlighted, the South East Region were unable to hold any gaming courses for Metropolitan Police Officers, but Inspectors in the Northern Region assisted in the instruction of two courses held by the Greater Manchester Police.

Code of practice relating to the prevention and detection of money laundering in casinos

8.9 Several amendments to the Code of Practice Relating to the Prevention and Detection of Money Laundering in Casinos, introduced in January 1995, were agreed between Board officials and representatives of the British Casino Association and the issue of an updated code is imminent. The two most significant changes agreed are:

- (a) The requirement for members' guests to provide positive identification if they visit the casino regularly and play to the cash values set out in the Code. Prior to this agreement it had been noted with concern that a number of casinos were allowing members' guests who played with substantial cash values to attend regularly - in excess of 60 visits were recorded for one "guest" - without requiring the guest to provide positive identity.
- (b) The introduction of a six stage procedure for ensuring existing members who had not previously provided positive identification complied with the requirement.

Compliance with the code has been generally satisfactory and the Board hopes that this will continue to be the case.

Complaints from public

8.10 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:-

	Complaints Investigated	Justified
Casinos	29	3
Bingo	127	28
Others*	54	29

* These related to such matters as illegal lotteries and competitions and allegations concerning the irregular operation of gaming machines.

Contacts with other gaming regulatory bodies

8.11 The Inspectorate trained in London and Nottingham two inspectors from the Seychelles in all aspects of the casino and gaming machine industry. This took place in January 1997 and was followed by a visit to the Seychelles by the Chief Inspector and a Senior Inspector. A report on their findings has been produced for the Seychelles government who funded the training and the trip to the islands.

8.12 A team comprising one Senior Inspector and one Inspector travelled to the United States during the year to carry out detailed enquiries into a lottery application. In addition, the Deputy Chief Inspector visited casinos in Atlantic City in March for discussions with officials from the New Jersey Gaming Authority and to meet with the principal of a privately operated slot machine testing laboratory. The purpose of the visit was to gain an insight into the essential regulatory controls required for large scale casino slot machine operations, in the light of the Government proposals for allowing such machines in British casinos.

8.13 During the year a large number of representatives from overseas governments and regulatory bodies also visited the Board. These included officials from provinces of South Africa (Mpumalanga, High Veld, and the Western Cape), Kenya, Seychelles, France, Holland, Republic of China, Moscow, New Jersey, Nevada, Sweden, Saskatchewan and Czechoslovakia.

9 : Registered Clubs

9.1 Under section 10(3) of the Gaming Act 1968, the Board is required to keep under review the extent, character and location of gaming facilities provided in clubs which are registered under Parts II and III of the Act. Part II registration applies only to members' clubs whose main purpose is other than gaming (except that it can include clubs for the playing of bridge or whist) and to miners' welfare institutes. Part III registration allows members' clubs, and proprietary clubs other than licensed gaming clubs, to operate gaming machines. As the process of registration is the responsibility of the local licensing authority, the Board obtains information on the administration of this part of the Act from the licensing authorities themselves. As reported in the 1993/94 Annual Report, these surveys are held at three-yearly intervals. Consequently a survey was conducted in April 1997, covering registration under Parts II and III of the Act during the period 1 April 1994 - 31 March 1997. Despite reminder action, not all returns were received in time for incorporation in this report. The figures given below are therefore from the returns received which amounted to around 85 per cent of those expected. The figures given are consequently underestimates of the true totals.

Registration under Part II of the Act

9.2 Registration under Part II of the 1968 Gaming Act allows clubs to play equal chance gaming (such as bingo) and to make charges greater than those permitted under section 40 of the Act. Renewal of a registration lasts for one year or, on application, for such higher number of years as the licensing authority sees fit up to a maximum of ten years. The 1993/94 Annual Report said that the total number of clubs registered under Part II of the 1968 Act at 31 March 1994 in England and Wales was 409, compared with 405 in 1990. In Scotland it was 3 compared with 105. On 31 March 1997 the comparative figures were 599 for England and Wales and 92 for Scotland. It now appears clear that the 1994 figure for Scotland was a very substantial underestimate.

9.3 The maximum daily charge under Part II remains at £2.00.

9.4 The following table sets out particulars of registrations in the period 1 April 1994 to 31 March 1997.

Table 28

REGISTRATIONS UNDER PART II OF THE GAMING ACT 1968
(1 APRIL 1994 TO 31 MARCH 1997)

	England and Wales	Scotland	Total
<u>Initial Applications</u>			
Granted	22	3	25
Refused	0	0	0
Not proceeded with	8	0	8
Not determined by 31 March 1997	0	0	0
TOTAL	30	3	33
<u>Renewal Applications</u>			
Granted	314	86	400
Refused	0	0	0
Not proceeded with	3	1	4
Not determined by 31 March 1997	0	0	0
TOTAL	317	87	404

Note on Table 28

During this period, 40 registrations were cancelled or relinquished in England and Wales, and 2 in Scotland. The corresponding figures for the previous period were 12 and 0 respectively.

Gaming under sections 40 and 41 of the Act

9.5 The Board does not maintain statistics on gaming under sections 40 (i.e. gaming in clubs or miners' welfare institutes whether or not registered under the Act) and 41 (i.e. gaming at entertainments not held for private gain) of the Act, but it would appear that generally speaking it is low stake gaming, as the Act intended. The daily maximum participation fee under section 40 for playing whist or bridge was increased to £15 on 1 August 1995. For all other games the maximum charge remains at 50p. Under section 41, the entrance fee/stake remains at £3.00, the total value of prizes at £300, and the maximum prize at a final entertainment £600.

Registration under Part III of the Gaming Act 1968

9.6 Registration by a club or miners' welfare institute under Part III of the Act entitles them to three jackpot gaming machines, increased from two on 20 June 1996, and lasts for a period of five years.

9.7 The table below shows the disposal of applications made between 1 April 1994 and 31 March 1997.

Table 29

REGISTRATIONS UNDER PART III OF THE GAMING ACT 1968 DURING THE PERIOD 1 APRIL 1994 TO 31 MARCH 1997

	England and Wales	Scotland	Total
<u>Initial Applications</u>			
Granted	1,668	137	1,805
Refused	21	2	23
Not proceeded with	111	3	114
Not determined by 31 March 1997	13	0	13
TOTAL	1,813	142	1,955
<u>Renewal Applications</u>			
Granted	10,168	1,027	11,195
Refused	9	0	9
Not proceeded with	670	31	701
Not determined by 31 March 1997	60	0	60
TOTAL	10,907	1,058	11,965

9.8 During this period 1,617 registrations were cancelled or relinquished in England and Wales, and 47 in Scotland. The total number of clubs registered under Part III of the 1968 Act at 31 March 1997 in England and Wales was 14,827. In Scotland it was 1,568.

Appendix I

Selection of Key Gaming Industry and Board Statistics: 1992/93 to 1996/97

	1992/93	1993/94	1994/95	1995/96	1996/97
CASINOS					
Operating at year end	118	118	119	119	116
Drop (£million)	2,061	2,230	2,461	2,548	2,599
House win as % of drop	19	18	17	18	18
American roulette as % of total drop	69.3	68.4	66.1	61.9	59.8
Applications for certificates of consent or their continuance					
(a) made	29	27	39	14	20
(b) determined (including withdrawn and fallen applications)	24	23	40	24	18
- of which refused	1	1	3	1*	-
*Revocation subsequently rescinded					
BINGO					
Clubs holding gaming licences at end of year	927	910	903	906	908
Amount staked on bingo: £million	715	787	811	906	967
Applications for certificates of consent					
(a) made	153	142	172	112	86
(b) determined (including withdrawn) - of which refused	155	125	179	121	96
	1	2	0	0	0
CERTIFICATION OF CASINO AND BINGO EMPLOYEES					
Certificate issued or re-issued	3,727	4,166	4,396	5,233	5,051
Applications refused	2	4	4	6	0
Certificate holders revoked	99	80	55	76	87
GAMING MACHINES					
Jackpot (or club machines) licensed	37,207	} 271,272	*	*	260,000*
Amusement with prizes (AWP) machines licensed	201,461				
Certificates to sell, supply and maintain in force at year end	1,032	1,002	988	889	817
Certificates refused or revoked	0	3	4	6	2

	1992/93	1993/94	1994/95	1995/96	1996/97
LOTTERIES					
Society scheme registrations at year end	1,072	1,086	377	530	614
Local authority scheme registrations at year end	46	85	25	21	11
Schemes revoked	3	1	–	–	1
Number of lotteries held under					
Board registered schemes	1,167	1,171	1,144	1,862	2,461
Total ticket sales (£million)	46.75	42.95	38.74	78.96	115.34
GAMING BOARD					
Grant-in-aid (£million)	2.96	2.92	3.04	3.32	3.36
Staff	76	77	77	77	75
- of which Inspectorate	34	35	35	35	34

* Based on industry estimates.

Appendix II

SECOND CONSULTATION ON CASINO DEREGULATION: RESPONSE OF THE GAMING BOARD FOR GREAT BRITAIN

Introduction

1 This note gives the response of the Gaming Board to the Home Office paper “Second Consultation on Casino Deregulation” published on 12 November 1996. This second consultation paper followed an earlier major consultation on a package of measures to remove certain restrictions in the law relating to casinos and bingo clubs (“Casinos and Bingo Clubs: A Consultation Paper”: February 1996). It brings forward specific proposals in four areas:

- changes in the membership requirements to allow postal applications and group membership;
- advertising of casinos;
- slot machines; and
- additional permitted areas.

General comments

2 The Board made a comprehensive and detailed response to the earlier consultation paper, a copy of which was published in its annual report for 1995/96. In particular, the Board welcomed the Government’s endorsement of the three basic objectives of gaming regulation and of the licensing and certification arrangements and the Board’s powers to vet and regulate. Since then, the Board has co-operated with the Government and the industry in carrying forward a number of helpful relaxations - notably for casinos on the reduction in the waiting period to 24 hours, the introduction of debit cards and relaxation in the liquor licensing arrangements.

3 The Board does not believe it necessary to repeat much of the detail of what it said on that earlier occasion. It made it clear then that it had no objection of principle to the proposals in the four areas covered by the second paper, subject to satisfactory safeguards and the provision of adequate additional resources to allow it to continue to regulate the industry effectively. That remains the Board’s general view in respect of the somewhat revised proposals now being made and the Board is pleased that the Government has acknowledged the importance of, and plans to adopt, most of the safeguards and protections suggested by the Board.

4 Before turning to the individual proposals, there are however two broad matters on which the Board would wish to comment. First, as the Board said in its previous response, the changes are likely to lead to a substantially enlarged industry, consisting of both more and larger casinos, with turnover possibly likely to more than double under the latest revised proposals. This will have considerable implications for the resources needed by the Board to ensure that it can continue to regulate casinos effectively. The Board has already absorbed

considerable extra work in recent years without additional resources and is having to deal with cuts in its grant in real terms of about 2% in 1996/97 and a further 3% in 1997/98. The scale of the proposals in the consultation paper is such that it is obvious that the Board cannot absorb the extra work resulting from them. Specifically, it does not have the resources to process applications for new, additional casinos, to plan for and implement the new regulatory regime for casino slot machines, or to regulate the substantially enlarged industry that would result. The Board would not be willing to place standards, quality and effectiveness of regulation at risk and it would not be in the industry's interest, let alone that of the general public, for it to do so.

5 The Board welcomes the fact that the consultation paper fully accepts that implementation of the proposals for new permitted areas and casino slot machines depends on the provision of additional resources for the licensing and regulatory authorities. The Board sent its estimates of those resource needs to the Government in July 1996. (It would like to emphasise that there is a period of about 6 months for recruiting and training new Inspectors and a further period before they are fully effective.) There have been no detailed discussions of these estimates since then and the Board is disappointed that it is still not clear whether or how any additional resources can be provided because of the general constraints on public expenditure. The industry, through the fees paid, broadly meets the costs of regulation - for the Board, the licensing justices and the relevant work of the police and the Home Office. It seems to the Board that, if there are more casinos, the fee income increases and more money becomes available to pay for the extra work involved without any net cost to the taxpayer. The extra tax and duty income from increased casino gaming - if, as we estimate, turnover doubles - would also be considerable.

6 Secondly, the Board along with a number of other respondents to the earlier consultation commented on the issue of problem gambling and gamblers. The proposals will increase the opportunities for casino gaming and as the Board has said on many occasions there is generally agreed to be a correlation between the amount of problem gambling and addiction and the availability and accessibility of gambling outlets. Problem gambling concerns more than one sector and more than one regulatory body in the gambling industry and the Board believes that the Government should promote a co-ordinated approach to research and action. But it is also important that the industry itself takes a proactive stance. Like the Home Office, the Board therefore welcomes the initiatives taken by the British Casino Association in for example preparing a position statement, sponsoring research and providing notices in casinos and a leaflet indicating where people with problems can get help. It also welcomes the recent initiative to establish the National Association for Gambling Care, Educational Resources and Training, which has the potential to do much good work in this area, and again like the Home Office hopes that adequate support and funding will be forthcoming from all sectors of the gambling industry.

7 The Board does not believe that it should oppose the proposals in the consultation paper on the grounds of their impact on the small minority of the population who suffer, or potentially may suffer, problems with their gambling activities. It does however believe that Government should arrange that careful analysis is made of the impact of the proposed changes in the paper on the number of problem gamblers, and the extent of their problems, and that Government, the Board and the industry should consider in the light of that analysis whether there is need to build on the existing initiatives to help and support those adversely affected.

Group membership (paragraphs 4.2 to 4.8 of consultation paper) and postal applications (paragraphs 4.9 to 4.19)

8 The Board made it clear in its response to the earlier consultation that it was content with the proposals that membership of one casino in a company group should be adequate to gain admission to game in all casinos in that group and that postal applications for membership should be permitted. As the Board said and as the Home Office acknowledges, it will be necessary to establish arrangements to confirm the identity of a member of one casino visiting another casino in the same group in respect of any group which wishes to take advantage of the group membership provision. The Board believes that this can best be done by agreement with individual company groups. Indeed this may be the only practical way as membership systems vary considerably between groups and casinos. It will for instance be a fairly straightforward matter where casinos have computerised data image capture arrangements and therefore hold photographs of their members within their computer systems but will be more complicated in less advanced systems.

9 For postal applications and as the consultation paper says, the Board believes that there should be a standard form of application which includes a signature. This will prevent applications on behalf of groups of people by proxy and possibly without their prior agreement. This and other requirements, particularly in respect of identification which are necessary as part of the arrangements to prevent and detect money laundering, can be established with the industry through codes of practice. Indeed the

Board hopes that all the necessary conditions can be incorporated in a revised version of its existing code of practice on money laundering.

10 The consultation paper says that “several respondents expressed concern that postal applications would lead to the re-emergence of junkets (organised trips to casinos from either elsewhere in Great Britain or abroad)”. It is important to bear in mind however that, whilst the current need to attend a casino personally and then wait 48 hours before gaming has been an important element in preventing junkets, the provisions of the Act which prohibit the granting of credit for gaming which it is not proposed to relax and the strict controls enforced by the Board on the extent to which casinos can offer hospitality, meet travel costs and provide other inducements to potential members have also been relevant. Offers of inducements are a feature of junket arrangements. It does not follow therefore that junkets will become widespread simply as a result of postal applications. Some easing of the controls on offers of hospitality etc would need to be made before junkets could be introduced on any substantial scale in Great Britain.

11 As the Board said in its earlier reply and as the consultation paper says, junkets are nowadays a recognised feature of the international casino industry and the Board believes it should no longer object to them, provided they are subject to satisfactory safeguards. One of these would be a code of practice on what is and is not permissible which would include provisions on such matters as payments of hotel bills and air fares as well as other hospitality and inducements. Indeed, the Board is currently discussing this whole issue with the British Casino Association. The BCA considers the current restrictions on hospitality etc are outdated, unnecessarily rigid and out of line with what overseas casino operators can offer their customers. These discussions are at an early stage and it may take some time to establish appropriate parameters. The Board does not believe however that the proposal to

allow postal applications which have merits and advantages in their own right need be delayed pending their outcome.

12 The main responsibility for ensuring that junkets comply with any authorised arrangements would fall on casino operators themselves. However, as the consultation paper says, the Board does believe that, if junkets are to be allowed, there should also be fit and proper certification of agents used by casinos to promote their business. This would require specific legislative authority. Again it is important to be clear about what is intended. Certification would apply to any person, whether inside or outside Great Britain, with whom the casino had a contract, whether formal or informal, to promote its business and to attract custom. These agents would be able to offer any permitted inducements etc on the casino's behalf. It is in areas such as this that concerns can emerge about abuse and therefore which need to be subject to control. There would be no intention, nor would it be practicable, to certificate tour operators, whether in Great Britain or overseas, who for instance might offer package tours including casino visits but who have no contract with the casino and cannot offer any hospitality or other inducements on the casino's behalf. The detailed arrangements for certification of agents need further consideration.

13 In its previous response, the Board suggested that if postal applications were to be permitted casino reception staff would have additional responsibilities and powers and should be required to have a Board certificate that they are fit and proper. Following further discussions with the BCA and given the formal controls that it is proposed to have on the form of application and such matters as identification requirements, the Board now considers that such staff are unlikely to have any substantially larger element of discretion when controlling admissions and that certification will not be necessary.

(ii) Advertising (paragraphs 4.20 to 4.30)

14 The Board is content with the proposals on advertising which are consistent with the comments it made in its earlier response. It agrees that they represent a cautious rather than a dramatic relaxation of the present restrictions. It is confident that it will be able to agree with the British Casino Association a code of practice on such matters as style, content, frequency and size of notices to ensure detailed compliance with the legislative requirement that notices should not be prominently or repetitively displayed with the intention of promoting the casino.

(iii) Slot machines (paragraphs 5.1 to 5.37)

15 The Board is also content in principle with the proposals on numbers of casino slot machines (as an alternative to the present 6 machines) and on such matters as stakes, siting of machines, prizes and percentage payouts. It acknowledges, as others have said and as it did in its earlier response, that casino slot machines will alter the character of British casinos. They are also likely to have an impact on the incidence of problem gambling and the Board has discussed this subject earlier in this response. But casino slot machine gaming is now common throughout the world, usually with substantially greater numbers of machines sited than is being proposed for Great Britain and generally as far as the Board is aware without major problem in well regulated jurisdictions. The Board believes casinos are the proper location for such slot machines and it is hard to advance compelling reasons as to why such gaming should be denied to those in this country who would wish to participate.

16 However as the consultation paper says, the Board considers it essential that the new regime is accompanied by adequate regulatory supervision and control. All foreign jurisdictions strictly regulate their slot machine gaming systems. The Board therefore strongly supports the proposals that:-

- manufacturers of slot machines and/or, where relevant and appropriate, their agents in this country should be certificated by the Board.
 - those who operate and supervise machine gaming (as is currently the case for table gaming) should be certificated by the Board.
 - would require casinos only to instal machines which met a required standard or technical specification set by the Board and which had been tested by an independent testing agency to ensure that they do.
 - would require casinos to have appropriate monitoring systems, approved by the Board.
 - would enable the Board to require testing of any machine used in a casino and would require that machines are disposed of only to certificated suppliers.

In effect this would mean adding a substantial passage to the 1968 Act.

17 Because casino slot machines are currently not permitted in Great Britain, the Board has at present comparatively little expertise in respect of them. Much preparatory work will need to be done in the areas listed above before slot machine gaming could be introduced to British casinos. For example, based on what is known about foreign equivalents, the required standard or technical specification will need to cover matters relating to software requirements (such as the need for randomness, requirements on percentage returns and machine monitoring capabilities), physical requirements (such as coin and bank note acceptance procedures, payout arrangements including verification and arrangements for machine linking) and electrical requirements (for instance those relating to equipment safety). Expected standards of monitoring will need to be devised and machine testing arrangements established. The Board itself needs to do considerable further work in these areas and will need to seek further expert advice and consultancy before the proposals for slot machines could be implemented. It will continue to take matters forward as best it can in discussion with the British Casino Association but some injection of additional resources will be needed before detailed work can be undertaken.

(iv) Permitted areas (paragraphs 6.1 to 6.20)

18 The latest proposals would add about a further seven permitted areas to the 13 additional areas proposed in the earlier consultation paper. This is a substantial addition to the London and 52 other permitted areas which exist now. The Board commented in detail on the implications of significant increases in the number of areas in its earlier response (see paragraphs 17 to 22). It remains content with what is proposed, subject to it receiving sufficient resources in good time 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. The Board has commented fully on the resources question earlier in this response. Also consideration is still needed concerning how the initial influx of applications should be

handled, both by the Board and the licensing justices, and how the other changes will impact on necessary investment in, and the size of, the new casinos. For such reasons careful consideration needs to be given to the timing of and preparations for any changes to the list of areas.

19 The Board understands that, as suggested in the earlier consultation paper, the Home Office intends to define the individual new permitted areas in terms of the Local Authority areas containing the towns concerned. The existing permitted areas were defined in the early 1970s and outside London are a mixture of old (pre-1974) county boroughs, non-county boroughs and urban districts. With the passage of time since 1974, it has become increasingly difficult for the Board to ascertain the exact borders of the current areas and this has led to a number of problems and difficulties. The Board hopes that, when the new areas are implemented, it will be possible to promulgate a single consolidated Parliamentary order listing all permitted areas. The Board believes that these should be defined in a way which uses current local authority boundaries which as far as possible are consistent one with another but do not substantially extend the coverage of any current area.

**Gaming Board for Great Britain
January 1997**

Appendix III

The Board's Staff and Offices

SENIOR STAFF OF THE GAMING BOARD AT 31 MARCH 1997

Secretary Mr T J Kavanagh

Chief Inspector Mr R G White

Deputy Chief Inspector Mr D W Burns

Section Heads

Casino and Bingo Mr D Aldridge

Lotteries and Machines Mr J Buckle

Finance and Management
Services Mr S Birkett

THE BOARD'S STAFF AS AT 31 MARCH 1997

	Grade	Staff in Post
Administrative Staff	5	1
	7	1
	SEO	1.8
	HEO†	5
	EO	8
	PS	2
	AO*	16
	AA	4
	Typists#	1
	Messenger/Paperkeeper	1
	Total	41
Inspectorate	Chief Inspector	1
	Deputy Chief Inspector	1
	Senior Inspector	5
	Inspectors	27
	Machines Inspector	0
	Total	34
	TOTAL	75

* including 5 at regional offices

† includes an HEO accountant grade

includes 2 part-time typists

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 J Hyde
Berkshire House, 168-173 High Holborn, London WC1V 7AA
Tel No. 0171 306 6218
Fax No. 0171 306 6268

South West Region

Senior Inspector Mr A Carpenter
Unit 16, Apex Court, Woodlands, Almondsbury, Bristol 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 1997
	£
<u>Casino licences</u>	
Grant	32,030
Renewal	6,580
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 1997
	£
<u>Gaming Machines</u>	
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
<u>Lotteries</u>	
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	2215
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 1996-97

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, Immigration and other services, England and Wales [Class VII 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 VII, 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 amount receivable in 1996-97 stated in the Board's latest memorandum trading account is £2,562,310

6. The members of the Gaming Board for Great Britain during 1996-97 were as follows:-

Lady S Littler (Chairman)
Mr W B Kirkpatrick
Lady C Trethowan JP
Mr B P Austin
Mr D Elliott CBE, QPM

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 Members</u>	<u>ERNIC</u>	<u>Total</u>
	£	£	£	£
Pay	35,320	57,022	10,282	102,624
Pension	–	2,649	–	2,649
Travel	4,355	7,680	–	12,035
	<u>39,675</u>	<u>67,351</u>	<u>10,282</u>	<u>117,308</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: 16 June 1997

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

I have audited the financial statements on pages 90 to 95 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 auditors

As described on page 1 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 judgements 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 payments and receipts of the Gaming Board for the year ended 31 March 1997 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 payments and receipts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

J J Jones
Director for
Comptroller and Auditor General
24 June 1997

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 1997

	<u>Notes</u>	<u>1996-97</u>		<u>1995-96</u>	
		£	£	£	£
H M G Grants received	2	3,367,000		3,260,000	
Operating Receipts	3	<u>1,105,611</u>	4,472,611	<u>1,486,457</u>	4,746,457
Less					
Salaries and wages	4	1,995,681		1,957,704	
Other operating payments	5	<u>1,349,214</u>	<u>3,344,895</u>	<u>1,290,911</u>	<u>3,248,615</u>
Surplus from operations			1,127,716		1,497,842
Other receipts/other payments (net)	6		(32,181)		(38,064)
Surplus for the financial year			<u>1,095,535</u>		<u>1,459,778</u>
Appropriations	7		1,078,517		1,516,515
Excess of (payments over receipts)/receipts over payments for the financial year			<u>17,018</u>		<u>(56,737)</u>

The notes on pages 92 to 95 form part of this account.

THE GAMING BOARD FOR GREAT BRITAIN
STATEMENT OF BALANCES AS AT 31 MARCH 1997

	<u>Notes</u>	<u>1996-97</u>	<u>1995-96</u>
		£	£
Balance at beginning of year		91,160	147,897
Excess of (payments over receipts)/ receipts over payments for the financial year		17,018	(56,737)
		<hr/>	<hr/>
Balance at end of financial year	8	<u>108,178</u>	<u>91,160</u>

The notes on pages 92 to 95 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	<u>H M G Grant Received</u>	<u>1996-97</u>	<u>1995-96</u>
		£	£
	Grant received from Class VII	3,367,000	3,260,000
	Vote 1 (Subhead N)		

3	<u>Operating Receipts</u>		
	Receipts of fees etc		
	Section 19 certificates	364,619	389,618
	Section 27 certificates	274,250	462,100
	Lotteries & Amusements Act	274,692	243,439
	Certificate of Consent - Bingo	106,370	187,100
	Certificate of Consent - Casino	85,680	61,200
	National Bingo	-	143,000
	TOTAL	<u>1,105,611</u>	<u>1,486,457</u>

THE GAMING BOARD FOR GREAT BRITAIN

NOTES TO THE ACCOUNT

4 Salaries & Wages

a) Staff costs incurred in the financial year were:

	1996-97	1995-96
	£	£
Salaries, wages and allowances	1,654,131	1,620,276
Employer's NI contributions	124,509	124,208
Pensions and accruing superannuation liability	209,614	206,423
Service Charge	6,577	6,797
TOTAL	1,995,681	1,957,704

b) Senior employees

The total remuneration of Mr T J Kavanagh, as Secretary to the Board, was £53,478. He is an ordinary member of the Principal Civil Service Pension Scheme.

c) Other senior employees

No other senior employee received remuneration in the salary band above £40,000.

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

Staff	41	(1995-96: 43)
Inspectorate	34	(1995-96: 36)

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

	Staff	Inspectorate	Total
	£	£	£
a) Salaries & Wages	750,319	904,662	1,654,131
b) Social Security Costs	53,194	71,315	124,509
c) Other Pension Costs	95,867	113,747	209,614
TOTAL	899,380	1,089,724	1,989,104

THE GAMING BOARD FOR GREAT BRITAIN

NOTES TO THE ACCOUNT

5	<u>Other Operating Payments</u>	<u>1996-97</u>	<u>1995-96</u>
		£	£
	Rent and Rates	700,146	614,418
	Maintenance	46,341	20,671
	Professional fees	194,149	267,878
	Travelling and subsistence	223,856	217,920
	Recruitment	13,570	12,650
	Postage and telephone	39,747	36,543
	Office supplies, printing, stationery	18,609	21,201
	Publications	2,799	2,459
	Hospitality	1,766	1,486
	Other computer expenditure	34,636	35,370
	Training	18,354	17,276
	Central Services	6,561	32,795
	Gaming Regulators European Forum	3,572	977
	Audit fee	9,312	9,095
	Miscellaneous and bank charges	35,796	172
	TOTAL	<u>1,349,214</u>	<u>1,290,911</u>
6a	<u>Other receipts</u>		
	Bank interest received	6,794	7,202
	Court Costs awarded	-	4,913
	Other miscellaneous	8,293	1,424
	TOTAL	<u>15,087</u>	<u>13,539</u>

THE GAMING BOARD FOR GREAT BRITAIN

NOTES TO THE ACCOUNT

6b	<u>Other Payments</u>	<u>1996-97</u>	<u>1995-96</u>
		£	£
	Computer equipment	18,726	33,627
	Office furniture and equipment	28,542	17,976
	TOTAL	<u>47,268</u>	<u>51,603</u>
7	<u>Appropriations</u>		
	Amounts surrendered to the Consolidated Fund via the Home Office during the year		
		<u>1,078,517</u>	<u>1,516,515</u>
8	<u>Balance at end of financial year</u>		
	Cash at bank	88,989	73,423
	Cash held at offices	19,189	17,737
	TOTAL	<u>108,178</u>	<u>91,160</u>

9 Overpayment of grant in aid

After the year end, it was discovered that an error in the transfer of grant payments had resulted in an overpayment on the Board's grant in aid of £10,000. The sequence of events was as follows:-

March grant in aid request understated by £25,000 due to miscalculation.

LGDP Unit paid £35,000 in error for SEMA IT contract cost which had already been drawn down.

Board returned £35,000 to LGDP Unit. Therefore the net effect at year end was that LGDP Unit still held £25,000 of the Boards grant in aid. These figures are reflected in the above accounts.

Subsequently, it was decided that the Boards cheque for £35,000 would be cancelled giving rise to the £10,000 overpayment which would be deducted from the 1997/98 grant in aid.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

Date: 16 June 1997

GAMING BOARD FOR GREAT BRITAIN

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997

1. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of my staff, the following representations which are given to you in connection with your audit of the financial statements of the Gaming Board for Great Britain for the year ended 31 March 1997.

2. I acknowledge, as the Accounting Officer for the Gaming Board, my responsibility for preparing financial statements which properly present the payments and receipts for the year. In preparing the financial statements, I was required to:

- (a) observe the accounts direction issued by Treasury, including the relevant accounting and disclosure requirements, and apply appropriate accounting policies on a consistent basis;
- (b) make judgements and estimates on a reasonable basis;
- (c) state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- (d) prepare the financial statements on the going concern basis, on the presumption the Gaming Board for Great Britain will continue in operation.

3. I confirm that, for the financial year ended 31 March 1997, I did not authorise any course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in the accounts direction, the financial memorandum and Government Accounting.

4. I confirm that all accounting records have been made available to you for the purpose of your audit and that all the transactions undertaken by the Gaming Board have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings, and relevant information pertaining to the Travel & Subsistence irregularities discovered, which you have requested have been supplied to you.

Yours faithfully

Secretary
Gaming Board for Great Britain

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 1996 and 31 March 1997

ENGLAND

	1 April 1996	31 March 1997
That area which is within the area specified in the licensing (Metropolitan Special Hours Area) Order 1961 - plus the City of Westminster and the Royal Borough of Kensington and Chelsea.	21	21

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

	1 April 1996	31 March 1997
Birkenhead	1	1
Birmingham	5	5
Blackpool	2	2
Bolton	1	1
Bournemouth	3	2
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	4
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 1996	31 March 1997
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 BOROUGHS OF:-

	1 April 1996	31 March 1997
Cardiff	3	3
Swansea	2	2

SCOTLAND

THE AREAS OF THE FORMER COUNTIES OF THE CITIES OF:-

	1 April 1996	31 March 1997
Aberdeen	2	2
Dundee	2	1
Edinburgh	4	4
Glasgow	4	4
TOTAL:	119	116

Appendix VII

Revised 1 May 1997

BRITISH CASINO ASSOCIATION AND GAMING BOARD AGREED GUIDELINES FOR ACCEPTED PRACTICE

NUMBER 1 - ACCEPTANCE OF CHEQUES AND DEBIT CARDS

Cheque and Debit Card Facilities for Members and Guests

1. Prior to allowing members/guests facilities either to cash personal cheques not backed by a cheque guarantee card or to use cheques and/or a debit card beyond the aggregate limit laid down in paragraph 2 below (and in the absence of a bank reference) the casino will undertake the following procedure:-
 - i) Reference will be made to any member of the club suggested by the applicant as referee. Suitable assurances from such a members of good standing may be considered to constitute satisfactory evidence to warrant facilities, unless the applicant claims or is known to be a member of, or to have played at any other casino in Great Britain.
 - ii) In the latter circumstances, reasonable enquiries will be made and in the event that it is established that the applicant is in debt to a casino in Great Britain, the enquiring casino shall refuse to afford the applicant facilities until such time as the outstanding debt has been cleared.

Acceptance of Guaranteed Cheques or Debit Cards

2. Players without such a pre-agreed facility shall not be allowed to draw more than £750 per bank account in any gaming session. The limit can consist of any combination of cheque or debit card payments except that no more than three cheques each up to the players' cheque guarantee card limit will be accepted and no cheque will be accepted if an earlier proposed debit card transaction on that account has been refused authorization in that session. A list of Members of the UK Domestic Cheque Card Scheme is at Annex A and a list of acceptable debit cards is at Annex B, prepared in consultation with APACS.

Players Exceeding Facility Limits

3. When a facility limit has been established by a casino in respect of a particular player, no transaction which would cause the player's liability to exceed that limit shall be permitted by the casino except in special circumstances, and then subject to a prescribed procedure as follows:-
 - i) *Special circumstances* mean where the casino genuinely expects that any cheque exchanged for the means to game as a result of the increase of that player's facility limit, will be met upon first presentation, and the casino can justify such expectation, e.g. show that its knowledge of the player's affairs provides reasonable assurance of the player's ability to pay for the agreed increase in his/her gaming.

- ii) *Prescribed procedure* means where such special circumstances apply, the player's cheque or debit card for gaming may be accepted provided that the transaction is approved and authorised by the casino at Director or White certificate holder level or, in circumstances where such a person is not available, the senior manager holding the Board's Grey Certificate. A record of any such authorizations shall be maintained and made available to the Board's Inspectors. The record must show:-
 - a) reasons for the approval;
 - b) name and title of person who authorised it and his/her signature confirming the decision;
 - c) the amount of the transaction;
 - d) the outcome, e.g. whether the cheque cleared, and when.

Acceptance of Cheques from Defaulting Players

4. No casino shall accept a cheque not backed by a cheque guarantee card from a player to enable him/her to game if that player has dishonoured a previous cheque from which the debt or any part of it remains outstanding to that casino except in special circumstances, and then subject to a prescribed procedure as follows:-
 - i) *Special circumstances* mean, where despite the previously dishonoured cheque, the casino still genuinely expects that the new cheque will be met upon first presentation and the casino can justify such expectation, eg show that the player is well-known as a regular member of long standing with a hitherto sound record, or has never before dishonoured a cheque for gaming at the casino, and that its knowledge of the player's affairs provides reasonable assurance of the player's ability to pay.
 - ii) *Prescribed procedure* means, where such special circumstances apply, the player's cheque for gaming may be accepted provided that the transaction is approved and authorised by the casino at Director or White certificate holder level or, in circumstances where such a person is not available, the senior manager holding the Board's Grey Certificate. A separate record of any such authorizations shall be maintained and made available to the Board's Inspectors. The record must show:-
 - a) reasons for the approval;
 - b) name and title of person who authorised it and his/her signature confirming the decision;
 - c) the amount of the cheque;
 - d) the outcome, eg whether the cheque cleared, and when.
5. In these Guidelines, a dishonoured cheque means any cheque for gaming returned to the casino by the bank to which it was delivered for payment or collection, whether marked for re-presentation or not. It includes, in the case of request for special clearance, oral advice that a cheque will not be met on first presentation. It also includes any cheque on which advice is received of "effects not cleared".

6. Any player whose cheques are not backed by a guarantee card and are not acceptable to the casino shall be prohibited from gaming except for cash or its equivalent, e.g. cheque supported by guarantee card for the full amount, chips, travellers cheques, bank drafts, debit cards, and cheques drawn by a third party of known and established good repute. Any bank drafts or third party cheques drawn in favour of the player and endorsed by him in favour of the casino must not be “non transferable” within the meaning of the Bills of Exchange Act 1882.
7. A cheque is non-transferable if, for example, the word “only” appears after the payee, or is crossed and bears across its face the words “account payee” or “a/c payee”, either with or without the word “only”. Such a cheque is only valid as between the parties to it and, thus, can be accepted only by the payee named on it.
8. Any player who persistently dishonours cheques will have his/her cheque cashing facility arrangements withdrawn although debit card payments will remain acceptable. Before reinstatement, the casino will satisfy itself that the player is unlikely to dishonour further cheques and will treat the person as a “new member” and paragraph 1 shall apply to him/her accordingly.

Overseas Cheques

9. Where a player’s cheque, drawn on an overseas bank account has been presented for payment within the prescribed two banking days, and payment remains outstanding for a period of longer than four weeks (or in the case of territorial USA, eight weeks; and in the Far East five weeks) from receipt of the cheque by the casino’s bank, the cheque will be noted as overdue and, for the purposes of these guidelines, treated in the same way as a “dishonoured” cheque. Nevertheless, licensees should make every endeavour to seek confirmation of the fate of cheques drawn on foreign accounts and all relevant enquiries should continue to be recorded for inspection.

Settlement of Debts

10. No casino shall agree to the compromise of a dishonoured gaming or substitute cheque, or enter into any arrangement to make settlement of a player’s debt arising from any such cheque for less than the full amount for which that cheque was drawn, except in the event of an “enforced settlement” involving bankruptcy, liquidation or a company voluntary arrangement, administration order, or individual voluntary arrangement under the Insolvency Act 1986; or under parallel arrangements abroad.
11. Where a formerly indebted player and known defaulter has subsequently been discharged from a bankruptcy arising in whole or in part from that debt, or if any outstanding debt has become unenforceable in law through the passage of time, that player shall upon application for facilities be treated as a “New Member”, and paragraph 1 shall apply to him/her accordingly.

EXTRACT FROM GAMING BOARD 1995/1996 ANNUAL REPORT

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.

Extract. Rpt

**GUIDELINE NO.1 - ACCEPTANCE OF CHEQUES AND DEBIT CARDS
LIST OF MEMBERS OF
UK DOMESTIC CHEQUE GUARANTEE SCHEME**

- | | | | |
|-----|---------------------------------------|-----|---|
| 1. | Abbey National plc | 31. | HFC Bank plc |
| 2. | Adam & Co Plc (iii) | 32. | Hill Samuel Bank Ltd (iv) |
| 3. | Airdrie Savings Bank | 33. | Isle of Man Bank Ltd (vii) |
| 4. | Alliance & Leicester Building Society | 34. | Lloyds Bank plc (iv) |
| 5. | Allied Irish Banks Plc (i) | 35. | Lloyds Private Banking Ltd (iv) |
| 6. | ANZ Grindlays Bank plc | 36. | Midland Bank plc (vi) |
| 7. | Arab Bank plc | 37. | National Bank of Egypt International Ltd |
| 8. | Bank of Cyprus (London) Ltd | 38. | National Bank of Greece |
| 9. | Bank of England | 39. | National Bank of Kuwait (International) Plc |
| 10. | Bank of Ireland | 40. | National Westminster Bank plc (vii) |
| 11. | Bank of Scotland (v) | 41. | Nationwide Building Society |
| 12. | Bank of Scotland Banking Direct (v) | 42. | Northern Bank plc (viii) |
| 13. | Bank of Wales (v) | 43. | Northern Rock Building Society |
| 14. | Barclays Bank plc | 44. | NWS Bank plc (v) |
| 15. | Beneficial Bank plc | 45. | Portman Building Society |
| 16. | Bristol & West Building Society | 46. | Reliance Bank Ltd |
| 17. | Britannia Building Society | 47. | Riyad Bank Europe Ltd |
| 18. | Brown, Shipley & Co Ltd | 48. | Royal Bank of Scotland (Gibraltar) Ltd (ii) |
| 19. | C Hoare & Co | 49. | Royal Bank of Scotland (Guernsey) Ltd |
| 20. | Chelsea Building Society | 50. | Royal Bank of Scotland (IOM) Ltd |
| 21. | Citibank International Plc | 51. | Royal Bank of Scotland (Jersey) Ltd |
| 22. | Clydesdale Bank plc (viii) | 52. | Royal Bank of Scotland Plc |
| 23. | Co-operative Bank plc | 53. | Royscot Trust plc (iii) |
| 24. | Courts & Co (vii) | 54. | Samuel Monragu & Co Ltd (vi) |
| 25. | Cumberland Building Society | 55. | Standard Chartered Bank |
| 26. | Financial & General Bank plc | 56. | TSB Bank plc (iv) |
| 27. | Frizzell Bank Ltd | 57. | Ulster Bank Ltd (vii) |
| 28. | Girobank Plc (ii) | 58. | Whiteaway Laidlaw Bank Ltd |
| 29. | Halifax Building Society | 59. | Woolwich Building Society |
| 30. | Harrods Bank Ltd | 60. | Yorkshire Bank plc (~ii) |

Associated Names:

- | | | |
|----|-----------------------|--|
| 1. | Child & Co. | cards issued in this name incorporate a statement which reads "The Royal Bank of Scotland plc incorporating Child & Co, Bankers". Child & Co are not a subsidiary company but a branch of the RBS trading under a separate name. |
| 2. | First Direct | is a division of Midland Bank plc and all cards issued in this name bear this statement on the reverse. |
| 3. | First Trust Bank | is a service mark of AIB Group Northern Ireland plc and all cards issued bear this statement on the reverse. |
| 4. | Giro Personal Banking | is a service mark of Alliance & Leicester Building Society. |
| 5. | Shaw & Co. | is a service mark of Allied Irish Banks plc and all cards issued bear this statement on the reverse. |

- (i) Part of AIB Group
- (ii) Part of Alliance & Leicester Group
- (iii) Part of Royal Bank of Scotland Group
- (iv) Part of Lloyds TSB Group
- (v) Part of Bank of Scotland Group
- (vi) Part of Midland Bank Group
- (vii) Part of National Westminster Bank Group
- (viii) Part of National Australia Group

With effect from 5 August 1996

GUIDELINE NO.1 - ACCEPTANCE OF CHEQUES AND DEBIT CARDS

LIST OF ACCEPTABLE DEBIT CARDS

SWITCH

DELTA / VISA

As at 1 May 1997

Appendix VIII

Revised 25 April 1997

BRITISH CASINO ASSOCIATION AND GAMING BOARD AGREED GUIDELINES FOR ACCEPTED PRACTICE

NUMBER 3 - COMPETITIONS IN CARD ROOMS

The following Guidelines have been agreed between the Gaming Board for Great Britain, HM Customs & Excise and the British Casino Association. Compliance is mandatory. The Board will also encourage non-member casinos to observe the same practice.

1. Entry for players to the competition shall be by entry stake (or re-entry stake) only, both of which must be of the same amount. **No entry fee or participation charge may be made.**
2. All entry (or re-entry) stakes shall be returned to winning players as prize money. No monies may be retained by the casino.
3. All players shall be given, and retain, a receipt for their entry stake from a sequentially numbered duplicate receipt book. This receipt shall show the player's name and the amount of the entry stake. A separate receipt book shall be maintained for all subsequent re-entries by players and shall include the player's name and the amount.
4. A list of players in the competition showing their names and the stake entered shall be retained and displayed for the information of all participants, for a period of 24 hours following the conclusion of the competition.
5. The rules of the competition shall be displayed in the card-room in a prominent position. They must include a clear notice of the time the competition will start and the latest time the players can re-enter. Reference should be made to playing 'with' stakes and not 'for' stakes (ie entry stakes or re-entry stakes). Reference should also be made to the fact that no participation charge will be levied (or withheld) by the casino, and club facilities are provided free.
6. Where a competition extends over more than one day or session, a player re-entering on any subsequent day or session shall do so with a stake of the same amount as on initial entry.
7. The final winners of the competition shall receive all the stake money entered in the competition, and there shall be no restrictions placed on the use of winnings (eg requiring part of the winnings to be entered in a further competition in this country or elsewhere).
8. Winners shall sign and date a receipt as having received their winnings. Thereafter, the result of the competition shall be displayed for 24 hours.

Competition Prizes

9. Total prize monies contributed by the casino for a particular game shall not exceed £2,500 in any one week, whether in respect of a single match or a series of matches; no carry forward is permitted. For the avoidance of doubt a single game includes all forms of poker. In relation to the total prize money, no account should be taken of complimentary food and drink taken on the day of the competition or for convenience at a later date.

Poker Only

10. In addition to the above, poker competitions shall also be subject to the following:-
 - (a) The stake entered in the competition whether by cash or cheque shall be exchanged for gaming chips having a points value, provided that value is clearly established before the competition commences. The points value must be the same for each entry and re-entry stake. The stake of chips to be used in the competition must be issued by the cash cage on signature, and a chip control sheet must be maintained.
 - (b) All entrants shall be in the casino at the start of the competition. No new players may be permitted to join a poker competition after it has commenced. The latest time for re-entry shall be strictly adhered to and cannot be altered.
 - (c) Table seating shall be determined by a 'draw' and not at the discretion of management or players.
 - (d) In the final game of a poker competition the casino shall provide:-
 - (i) a dealer from its certificated staff; and
 - (ii) supervision by a member of its staff holding the Gaming Board's 'yellow' certificate, or senior.

Important Note

11. The Association has been informed by HM Customs & Excise that competitions conducted in strict compliance with these Guidelines are exempt from Value Added Tax.

Appendix IX

Revised 25 April 1997

BRITISH CASINO ASSOCIATION AND GAMING BOARD AGREED GUIDELINES FOR ACCEPTED PRACTICE

NUMBER 4 - SOCIALISING WITH MEMBERS AND VISITS TO OTHER CASINOS

1. Social Contacts with Members

Social contacts outside the casino with members by casino employees are not permitted where the relationship is likely to prejudice the judgement or place pressures upon the employee in the gaming environment.

2. Whilst it is fundamental to the industry that good relations are maintained with its members, for instance through permitted levels of hospitality and social activity, it is, nonetheless, the responsibility of senior management to ensure that the high standards of integrity expected in the industry are not compromised by relationships which develop between employees and casino members.

3. Visits by Staff to other Casinos

- (a) *Gaming* in other casinos within the UK by certificated casino employees is not permitted.
- (b) *Visits* by certificated staff of one casino to another without gaming are permissible, but always provided that both the staff employer and the licence holder of the casino to which any such visits are made are informed in advance and permit those visits. Permission is at the discretion of both licence holders and subject to their mutual agreement. This must be made known to all employees.

4. It is important for licence holders to ensure that all employees are both aware both of the above Guidelines on social contacts and visiting other casinos, and of any specific company rules which apply to each. Employees should also be made aware that any failure to comply may lead to dismissal and/or be reported to the Gaming Board, thus incurring the risk of revocation of the staff member's certificate of approval.

Appendix X

EXTRACT FROM GUIDANCE NOTES

APPLICATION FOR A CERTIFICATE OF CONSENT

FORMULA FOR CALCULATION OF CASINO GAMING RESERVES

The formula is calculated as follows:

Roulette	=	5,000 times the maximum stake permitted 'en plain'/single number'
Blackjack	=	100 times the maximum stake permitted per box.
Dice	=	200 times the maximum stake permitted on a line bet.
Baccarat	=	100 times the maximum stake.
Punto Banco	=	100 times the maximum stake.

When more than one table is operated in a single game, the amount needed for the second table is taken as 25% of the amount needed for the first table; no further addition need be made for additional tables.

Where more than one game is provided, reserve required for each game should be calculated. The game generating the largest required reserve should be taken as indicating the total reserve required and the other games ignored.

Appendix XI

CODE OF PRACTICE

Bingo Played Under Section 16 of the Lotteries & Amusements Act 1976

Where the cash prize offered to a successful player in any one game exceeds the maximum take prescribed by the above Act, the following conditions will be observed:

1. Operators of the bingo game will not pay out to the players, by way of cash or prizes, less than 50% of the money staked by players in any one week.

For the purposes of the above:

- (a) Cash prizes shall be the actual amount given in cash.
 - (b) Non-cash prizes will be calculated at the invoice value plus VAT.
 - (c) Shopping and gift-vouchers will bear a cash value, clearly marked on the front of the voucher.
2. No person who is, or appears to be, under the age of 18 will be permitted to participate in any game. Any claim to a prize by a player who on investigation is found to be under 18 will be null and void.

Notice of this condition will be prominently displayed adjacent to the bingo unit.

3. Operators will retain records, showing for each week:
 - (i) The total amount of cash received as stakes for the week.
 - (ii) The total value of prizes returned to the players (calculated as per (a), (b) and (c) above.
4. Records, as in 3 above, shall be retained by the operator for a period of 3 months from the end of any full week.
5. Before the start of the game, the operator will announce the prize for that game.
6. In all games, it will be the responsibility of the player to physically mark off the numbers called and to stop the game to claim a win. The operator will not assist or prompt claims from players.

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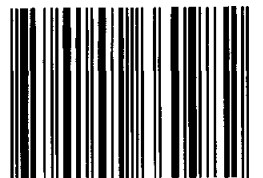
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