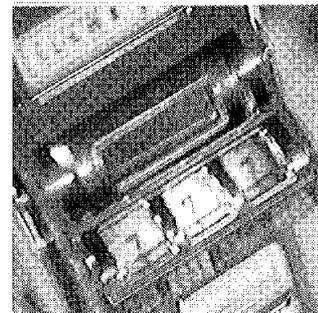
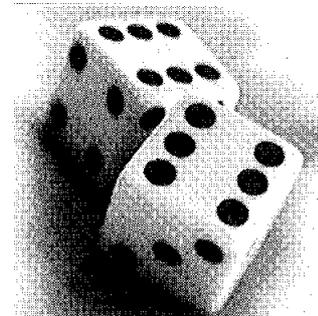
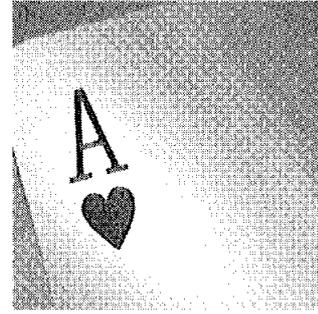


Department for Culture, Media and Sport
The Scotland Office
The Scottish Executive



**Report of the Gaming Board
for Great Britain 2000-01
VOL 1/2**

Report of the Gaming Board for Great Britain 2000-01

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Members of the Gaming Board for Great Britain in 2000/2001

MR P H DEAN, CBE, Chairman

MR D ELLIOTT, CBE, QPM

MR R C LOCKWOOD, JP

MR D M C E STEEN

MRS M A G STEVENS

Secretary

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Annual Report of the Gaming Board for Great Britain

To:

Her Majesty's Secretary of State for Culture, Media and Sport,

and

Her Majesty's Secretary of State for Scotland

and

First Minister of Scotland

In pursuance of Section 50 of the Gaming Act 1968 I have the honour to present the thirty-second report of the Gaming Board for Great Britain, covering the period 1 April 2000 to 31 March 2001.

PETER DEAN

Chairman

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The Gaming Industry 2000/2001: Some key statistics at a glance

Casinos:	Number operating	117
	Drop (money exchanged for gaming chips)	£3.3 billion
	Number employed	12,000
	Duty paid	£106.6million*
Bingo Clubs:	Number operating	705
	Money staked	£1.12 billion
	Number employed	c.20,000
	Duty paid	£107.4 million*
Gaming Machines:	Number of machines	250,000
	Number certificated to sell, supply or maintain machines	679
	Money retained by suppliers and site owners	£1.5 billion
	Number employed	c.23,000
	Duty paid	£160.4 million*
Charity Lotteries:	Ticket sales	£107 million
	Number of registered societies and local authorities	657
Gaming Board:	Cost of operations	£3.6 million
	Number of staff	75

*Customs and Excise figures for 1999/2000

1: Introduction and general

Introduction

- 1.1** This is the thirty-second Annual Report of the Gaming Board for Great Britain since it was established by the Gaming Act 1968. It covers the year 1 April 2000 to 31 March 2001, although where significant developments have occurred between the end of March and production of this report they have also been included. The Board is the regulatory body for casinos, bingo clubs, gaming machines and the larger society and all local authority lotteries in Great Britain. This first chapter concentrates on the main developments during the year, the issues of most current interest or concern to the Board and certain other matters of general interest. Chapters 2 to 7 report in turn on each of the main areas of Board work: casino gaming; licensed bingo; certification of employees; gaming machines; lotteries; and the Inspectorate. Appendix I, entitled "The work of the Board, its organisation and procedures", explains why gaming is regulated, describes the objectives of regulation and how these are met in Great Britain and gives an overview of the Board's responsibilities and how it carries these out.
- 1.2** This chapter contains sections on the following subjects:
- ◆ Transfer of responsibility for gambling policy (paragraph 1.3).
 - ◆ Size of the industry (1.4 to 1.8).
 - ◆ The Gambling Review Body (1.9 to 1.13).
 - ◆ Progress with de-restrictions of the gaming and lotteries industries (1.14 and 1.15).
 - ◆ Internet gambling (1.16 to 1.19).
 - ◆ Problem gambling and gambling by children (1.20 to 1.24).
 - ◆ Audits and reviews of the Board's work (1.25 to 1.29).
 - ◆ Board funding and fee levels (1.30 to 1.34).
 - ◆ Performance targets and other operational issues (1.35 to 1.39).
 - ◆ International activities (1.40).

Transfer of responsibility for gambling policy

- 1.3** At the time this report was being finalised, the Government announced that responsibility for policy on gambling was being transferred to the Department for Culture, Media and Sport from the Home Office. The DCMS will thus now be the Gaming Board's sponsoring Government Department and any outstanding proposals or advice submitted by the Board to the Government will be considered by DCMS Ministers and officials.

Size of the Industry

- 1.4 The industry which the Board regulates is a substantial one. The latest comprehensive estimates of the total size of the United Kingdom gambling industries remain those published by KPMG in May 2000 in its report "The Economic Value and Public Perception of Gambling in the UK" which was commissioned by Business in Sport and Leisure and funded by the industry. This report gave the gross gambling yield (ie the amount retained by operators after the payment of winnings but before deduction of the costs of the operations) of all betting and gaming in the United Kingdom in 1998 as £7.3 billion. Around £2.5 billion or just over one-third of this was contributed by the gaming industries and lotteries for which the Board has regulatory responsibility, in excess of a further one-third by the National Lottery and the remainder by horserace and other betting.
- 1.5 There were 118 casinos open in Great Britain at 31 March 2001, more than in any other European country with the exception of France. London has 23 casinos, which is unique for a capital city anywhere in the world. Drop (ie money exchanged for gaming chips) was £3.3 billion in 2000/01. Operators retained about 16 per cent of this, or £530 million. Around 12,000 staff are estimated to be employed by British casinos and around 11.3 million separate visits to casinos were made by members and their guests in 2000/01.
- 1.6 Great Britain had 705 commercial bingo clubs operating at 31 March 2001, with total stakes amounting to over £1.1 billion in 2000/01. Bingo clubs have some 3 million active members, and they employ an estimated 20,000 people.
- 1.7 Over 250,000 gaming machines are sited around the country in a large number of different locations. It is estimated that over £10 billion a year is fed into these machines, of which around £1.5 billion is retained by suppliers and site owners. Direct employment is estimated at around 23,000 people. The larger society and all local authority lottery schemes which the Board regulates had combined total ticket sales of £107 million in 2000/01.
- 1.8 A selection of key industry and Board statistics is given at Appendix II and more detailed information is given in the individual chapters relating to each industry.

The Gambling Review Body

- 1.9 As reported last year, the Board welcomed the establishment by the Government at the end of 1999 of the Gambling Review Body under the chairmanship of Sir Alan Budd. The Review Body has been charged with conducting a wide ranging review of all aspects of Britain's gambling laws and to report back to Ministers with recommendations for necessary changes in the summer of 2001. The Board's Chairman, Mr Peter Dean, is one of the 10 members of the Body.

- 1.10** The Review Body circulated a letter on 8 May 2000 to a large number of organisations inviting the submission of written evidence and in particular seeking comments on twelve questions. The Board responded to this letter giving its views on a wide range of matters relevant to the Body's work on 21 July. A copy of that submission is given at Appendix VII. The Review Body subsequently invited the Board to give additional, oral evidence to it and to respond to members' questions on the issues raised in the submission. That oral hearing, which was attended by the Board Chairman, Secretary and Chief Inspector, took place on 15 November 2000.
- 1.11** In preparing its submission and evidence, the Board's broad stance was as follows. The Board's task is to act as regulator for the gaming and lotteries industries and that must influence how it views the issues. The Board has no doubt that firm regulation, and a strong regulator, will remain necessary in Britain – as it is elsewhere – to achieve the threefold objectives which enjoy widespread support and are common to gambling legislation around the world: that gambling should be crime-free; that games should be fair; and that there should be protection for children and vulnerable persons. The Board notes, from the submissions to the Review Body which have been copied to it, that others share this view.
- 1.12** Nonetheless, much of the population now clearly regards gambling as an acceptable and enjoyable activity and a legitimate part of the leisure industry as a whole. People should not be unnecessarily prevented by regulation from doing what they want to do. Further, whilst regulation has brought benefits in that Britain has a good reputation for propriety in the gambling offered here and that gives it, as a nation, a competitive advantage, regulation can have less benign effects. For instance, the apparatus of regulatory control can stifle innovation and create a barrier to entry for those wishing to join the industry and to incumbents wishing to expand. It can inhibit competition to the detriment of the customer.
- 1.13** Consequently, the thrust of the Board's submission was that while regulation of gambling remains necessary, it should be no tighter than it must be to achieve, and should be strictly justified by reference to, the three clearly defined policy objectives mentioned above. It follows that a range of the current "social" controls could, in the Board's view, be safely lifted. Examples include the removal of restrictions over advertising and promotion; abolition of the limits on stakes, prizes and other monetary limits (except where they remain necessary for gaming machines); ending of the membership and club status requirements for casinos and bingo clubs; and altering the controls on casinos to permit the siting of high prize slot machines as found in other casinos around the world. Reforms are needed not only to remove such controls but also because the current British legislation pre-dates developments such as the Internet and the use of high-tech computerised systems in the delivery of gambling and is ill-equipped to deal with them.

Progress with derestrictions of the gaming industry

- 1.14** Previous annual reports have noted the substantial numbers of measures taken in recent years, in particular using the Parliamentary Order making powers in the 1994 Deregulation and Contracting Out Act, to update some of the controls and relax some of the statutory restrictions in the 1968 Gaming Act and related regulations. This process continued during 2000/01, notwithstanding the establishment of the Gambling Review Body. The Home Office took, and the Board supports, the view that there is no reason not to proceed with sensible and uncontroversial derestrictions while the Review Body undertakes its work, particularly as it might be some time before the more fundamental changes that that Body is likely to recommend can be progressed.
- 1.15** The following lists the significant developments over the last year. More detail on each can be found elsewhere in this report in the appropriate chapters.
- ◆ Changes with effect from 26 April 2000 which abolished the previous controls on the amounts which could be charged by bingo clubs per two hour period and established instead a statutorily based, simple and clear, customer notification system detailing the charges made.
 - ◆ The extension, from 14 August 2000, of opening hours such that casinos can now remain open until 6.00 am, rather than 4.00 am, each day except Sunday.
 - ◆ Agreement between the Board and the casino industry to the installation, from summer 2000, of electronic versions of roulette and to proposals for three new casino games and four variations to existing games, on which discussions continue.
 - ◆ Agreement between the Board and both the bingo and casino industries to the introduction of automated teller machines (ATMs) for use with debit cards.
 - ◆ Publication by the Home Office in March 2001 of a consultation document which would alter the legislative controls over payment systems for gaming machines, in particular to relax the methods by which monies can be paid into and out of machines to permit the use of bank notes and smart cards.
 - ◆ The laying of a Parliamentary Order on 26 March 2001 to permit bingo clubs to site both club (jackpot) gaming and amusement-with-prizes machines simultaneously, to abolish the requirement that bingo clubs must give licensing justices 14 days notice of changes in charges and to provide greater flexibility in the prize structure for multiple bingo.

Internet gambling

- 1.16** As recorded last year, the Board conducted a study on Internet gambling and submitted a report setting out its findings and recommendations to the Home Office at the beginning of April 2000. A copy of the full report is available on the Board's website. Its key conclusions can be summarised as follows. There is a growing number of sites on the Internet which offer opportunities to gamble and in particular on-line casino gaming, and legislation in this country bears on Internet gambling in unintended and erratic ways. For instance, no on-line casino gaming site can lawfully be established here, but residents are free to play on overseas sites, and those sites can accept bets from here without breaking any British laws. The Board concluded that legislative change is needed to remedy this unsatisfactory situation. It does not believe that measures which attempt to prohibit on-line gambling in Britain would be either sensible or likely to be successful. Thus, whilst acknowledging that legislative change is unlikely to be simple or straightforward, the Board recommended that a coherent legislative system should be established which permits controlled and regulated Internet gambling sites in Britain. It believes that this is a matter to which the Gambling Review Body should give particular attention. The need to act as a matter of urgency – that is in priority to other gambling law reform – was not demonstrated to the Board on the evidence of its survey, but it could become so. The Home Office passed the Board's report to the Review Body.
- 1.17** As part of its work on monitoring Internet gambling, the Board has, every second month, commissioned questions on the use of the Internet to gamble in Independent Communications and Marketing Research Ltd's regular omnibus telephone survey of the British public. The results have consistently shown that around one per cent of adults claim to have gambled over the Internet in the month preceding the survey, although the figures for the distribution of gambling by type have been somewhat erratic.
- 1.18** Meanwhile the Board continues to deal with large numbers of enquiries about gambling on the Internet. These vary at one extreme from individuals and small businesses who wish to organise specific Internet based games or competitions of one type or another and seek guidance on any requirements for registration or licensing to, at the other extreme, major companies establishing, or seeking to establish, Internet casinos or other large gaming sites and enquiring about the legality of their plans and proposals. During the year, Board officials have met with representatives of some of these major companies who are operating, or about to operate, offshore Internet casinos and wish to ensure that they are not in breach of any British laws or otherwise conducting their business in any undesirable or unacceptable way. Sometimes companies wish to discuss the extent to which aspects of their operations may be based in Britain. The Board welcomes these approaches and seeks to respond as positively and as helpfully as it can in a situation in which the law is uncertain.
- 1.19** The question of the extent to which offshore Internet casino sites may be advertised here is a particularly difficult one. The legislation does not ban such advertising but limits content in such a way as to make it hard to interpret exactly what is and is not permitted. In brief, advertisements giving details of the existence of Internet casinos and the facilities they offer appear legal but those which encourage the public to subscribe money or even to apply about

facilities for subscribing money are illegal. In addition, complex questions have arisen about what constitutes an advertisement in relation to the Internet and about where it is deemed to be published. Again the Board has attempted to offer guidance as best it can and has followed up some cases which it believes have gone beyond what is permitted. But the extent to which the Board can advise definitively or act decisively is severely limited by the uncertainties in legislation which was drafted many years ago, long before the advent of the Internet. All this reinforces the need for clarification and modernisation of the law.

Problem gambling and gambling by children

- 1.20** Gambling can be addictive to some individuals and 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. The large scale British Gambling Prevalence Study conducted in autumn 1999, under the auspices of GamCare and with support from gambling industry bodies, suggested that about 0.6% to 0.8% of the population, or between 275,000 and 370,000, aged 16 or over in Britain are problem gamblers. This is a substantial number, albeit relatively low by international standards. It is for such reasons that, as mentioned elsewhere in this Report, protection of vulnerable persons is one of the three policy objectives of gambling regulation common to all developed countries.
- 1.21** Although the Board itself has no specific statutory responsibility for dealing with problem gambling, it has nonetheless welcomed and supported efforts made in recent years to promote greater public understanding of the risks inherent for some in gambling. For instance, trade associations within the gambling industry (such as the British Casino Association (BCA), BACTA (the association for the pay-to-play leisure machine industry) and the Betting Offices Licensees Association (BOLA)) have all adopted a positive attitude by producing notices, guides and leaflets, about the nature of the risks and the help available for those with problems, which they have encouraged their members to display or have available in their premises. A number of major companies have also launched their own initiatives, including training staff to recognise situations in which gamblers may be getting into difficulty.
- 1.22** GamCare (the National Association for Gambling Care, Educational Resources and Training) has now completed four years of operation. GamCare is a registered charity which aims to improve the understanding of the social impact of gambling, to promote a responsible approach to gambling and to address the needs of those adversely affected by a gambling dependency. Examples of the ways in which it approaches its aims are the operation of a national helpline for problem gamblers and their families and the provision of social education, problem prevention and information programmes, training courses and workshops. A number of sectors of the gambling industry are amongst those who make contributions to GamCare to support its work.

- 1.23** However, GamCare has argued strongly over the last year that the present levels of funding for problem gambling work are increasingly becoming inadequate to meet the rise in demand for such services, and that the ad hoc nature of current financial support is both inequitable as between different contributors and non-contributors and vulnerable to individual decisions within the gambling industries. In its submission to the Gambling Review Body, GamCare makes the case for the introduction of a statutory financial contribution for such work from across the gambling industries. In January 2001, it organised a seminar on “Funding the Social Impact of Gambling” which was attended by a wide range of representatives from the gambling industries themselves, the Government and academic researchers with interests in the subject and which discussed the possibility of establishing an industry wide voluntary scheme administered by a charitable trust. Lord Bassam, a Home Office Minister, introduced the seminar and the Board’s Secretary was one of a number of people who addressed the seminar in support of GamCare’s work and the need for a more secure basis of funding. There remains considerable controversy about the best means of providing resources for work on problem gambling but the Board hopes that it will prove possible to move away from the current ad hoc arrangements to a more settled and secure system.
- 1.24** Gambling by children is a matter which raises particular issues and concerns. At present, different minimum ages apply to different types of gambling. The Board has previously expressed its view that there should be a single minimum age of 18 for all types of gambling and reiterated the point in its submission to the Gambling Review Body. The Board understands that the Review Body is addressing the whole issue of gambling by children, including the extent of their access to gaming machines under the current legislation.

Audits and reviews of the Board’s work

- 1.25** The National Audit Office (NAO) published on 9 June 2000 a report on the work of the Board entitled “The Gaming Board: Better Regulation”, the purpose of which was “to consider the scope for improving the Board’s regulatory functions by the application of the principles in Modernising Government (Cm 4310 of March 1999)”. On the basis of that report, the House of Commons Public Accounts Committee (PAC) took oral evidence on 21 June from the Board’s Chairman and Secretary and Sir David Omand (then Permanent Secretary at the Home Office) and subsequently published its own findings on 16 November 2000.
- 1.26** The PAC concluded that “there are three areas which require particular attention:
- ◆ The Gaming Board made nearly 5,000 inspection visits in 1999-00 but these are not based on any formal, systematic assessment of risk; nor does the Board have any measures to determine their efficiency and effectiveness. Opportunities exist for the Board to rationalise its regulatory procedures to take greater account of industry developments, such as companies’ own compliance activities, and to better assess the success of its activities through appropriate performance measures. There is also scope to streamline approval processes for those who wish to work in the gaming industry by reducing the number of types of Certificate of Approval from the current six, and devolving some tasks, such as criminal records checks, to employers.

- ◆ Currently the Gaming Board fails to recover the full costs of regulation from the gaming and lottery industries, with the cumulative under-recovery estimated at £1.3 million over the five financial years 1994-95 to 1998-99. This deficit is mainly attributed to errors in estimating fee income. Additionally, systems to identify the costs of the police, licensing magistrates and the Home Office in regulating the industry are inadequate. The Gaming Board and the Home Office should take prompt action to identify the total costs of regulation and to recover these in full from those regulated in future.
- ◆ Internet gambling is a growing market but is currently outside the scope of much of the United Kingdom's regulatory legislation. Future regulation will require international agreement, and probably new legislation in this country. Apart from regulatory concerns, government revenues could be at risk if Internet gambling continues to expand without appropriate controls. It is essential that the Home Office and the Gaming Board monitor developments closely and provide timely advice on the actions required."

The PAC listed 15 specific conclusions and recommendations to give effect to its findings.

- 1.27** In the Government response to the PAC Report published in February 2001, the Board welcomed both the PAC and NAO reports and noted that "the NAO report provides assurance about the effectiveness of the Board's investigations of those seeking to enter the gaming and lottery industries and records general satisfaction with the conduct and work of its Inspectorate". The response also said that:

"The Board's work in monitoring and regulating gaming and lotteries and ensuring their probity and integrity is of continuing importance to a growing sector of the economy. The Board and the Home Office recognise that there is always room for improvement. They acknowledge that the Committee and the NAO have made valuable and constructive suggestions and they have been actively pursuing them. Some of what the Committee and the NAO have suggested reinforces action which the Board itself has initiated in recent years."

The Board and the Home Office accepted the thrust of all the PAC's and NAO's recommendations and the Board established a working group to give effect to the implementation of the recommendations. All those recommendations which were capable of immediate implementation have been actioned. Those dependent on other organisations, the implementation of new systems or the availability of further resources have been put in hand and are being progressed as quickly as possible. Developments on the three main areas listed at paragraph 1.26 above are recorded in the relevant parts of this Report.

- 1.28** The National Audit Office is also responsible for auditing the Board's accounts. This year, with the Board's agreement, it subcontracted the work to PKF. The audit of the 2000/01 accounts was completed in June 2001 and the audited accounts are given at Appendix IV.

1.29 Internal audit of the Board's work is conducted on its behalf by the Home Office Audit and Assurance Unit. As part of the five year plan established last year to give a comprehensive coverage of the Board's audit needs, audit reports were produced on the Board's casework operations (in February 2001) and its payroll and procurement functions (June 2001). The Board's Audit Committee, which consists of all five Board members under the chairmanship of Mr Steen, meets to consider internal audit reports and management letters from external auditors.

Board funding and fee levels

1.30 Over recent years the Board has made clear its unease about the way it is funded and its strong desire to find solutions to the problems. Under the current system, the Board receives a grant-in-aid from the Home Office for its work. Although it seeks to recover its expenditure through the fees charged for certificates, registrations and licences, that money is surrendered to the Government and is not made available to the Board or taken into account in setting the grant. Instead the amount of the grant has been determined by the Home Office by reference to what it can afford from its overall budget and in competition with other, more conspicuous demands such as crime policy, prisons and immigration. This means that little regard has been paid to the resources the Board needs to carry out its duties properly.

1.31 The Home Office has made clear that it sympathises and appreciates the difficulties that the current regime presents for the Board. Discussions have taken place between the Home Office, the Treasury and the Board in order to try to ascertain whether there are ways of making the Board more independent and self-standing in the manner of financing, without prejudice to its accountability. During those discussions, some lines of approach have seemed to hold the promise of potential improvements but on each occasion obstacles have arisen which have prevented further progress. As part of its terms of reference, the Gambling Review Body has been asked to consider how future regulation might be "financed by the gambling industry itself" and the Board awaits with interest its conclusions.

1.32 Meanwhile, the Home Office increased the Board's grant-in-aid by 2.5% for 2001/02, in line with inflation. This follows a similar increase in the previous year. The Home Office has also provided an additional £50,000 to offset the expected costs to the Board arising from the charges to be levied by the new Criminal Records Bureau (see paragraph 4.10). These increases are welcome following a period up to 1999/2000 when the Board suffered successive reductions in its budget in real terms, amounting in total to 10% and resulting in the Board having to make cuts in its expenditure. Although the Board is satisfied that it can generally manage within the grant made available to it for this year, it alerted the Home Office that the IT consultancy it is commissioning (see paragraph 1.39) may recommend expenditure on improved systems which are beyond the Board's resources. If so, it will need to seek additional funding. Responsibility for the grant-in-aid and the policy relating to Board funding will now shift to the Department for Culture, Media and Sport.

1.33 The total cost of the Board's operations, including the salaries and other expenses of Board members, amounted to £3.6 million in 2000/01. The Board is required to seek to cover its expenditure, along with the costs of work on gaming and lotteries related issues carried out by the Government, the police and in support of licensing authorities, through the fees charged for certification and licensing. The PAC and NAO reports (see paragraphs 1.25 to 1.27) identified three particular problems with the way these fees have been set in previous years which they said should be rectified:

- ◆ Because of the difficulty in predicting expected fee income, the amounts of the fees recovered in recent years have turned out to be considerably less than the estimated costs of regulation and the Board has been operating at a deficit.
- ◆ The systems for identifying the costs of the police, licensing magistrates and the Home Office in regulating the industry have been inadequate, resulting in underestimates of these costs.
- ◆ Because all gaming fees have historically been increased by equal percentage amounts, a situation has arisen in which the casino industry has been cross-subsidising the bingo and gaming machines industries through the fees it pays.

1.34 The Home Office and the Board agreed that steps should be taken to set fees for 2001/02 at levels which would rectify all three problems within the year, rather than over a number of years. The Home Office also agreed with the Treasury that past deficits would not need to be recovered from the industry. In order to seek to balance income and expenditure and thus to avoid repetition of previous years' deficits, it has proved necessary to increase gaming fees overall by an average of 21%. However, to eliminate cross-subsidisation between different segments of the industry, individual fees have increased by greater or lesser amounts, with some showing significant reductions. These changes follow a seven year period in which the increases averaged less than 2 per cent a year. The Home Office and the Board were already aware of the deficit in lotteries fees and had been taking steps to eliminate it over a number of years. The changes in such fees, averaging 9%, this year should eliminate the deficit entirely. The new levels of gaming and lotteries fees became effective on 1 April 2001, except for fees for casino and bingo licences in Scotland which were implemented on 1 July, and are set out in Appendix V. The Board would point out that fees set for the coming year have inevitably to be based on estimates of future levels of activity and thus to the extent that estimated and actual levels differ there will continue to be discrepancies between income and expenditure.

The Board's operations and performance targets

1.35 The names of Board members, who are appointed by the Home Secretary, are given at the beginning of this Report. Brief biographical details of each are at Appendix III. One of the Board members, Mr Michael Steen, has particular responsibility for the Board's activities in Scotland. During the year he met twice with officials of the Scottish Executive in Edinburgh to discuss the Board's work and other gaming related issues concerning Scotland. Mr Donald Elliot holds a special responsibility for the Board's Inspectorate.

- 1.36** The Board itself appoints members of the Inspectorate who are directly recruited by open competition. Traditionally, most Inspectors have been drawn from the ranks of ex-members of the police and armed forces because of the investigative skills they bring. More recently however efforts have been made to recruit others with a wider range of skills to reflect the changing nature of the Inspectorate's work. The Board has a total of 36 Inspectorate staff: information on recruitment over the last year is given in paragraph 7.5. Board Secretariat staff posts (which number 41) have been filled over the years by Home Office employees on secondment. Last year's Report drew attention to problems in filling Secretariat vacancies and the Board is pleased to record that the position improved considerably during 2000/01. The Board regards it as crucial that it has adequate staff of good quality and will continue to seek ways of ensuring that posts are filled promptly, including consideration of the possibility of direct external recruitment for all posts. Addresses and contact numbers of the Board's headquarters and regional offices, together with the names of senior staff, are given in Appendix III.
- 1.37** The work of the Board and its staff is described in the following chapters. In addition, the Board has set performance targets for some of the regular duties carried out by its staff in return for fees. These targets and the performance achieved against them are given in the following table:

Table 1: Performance Targets 2000/01 (figures for 1999/2000 are in brackets)

Section	Target	% Achieved
Casino Section		
Determination of certificate of consent applications	Within 4 months of receipt	75 (82)
Bingo Section		
Determination of certificate of consent applications	Within 8 weeks of receipt	96 (99)
Certification Section		
Issue of dealers' certificates of approval to first time applicants	Within 6 weeks of receipt	81 (87)
Machines Section		
Determination of applications for new certificates	Within 3 months of receipt	63 (90)
Processing of renewal applications	Before expiry date	76 (85)
Lotteries Section		
Determination of applications to register lottery schemes	Within 6 weeks of receipt	93 (95)

- 1.38** The falls in 2000/01 in the percentages of cases determined within the targets set were largely a consequence of higher than normal levels of staff vacancies. As noted last year, the NAO study (see paragraph 1.25) uncovered discrepancies in the published figures for the determination of certificates of approval. There remain problems with the database on which the outcome of these cases is recorded but the Board has taken steps to ensure that the figure given above is as accurate as possible. In the wake of the NAO report the Board has now agreed revised targets with the Home Office which will be used for assessing performance from April 2001.
- 1.39** The Board has developed its Information Technology facilities as resources have allowed over recent years. All staff have dedicated computer facilities, including e-mail and access to the Internet. The Board also has its own website (www.gbgb.org.uk), on which this Report will be made available and which contains a range of other material relevant to the work of the Board including contact names and addresses, advice and guidelines and speeches made by the Chairman. Despite the improvements that have been made, however, it has become apparent

over the last year that more needs to be done, in particular to provide a properly networked system to allow the Board to take full advantage of the benefits computerisation can bring and to be in a position to meet the Government's aims to allow public business to be conducted electronically. The limitations of the current systems have been demonstrated for instance by the difficulties in implementing in full some of the recommendations in the PAC and NAO reports (see paragraphs 7.6 to 7.8). The Board appointed IT consultants to advise on and help implement the improvements and changes needed.

International activities

1.40 During the year, the Board maintained its contacts with regulators and others concerned with gaming throughout the world. The Board considers such contacts to be essential in facilitating the exchange of views and information in what is increasingly an international industry. The Board's Chairman, Secretary and Chief Inspector attended the annual conferences of the International Association of Gaming Attorneys (IAGA) and Regulators (IAGR) in Venice in September 2000. This annual conference includes separate sessions for regulators only. At the conference, the Board's Chairman was elected Vice-chair of IAGR for the ensuing year and Chair for the year after. The Chairman, Secretary and Chief Inspector also attended the twelfth annual meeting of the Gaming Regulators European Forum (GREF) in Ljubljana, Slovenia in May 2000. Representatives of 22 countries were present. The Board's Secretary remains GREF Secretary. He also spoke at conferences in Madrid and Paris in June 2000 on the regulation of Internet gambling at the invitations of COFAR (an association for Spanish gaming machine interests) and Euromat (the umbrella organisation for European gaming machine trade associations) respectively. Details of the Inspectorate's contacts with individual overseas regulatory bodies are given in paragraph 7.4.

2: Casino gaming

Introduction

2.1 This chapter reports on significant developments in the casino industry and its regulation and contains sections on the following subjects:

- ◆ Number of licensed casinos (paragraphs 2.2 to 2.4)
- ◆ Structure of casino ownership (2.5)
- ◆ Meetings with the British Casino Association and casino operators (2.6 and 2.7)
- ◆ Applications for certificates of consent and their continuance (2.8 to 2.11)
- ◆ Demand for casino gaming and the Board's approach to licensing hearings (2.12 and 2.13)
- ◆ New licence applications for additional casinos (2.14)
- ◆ Easing of restrictions on casino gaming (2.15 to 2.20)
 - (a) Games offered in casinos (2.16 to 2.18)
 - (b) Provision of cash facilities in casinos (2.19)
 - (c) Extension to gaming and liquor licensing hours (2.20)
- ◆ Guidelines on cheques and debit cards (2.21)
- ◆ Internet casinos (2.22)
- ◆ Gaming reserve (2.23)
- ◆ Involvement of Board certificated companies in gaming overseas (2.24)
- ◆ Numbers of gaming machines in casinos (2.25)
- ◆ Employment within casinos (2.26)
- ◆ University of Salford Centre for Gambling and Commercial Gaming (2.27)
- ◆ Casino attendance (2.28)
- ◆ Financial statistics (2.29 to 2.32)
- ◆ Numbers of certificates of consent and licence applications (2.33)

Number of licensed casinos

- 2.2 At 31 March 2001 there were 128 licensed clubs in Great Britain of which 118 were trading at that date, including one operating club that provides card room games only. The distribution of individual operating casinos by location is given in Appendix VI.
- 2.3 During the reporting year six licences were granted in respect of entirely new additional casinos, though none of those casinos was operational at 31 March 2001. A further six concurrent licences were granted in respect of planned relocations of existing casinos, none of which had been effected at 31 March 2001.
- 2.4 During 2000/01, two concurrent licences were surrendered and a third licence allowed to lapse. There were eight casinos with concurrent licences at 31 March 2001.

Structure of casino ownership

- 2.5 The main change in casino ownership during the year occurred when the Gala Group purchased the Hilton Group (ex Ladbroke) casino licence holding companies consisting of 27 casinos in December 2000. Beyond that only a small number of casinos changed hands and the overall framework of ownership remained generally static. At 31 March 2001 the structure of casino ownership in Great Britain was as follows:

Company	No of licensed casinos	Developments during 2000/01
Rank Group	33 casinos (5 in London)	Purchased the London Park Tower Casino from London Clubs International. Also gained an additional licence in Manchester.
Stanley Leisure Group	31 casinos (3 in London)	Purchased an independent casino in Great Yarmouth.
Gala Group	27 Casinos (6 in London)	Purchased outright the Hilton Group's entire British casino estate.
London Clubs International	9 casinos (6 in London)	Obtained licences to operate casinos in Northampton and Southend-on-Sea.
A & S Leisure Group	6 casinos (1 in London)	An additional casino in Hull opened on 6 April 2000.
Tower Casino Group	5 casinos (None in London)	

Company	No of licensed casinos	Developments during 2000/01
R J Bown (Holdings) Limited	3 casinos (None in London)	Acquired a licence to operate a casino at Ryde, Isle of Wight, which is not yet operational.
Cotedale Limited	2 casinos (None in London)	Obtained a licence to operate a casino in Luton.
Clockfair Limited	2 casinos (None in London)	Gained a second licence for a casino in West Bromwich.
Pellanfayre Limited	2 casinos (None in London)	
Singleton operators	7 casinos and one dedicated card club (2 casinos in London)	

Meetings with the British Casino Association and casino operators

- 2.6** Board Members met with the British Casino Association (BCA) Council in May 2000 to review progress on a number of issues. Other contacts with the BCA have in the past generally taken place on an ad-hoc basis to address particular issues under consideration at the time. However, in view of the number of proposals and initiatives requiring discussion with the BCA, it became apparent that it would be useful to have a regular forum at which such matters could be progressed and/or aired. To achieve this a joint Working Group of Board and BCA officials was established in October 2000 and met on two further occasions during the year.
- 2.7** The Board's programme of informal meetings with casino operators continued with two meetings taking place during 2000/01. 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.

Applications for certificates of consent and their continuance

- 2.8** The Board received 49 applications for certificates of consent or their continuance during 2000/01. These comprised 13 applications for new certificates, 7 for certificates to transfer a licence to a different operating company, and 29 applications for continuance of a certificate in respect of a change in the control of an operating company. Of the 29 continuance applications received, 27 related to the purchase by Gala of the Hilton casino licence holding companies.
- 2.9** Of the applications received for new certificates of consent, seven applications were in respect of proposed new casinos (including one where it was proposed to relinquish the licence of an existing casino in another permitted area) and six were from applicants wishing to move their casinos to substitute premises. Seven of the applications were granted during the year and one was withdrawn leaving five still under consideration at the year end. All seven transfer applications received during the year were granted. The 27 Gala continuance applications were still outstanding at 31 March 2001; the other two continuance applications were granted.
- 2.10** Of the three applications outstanding at 31 March 2000, two were for new certificates of consent and the third was a continuance application. Both outstanding new certificate applications were for an additional casino. All three were granted during 2000/01.
- 2.11** 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 and the Board's approach to licensing hearings

- 2.12** The Gaming Act 1968 at paragraph 18 to Schedule 2 places a responsibility on licensing authorities to consider demand for gaming before granting a licence and gives them a discretion to refuse an application if unmet demand is not demonstrated. To assist the licensing authorities in this exercise, the Act empowers the Board to provide advice on demand to the authorities and requires those authorities to take that advice into account. It is also open to the Board to lodge an objection on grounds of lack of demand should it be considered appropriate. The Board's policy on when an objection on grounds of demand may be appropriate was detailed in the 1999/2000 report and remained unchanged during 2000/01. Specific demand advice was provided on 24 occasions during the reporting year. It is open to licensing authorities to exercise their residual discretion to grant licence applications, notwithstanding the position on demand, and the Board's views on this, and the demand question itself, are contained in its Annual Memorandum of Advice to Licensing Authorities, a copy of which can be found on the Board's website (www.gbgb.org.uk).

2.13 The census form on which the Board collects information on player activity at peak times in casinos in order to inform its advice on demand to licensing authorities has been revised to better reflect developing needs. It now includes electronic roulette (see paragraphs 2.16 to 2.17 below) and has space for new games to be included should they be introduced into the regulations. The revised version of the form was introduced into casinos with effect from the first full weekend of April 2001.

New licence applications for additional casinos

2.14 During the year seven applications for additional casino licences were heard. Under its demand policy the Board objected at two of those hearings. A holding objection was also lodged at a Southend hearing, but following further consideration of the demand issue that objection was withdrawn.

Those seven applications are as follows:

- ◆ Southend on Sea – An application by London Clubs (Casinos) Limited, a subsidiary of London Clubs International Plc, was heard over five days in May 2000. The application was granted after the Licensing Committee stated that it was satisfied with the case on demand.
- ◆ Ryde, Isle of Wight – An application by Renown Holiday Villages, a subsidiary of RJ Bown (Holdings) Limited, owners of two casinos in Southend, was heard in May 2000. The proposed casino, to be located at Harcourt Sands Holiday Village, will be the first to be located on the Isle of Wight since 1992. With there being no other casino in the area of Ryde, demand was not an issue and the application was granted by the Licensing Committee.
- ◆ Northampton – London Clubs (Casinos) Limited originally had an application for this location refused in June 1999 and an appeal upheld that decision in November 1999. A fresh application was made for the same location and heard over five days in October and November 2000. The applicants argued that this application had differing features from that heard in 1999. The application was granted by the Licensing Committee on grounds of demand.
- ◆ Luton – An application by Worthchance Limited, a subsidiary of Cotedale Limited, owners of a casino in Brighton, was heard over five days in November 2000. The application was granted by the Licensing Committee on grounds of demand.
- ◆ West Bromwich – An application by Clockfair Limited, owners of a casino in Dudley, was heard over four days in October and December 2000. Whilst there is no casino in that permitted area the Board objected on demand as there were several locally accessible permitted areas with a number of casinos. The application was granted by the Licensing Committee on the grounds of demand and the benefit of a casino to the local area.
- ◆ Manchester – An application from Grosvenor Casinos Limited was heard on 10 January 2000. The application, based on the ‘Hard Rock’ café theme and aimed at a younger clientele, was refused by the Licensing Committee. An appeal was lodged by Grosvenor Casinos and the application was granted at the appeal hearing in March 2001.

- ◆ Birmingham – An application made by Stanley Casinos was heard over two days in January 2001. The Board lodged an objection after considering demand in the area. The application for a casino to be located at the Star City leisure site was refused by the Licensing Committee on the grounds that demand was already met by existing facilities in the area. Stanley have lodged an appeal against the decision which is due to be heard in September 2001.

Easing of restrictions on casino gaming

2.15 Any major changes in controls relating to casinos will be dependent on the recommendations of the Gambling Review Body (see paragraphs 1.9 to 1.13). Nevertheless, particularly as any legislation to implement major change is likely to take some time, work has been progressing on easing restrictions where this would be consistent with the thrust of current legislation and relatively uncontroversial. A number of areas in which developments have occurred are set out below. In addition the Department for Culture, Media and Sport, having taken over responsibility for gaming from the Home Office, is considering consulting on proposals to allow limited live entertainment within a casino and a scheme for single membership of all casinos in a company group.

(a) Games offered in casinos

2.16 As reported last year, the Board has approved an electronic version of roulette under which players are able to bet on one of the live roulette games in the casino via remote terminals which accept payments and credit winnings. The terminals are connected to the live game by servers and the play is also shown on video monitors. Casinos began to introduce the new game from the summer of 2000.

2.17 Following this, the Board was approached about other versions of electronic roulette. This included versions in which the roulette wheel operated completely automatically and the only bets placed on the game were via the terminals. Such versions had the appearance of gaming machines, rather than table games. But, it became quickly apparent that these versions also met all the requirements of the Bankers' Games Regulations and are not gaming machines as defined in the 1968 Act because the operation of the game of chance is separated completely from the terminal at which the bet is accepted. Following consultation with the Home Office, the Board agreed that it should also approve such completely automatic versions. So far the Board has approved four different versions of electronic roulette as suitable for use in British casinos. Electronic roulette had been introduced into fourteen casinos by the end of the year, and the indications are that it is proving to be very popular.

2.18 At paragraph 2.29 of the 1999/2000 report it was recorded that proposals for three new casino games and four variations to existing games had been put forward by the BCA. The proposals have been agreed in principle by both the Board and the Home Office and the Board has also agreed with the BCA that the Association will prepare a leaflet for distribution in casinos setting out the house edge (or advantage) for comparison on all the table games played. The house edge is typically higher for the new games and variants than for existing games and the Board

believes that players should be made fully aware of the differing odds when choosing which games to play. The lack of provision within the current legislation for testing new games in a live gaming environment means that their popularity cannot be assessed until they are actually included in the Bankers Games Regulations. Work is continuing to take these changes forward.

(b) Provision of cash facilities in casinos

- 2.19** The use of debit cards to obtain cash for gaming in casinos was first permitted under the Deregulation (Casino and Bingo Clubs: Debit Cards) Order 1997. The method of processing such transactions has been by the use of a "swipe" system at the cash desk of most casinos. The BCA wished to be able to offer casino patrons Automated Teller Machine facilities accepting debit cards, as is now permitted in Bingo clubs. The Board was content with this proposal in principle and discussions have taken place about introducing a code of practice to ensure both that use of ATMs does not breach legislative requirements and the availability of audit trails. Agreement was reached on 3 May 2001 for the code to come into force on 1 June 2001.

(c) Extensions to gaming and liquor licensing hours

- 2.20** The opening hours in casinos were extended so that they could close at 6.00 a.m. (rather than 4.00 a.m. as was previously permitted) on every day except Sunday. This amendment was brought about in England and Wales by the Gaming Clubs (Hours and Charges)(Amendment)(No 2) Regulations 2000 which came into force on 14 August 2000. In Scotland the amendment to the regulations came into force on 13 November 2000. About half of casinos have extended their opening hours in consequence. The Deregulation (Sunday Licensing) Order 2001 came into force on 19 March 2001 and allowed casinos in England and Wales to apply for extended liquor licensing hours on a Sunday to 12.30 a.m. on Monday morning or 2.00 a.m. (3.00 a.m. in London) when the Monday is a Bank Holiday (except Easter Monday). Most casinos have taken advantage of the new arrangements.

Guidelines on cheques and debit cards

- 2.21** Following problems involving dishonoured cheques in a number of London casinos, the Board advised the BCA that it wanted to see changes to the agreed Board/BCA guidelines in respect of cheque and debit card payments to tighten and clarify the requirements. Following discussions a revision to the guidelines was agreed to come into force on 1 July 2001. Copies of all agreed Board/BCA guidelines can be found on the Board's website.

Internet casinos

2.22 As mentioned earlier (see paragraphs 1.16 to 1.19), the current legislation as it relates to Internet casinos is unsatisfactory. Hence no on-line casino site can lawfully be established in Great Britain, but residents are free to play on overseas sites and those sites can accept bets from here without breaking British laws. Further, such overseas sites can advertise to a limited extent here but the law is far from clear about the permitted content and extent of such advertising. The Board has had a steady stream of visitors, mainly from British based companies but including some from overseas, seeking the Board's advice and guidance on what is permitted. The Board does what it can to help but always emphasises the uncertainty of much of the law and that none of it has been tested in the courts insofar as it relates to Internet gaming. All such enquirers are advised to obtain their own independent legal advice.

Gaming reserve

2.23 The Board requires all casino operators to maintain a substantial gaming reserve. The principal purpose of this reserve is to ensure casinos have adequate funds to pay out any players who win very substantial amounts at the gaming tables. The Board has also found the arrangements useful in that from time to time the need for a casino to draw on the reserve can give an early indication of financial difficulties. Usually the reserve is held in the form of a dedicated banking facility, either as a deposit or as an overdraft arrangement. Following its purchase of the Ladbrokes' casinos, Gala approached the Board asking whether the reserve could be guaranteed instead by means of an insurance policy. The Board agreed that this had attractions because it gave winning players increased assurance of being paid if the casino did get into financial problems, and after careful consideration agreed that reserves could be maintained by means of suitable insurance policies.

Involvement of Board certificated companies in gaming overseas

2.24 The Board's views with regard to the operations of Board certificated companies who have also developed their gaming businesses overseas were set out at paragraphs 2.31 and 2.32 of its 1999/2000 annual report. They remain unchanged.

Numbers of gaming machines in casinos

2.25 The Board has again undertaken a count of the numbers of gaming machines in use in casinos. The results of this third census show that there were 814 jackpot machines operated in casinos in Great Britain as at 31 March 2001 of which 367 were the £1000 prize machines. This compares with 795 jackpot machines at 31 March 2000.

Employment within casinos

2.26 The BCA says that there are currently about 12,000 staff working in the casino industry in Great Britain. Of these, about sixty percent are directly involved in the conduct of gaming (ie croupiers, inspectors and casino managers) and the remainder are non gaming staff dealing with ancillary activities such as restaurant, bar and security work.

University of Salford Centre for Gambling and Commercial Gaming

2.27 The Centre has continued to offer courses at both undergraduate and post-graduate levels in gambling studies. These courses are designed to provide appropriate education and training for future managers in the gaming and betting industries. The Centre has also initiated seminars on topics of mutual concern for industry professionals and public officials concerned with gambling matters, and is embarking on a programme of applied research in a number of areas relating to the future of the gambling industry in the UK. Finally, it hopes to establish a comprehensive database, relating to all aspects of the gambling business and its regulation. The Board supports these initiatives and the Board's Secretary is a member of the Centre's Advisory Board.

Casino attendance

2.28 The figures on casino attendances for the last five years are given below. There were 11.3 million visits to casinos in Great Britain in 2000/01, an increase of 1% per cent over 1999/2000 but slightly less than in the three previous years.

Table 2: Casino Attendance by Region: Number of Visits

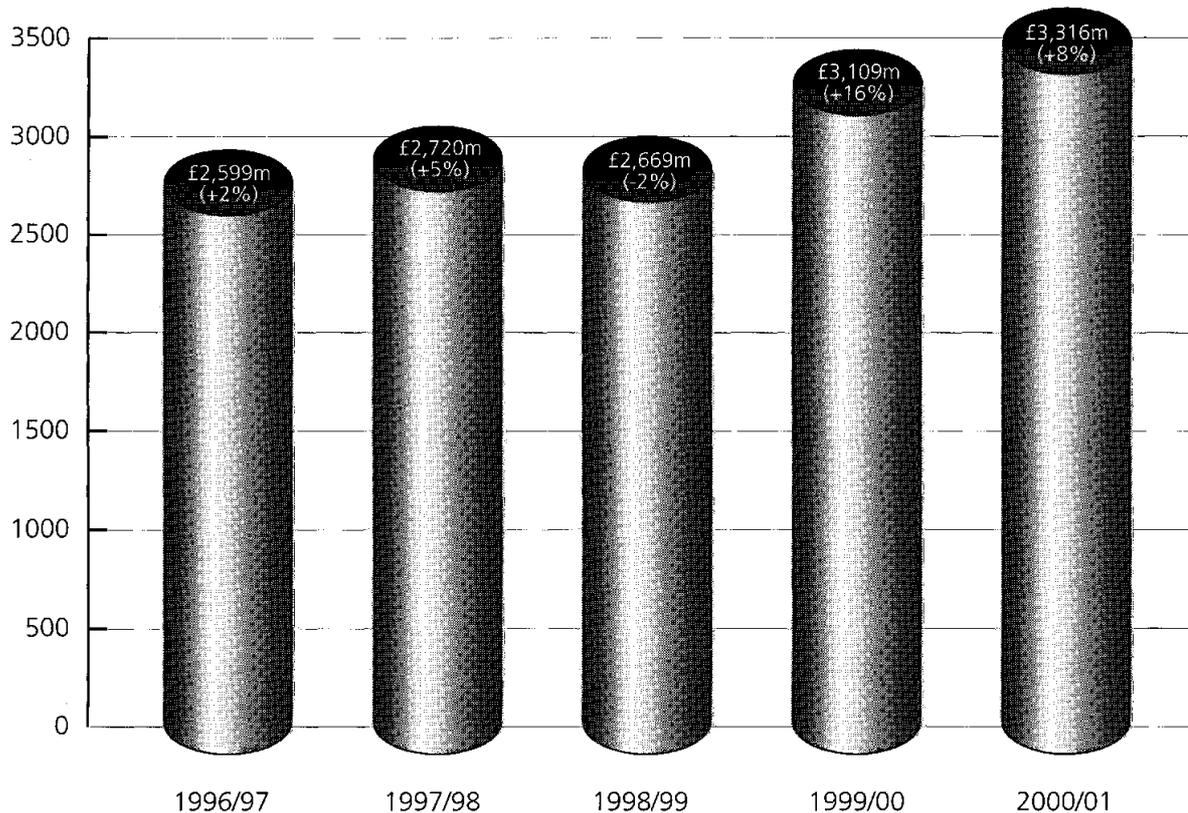
	1996/97	1997/98	1998/99	1999/2000	2000/01
Scotland	1,107,415	1,258,339	1,212,780	1,081,465	1,046,576
North	3,000,346	3,109,131	3,020,186	3,064,886	3,160,180
Midland & Wales	2,187,576	2,214,941	2,135,150	2,112,305	2,100,047
South	2,206,214	2,236,694	2,340,644	2,232,498	2,273,718
Sub-Total	8,501,551	8,819,105	8,708,760	8,491,154	8,580,521
London	2,813,420	2,832,236	2,710,955	2,695,690	2,707,672
Great Britain Total	11,314,971	11,651,341	11,419,715	11,186,844	11,288,193

Financial statistics

2.29 The total drop (money exchanged for gaming chips) in casinos in Great Britain during the financial year 2000/01 was £3,316 million, an increase of £207 million on the 1999/2000 figures.

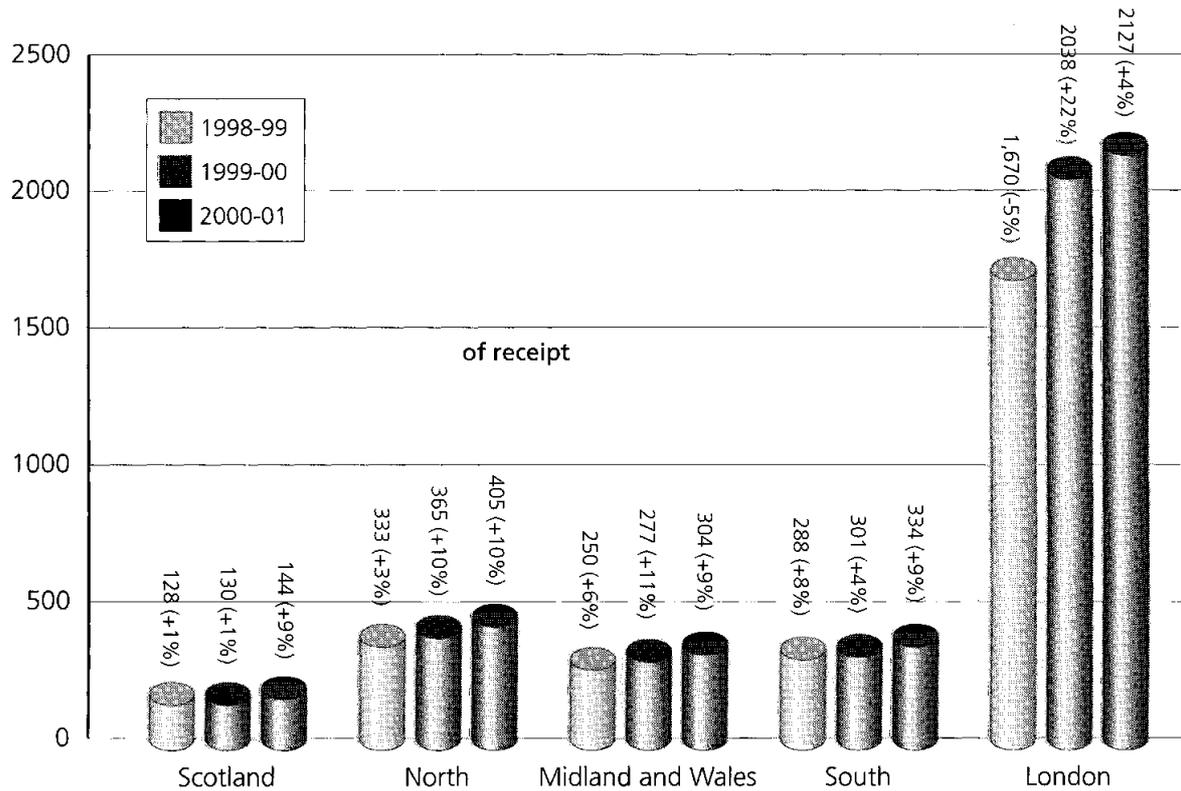
The totals for the last five years were as follows:

Table 3: Drop Per Year: Overall (Change from previous year in brackets)



Note: Percentage figures are correct to the nearest whole percentage.

2.30 The drop in London casinos showed an increase of £89 million for the year, while that for the rest of Great Britain increased by £115 million. Approximately 64 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: Drop figures are rounded to the nearest £1 million, and the percentage change is based on the rounded figures to the nearest whole percentage.

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

Table 5: Percentage Distribution of Drop by Games

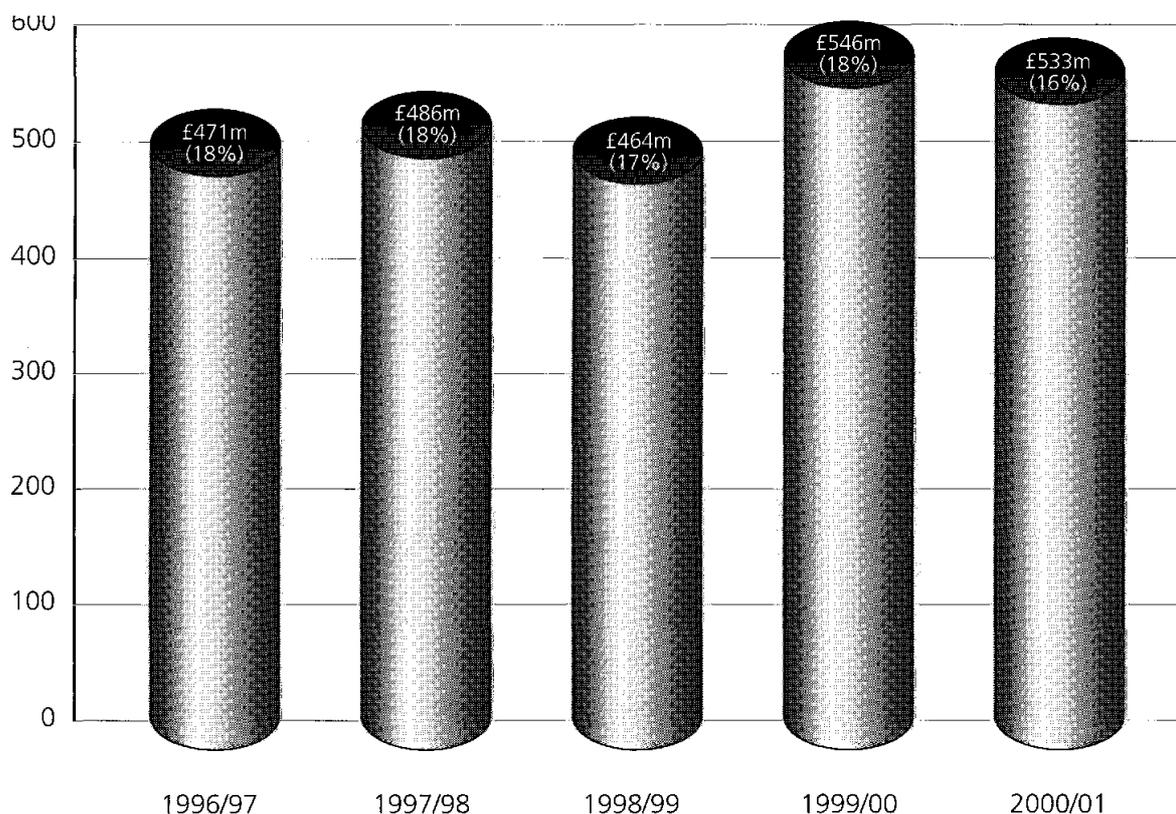
	1996/97	1997/98	1998/99	1999/00	2000/01
American Roulette	59.8	61.4	62.7	63.0	66.3
Punto Banco (including Baccarat)	16.7	17.6	12.8	19.1	9.8
Blackjack	16.3	13.9	17.2	11.1	16.8
Casino Stud Poker	6.3	6.2	6.2	5.9	5.9
Craps 0.9	0.9	1.1	0.9	1.0	
Electronic Roulette	-	-	-	-	0.2
Super Pan 9	0.1	0.0	0.0	0.0	0.0

Notes: The figures for each financial year do not include the unallocated drop received at the cash desk. Table 3, however, does include unallocated drop.

Because of rounding, figures may not exactly total 100.

2.32 There was a decrease of £13 million (2.5 per cent) in the total retained by casinos as house win. The figures for house win over the last five years were:

Table 6: House Win (Overall percentage of drop in brackets)



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

Numbers of certificates of consent and licence applications

2.33 The following tables show the results of consent applications made to the Board during the period 1 April 2000 to 31 March 2001 and the number and outcome of licence applications.

Table 7: New Certificates of Consent

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2000	2	–	2
New applications received in 2000/01	13	–	13
TOTAL	15	–	15
Certificates issued	9	–	9
Applications withdrawn	1	–	1
Applications refused	–	–	–
Applications not determined by 31 March 2001	5	–	5
TOTAL	15	–	15

Table 8: New Licences

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2000	7	–	7
New applications received in 2000/01	9	–	9
Licence applications gone to appeal	1	–	1
TOTAL	17	–	17
New licences issued	12	–	12
Licences granted on appeal	1	–	1
Applications withdrawn	1	–	1
Applications refused	1	–	1
Applications not determined by 31 March 2001	2	–	2
TOTAL	17	–	17

Table 9: Certificates of Consent to Transfer a Licence

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2000	–	–	–
New applications received in 2000/01	7	–	7
TOTAL	7	–	7
Certificates issued	7	–	7
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2001	–	–	–
TOTAL	7	–	7

Table 10: Transfer of Licences

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2000	–	–	–
New applications received in 2000/01	7	–	7
TOTAL	7	–	7
Licences issued	4	–	4
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2001	3	–	3
TOTAL	7	–	7

Table 11: Renewal of Licences

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2000	1	–	1
Applications received in respect of licences expiring in 2000/01	114	12	126
TOTAL	115	12	127
Licences renewed	112	12	124
Licences surrendered or allowed to lapse	3	–	3
Applications refused	–	–	–
Applications not determined by 31 March 2001	–	–	–
TOTAL	115	12	127

Table 12: Continuance of Certificates of Consent

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2000	1	–	1
New applications received in 2000/01	23	6	29
TOTAL	24	6	30
Applications allowed	3	–	3
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2001	21	6	27
TOTAL	24	6	30

3: Licensed bingo

Introduction

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

- ◆ Size and structure of the industry (paragraphs 3.2 and 3.3).
- ◆ Changes to the industry (3.4).
- ◆ Money staked (3.5).
- ◆ Linked bingo (3.6).
- ◆ Multiple bingo (3.7 to 3.12).
- ◆ Meetings with the Bingo Association and operators (3.13 and 3.14).
- ◆ Use of debit cards (3.15).
- ◆ The charging arrangements for bingo (3.16).
- ◆ Mixing of S.31 and S.34 gaming machines (3.17).
- ◆ Increases in charges and prizes (3.18 and 3.19).
- ◆ Objections to bingo licences (3.20).
- ◆ The number of gaming machines in bingo clubs (3.21).
- ◆ Attendance at bingo clubs (3.22).
- ◆ Employment in the industry (3.23).
- ◆ Consent applications (3.24).
- ◆ Bingo played under sections 40 and 41 of the Gaming Act 1968 (3.25 and 3.26).

Size and structure of the industry

3.2 The number of bingo clubs holding Board certificates of consent at 31 March 2001 was 719 (see table 13). This represents a decrease of 50 clubs or 6 per cent from the figure at 31 March 2000. At 31 March 1996 the number of such clubs was 961: there has thus been a decrease of 25 per cent in numbers over the last five years, although the Board believes that this reduction has been offset to some extent by an increase in the average size of the clubs. Of the 719 certificated clubs, 705 were operating at the end of the year.

3.3 The two largest operators amongst the 719 bingo clubs holding Gaming Board certificates of consent remain Gala Leisure Ltd which holds certificates for 178 clubs, of which 174 were operating, and Mecca Bingo Limited (part of the Rank Organisation) which holds certificates for 126 clubs, of which 123 were operating. One other operator held certificates for 51 clubs; one operator held certificates for 15 clubs; five operators held certificates for between 10 and 14 clubs; eight operators held certificates for between 5 and 9 clubs; the remaining 252 certificates were held by "singleton" operators or in groups of less than five clubs. 84 clubs are in holiday camps, some of which only operate on a seasonal basis.

Table 13: Number of Bingo Clubs at 31 March 2001 (2000 in brackets)

	England and Wales	Scotland	Total
Holding Board certificates at 31 March 2001	618 (661)	101 (108)	719 (769)
Holding gaming licences at 31 March 2001	616 (638)	101 (105)	717 (743)
Known to be operating at 31 March 2001	606 (624)	99 (103)	705 (727)

Changes to the industry

3.4 There have been a number of changes to the structure of the industry in the reporting period. On 19 April 2000 the Gala Group acquired Riva Clubs Limited. The acquisition was cleared by the Competition and Consumer Affairs Minister subject to two conditions recommended by the Office of Fair Trading and in consequence Gala agreed to sell 5 of the 27 Riva clubs and to continue operating the National Bingo Game for a minimum of 5 years. In September 2000 Leisure Parks Limited purchased Pontin's holiday sites which comprised 12 bingo clubs; and, in October 2000, Bourne Leisure Holdings Limited acquired the Rank Holiday Division which held the licences for 47 bingo clubs in holiday centres.

Money staked

3.5 The figures below give the amount of money staked in licensed bingo clubs (including added prize money) over the last five years. There was an increase of over 3.9 per cent in the latest year, bringing the increase over the last two years to 7.4 per cent. The amount of money staked does not include cash staked on gaming machines.

Table 14: Amount Staked on Licensed Bingo by Year

	Amount staked in £million	Percentage change from previous year
April 1995 to March 1996	906	7.3
April 1996 to March 1997	967	6.7
April 1997 to March 1998	1019	5.4
April 1998 to March 1999	1041	2.1
April 1999 to March 2000	1076	3.4
April 2000 to March 2001	1118	3.9

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

Linked bingo

3.6 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 has fallen slightly during the period, decreasing from 614 to 596. Nevertheless, linked bingo remains popular. The recent increases in the weekly prize limits (see paragraphs 3.18 and 3.19) have helped in this regard.

Multiple bingo

3.7 Multiple bingo can be played by clubs across the country under the terms of the Gaming (Bingo) Act 1985. All clubs participating in multiple bingo play to a single set of numbers determined before the game commences. The large number of participating clubs allows for the payment of large prizes.

3.8 Until 1999 the National Bingo Game Association Limited (NBGA) was the only holder of a Board certificate of approval to operate multiple bingo, and it has operated what is known as the National Game daily for the past 15 years. Its current certificate expires in June 2001, and a new one has been issued for the period to June 2004. The number of clubs registered to play in its National Games was 551 at 31 March 2001, compared with 554 a year earlier. The weekday games generate a maximum national prize of up to about £100,000, with additional regional and house prizes. The 50p ticket game introduced on Sundays for the larger prize of up to £200,000 has made this the most popular night.

3.9 A second certificate of approval was granted to Linkco Limited, a subsidiary of Rank Group Plc, in November 1999 to organise games of multiple bingo for Mecca Bingo Limited from 1 March 2000. This certificate expires on 28 February 2003.

- 3.10** Concerns have been expressed to the Board that the grant of this second certificate will dilute the success of the National Game by allowing Mecca Clubs instead to participate in their own separate large scale game. This would have an adverse impact on smaller clubs which lack the customer base to compete with such a large scale operator. The Board understands such concerns. The 1985 Act does not however limit the number of certificates of approval which can be granted and the Board thus has to consider any application on its merits. Further, issues of competition are primarily a matter for the competition authorities. Mecca continues to participate in the National Game and the Board hopes that this will remain the case.
- 3.11** The 1998/99 Report noted that the statutory frequency limits for multiple bingo had been increased to three games per day (from one a day and two on Saturday), and the maximum permitted monetary prize increased to £500,000 from £250,000, with effect from 1 October 1998. There have been no increases yet in the frequency of, or the level of prizes in, games run by the NBGA but the Board understands that this is being actively considered at present.
- 3.12** It was reported last year that other proposals to ease the restrictions on multiple bingo had been put to the Home Office. These included the removal of all limits on prize levels, greater flexibility in the prize structure, and the ability to retain part of the stake money in order to generate very large jackpot, or rollover, prizes. The Home Office did not take the first of these forward and concluded that the changes to permit rollover prizes could not be made by deregulation order; at the end of the year consideration was being given by the industry as to how to pursue the latter. The proposal to give greater flexibility in the prize structure was included in a draft bingo deregulation order laid by the Home Office on 26 March 2001.

Meetings with the Bingo Association and operators

- 3.13** The Board/Bingo Association Working Group continues to provide a useful forum for discussions between the Board and the industry. These meetings, where ideas and views can be exchanged without commitment on either side, have led over the years to formal agreement between the Board and industry on a range of operational and deregulation issues. The Group met on three occasions during 2000/01 to discuss various issues of current interest or concern.
- 3.14** The Board is always willing to meet operators to discuss their plans and difficulties. In particular the Board appreciates being kept aware of re-organisations and proposals to rationalise operators' estates. The Board has held a series of informal meetings with bingo operators since 1998 on a similar basis to those arranged for casinos. Two were held this year, in September 2000 and January 2001. These proved useful and informative. Similar meetings are planned for the coming year.

Use of debit cards

- 3.15** As reported previously, a Parliamentary Order permitting the use of debit cards to pay for bingo gaming came into force on 19 April 1997. This change raised no regulatory concerns for the Board and was well received by the industry. It was reported last year that the Bingo Association had raised the possibility of using a type of Automated Teller Machine, installed and maintained by the operator, in bingo clubs, operating only on customers' debit cards. A Code of Conduct for the use of such machines was agreed between the Board and the Association at the Working Group meeting on 20 March 2001; and many operators now have such machines or are considering their installation.

The charging arrangements for bingo

- 3.16** The 1999/2000 Report recorded the successful conclusion to the long-running efforts to simplify the bingo charging system and make it easier for players to understand. The Board has been monitoring the introduction of the new arrangements and, by the end of the year in conjunction with the Bingo Association, had clarified all major outstanding issues. Only one element of the changes still remains to be achieved: the abolition of the requirement to give licensing authorities 14 days notice of changes to charges so that bingo clubs can react more flexibly when they believe alterations should be made. Following consultation, the draft Deregulation Order to achieve this was laid on 26 March 2001.

Mixing of S.31 and S.34 gaming machines

- 3.17** It was noted in the 1998/99 Report that the Bingo Association had sought a legislative change to allow clubs to install simultaneously both (all cash) AWP machines and up to four jackpot machines, and that the Board had informed the Home Office that it had no objection of principle to the proposal. The Home Office last year had stated its intention to include this proposal in a Deregulation Order, and the necessary consultation was completed during the year. The requisite provision to achieve the change was included in the draft Order laid on 26 March 2001 but the House of Commons Select Committee on Deregulation queried whether there were necessary protections for the elderly and other vulnerable groups; and at the time of writing the Department for Culture, Media and Sport, having taken over responsibility for gaming from the Home Office, was considering how to take the matter forward.

Increases in charges and prizes

- 3.18** The Board held its annual "shopping list" meeting with the industry on levels of charges and prizes on 8 December 2000. Following the introduction of the new charging arrangements, there was no longer any need to consider increases in participation fee limits. The Bingo Association sought an increase in the weekly added prize money limit from £6,500 to £10,000, and an increase in the weekly linked bingo prize money limit from £50,000 to £55,000. The Association also signalled its intention to seek an increase in the maximum cash prize for prize bingo from £15 to £25 as part of its representations for the 2001 Triennial Review of gaming machine stakes and prizes.
- 3.19** The Board considered its response to the proposals for increases in the added prize money and linked bingo limit at its regular monthly meeting in December 2000. In general, it had no difficulties with the Association's requests. The increases sought were relatively modest and the Board felt able to recommend the changes to the Home Office. Ministers subsequently agreed the increases: they came into force on 1 May 2001.

Objections to bingo licences

- 3.20** Last year it was reported that the Board had objected to the renewal of one bingo club licence. The bingo club operator subsequently sold the club in question, and so the Board withdrew its objection to the renewal of the licence. Towards the end of the year, in a separate case the Board lodged objections to the renewal of the two licences held by another company. The outcome of this case was not known at the time this Report was prepared.

The number of gaming machines in bingo clubs

- 3.21** The Board has again undertaken a count of the numbers of gaming machines in use in bingo clubs. The results of this fourth census were as follows:

Table 15: Numbers and Types of Gaming Machines in Bingo Clubs at 31 March 2001
(Figures for the previous year in brackets)

AWP (whether all-cash or cash/token)	£250 Jackpot	£500 Jackpot	Total
17,437 (17,274)	503 (599)	51 (60)	17,991 (17,933)

As can be seen, there has been little change from the figures shown in the Report for 1999/2000.

Attendance at bingo clubs

3.22 The most recent industry estimates are that there are some 3 million active members of bingo clubs, with over 90 million admissions to clubs each year.

Employment in the industry

3.23 No definitive figures are available, but industry estimates are that some 20,000 people are employed in the bingo industry.

Consent applications

3.24 The following tables show the results of consent applications made to the Board during the period 1 April 2000 to 31 March 2001 and the number and outcome of subsequent licence applications.

Outcome of Bingo Consent and Licence Applications 1 April 2000 – 31 March 2001

Table 16: New Certificates of Consent

	England and Wales	Scotland	Total
Applications outstanding at 31 March 2000	0	0	0
New applications received in 2000/01	11	1	12
TOTAL	11	1	12
Certificates issued	8	1	9
Applications withdrawn	1	0	1
Applications refused	0	0	0
Applications not determined by 31 March 2001	2	0	2
TOTAL	11	1	12

Table 17: New Licences

	England and Wales	Scotland	Total
Applications outstanding at 31 March 2000	10	1	11
New applications made in 2001/01	10	1	11
TOTAL	20	2	22
Licences issued	17	2	19
Applications withdrawn	1	0	1
Applications refused	0	0	0
Applications not determined by 31 March 2001	2	0	2
TOTAL	20	2	22

Table 18: Certificates of Consent to Transfer a Licence

	England and Wales	Scotland	Total
Applications outstanding at 31 March 2000	12	0	12
New applications received in 2000/01	27	2	29
TOTAL	39	2	41
Certificates issued	14	2	16
Applications withdrawn	4	0	4
Applications refused	0	0	0
Applications not determined by 31 March 2001	21	0	21
TOTAL	39	2	41

Table 19: Transfer of Licences

	England and Wales	Scotland	Total
Applications outstanding at 31 March 2000	12	4	16
New applications made in 2000/01	21	2	23
TOTAL	33	6	39
Licences issued	11	6	17
Applications withdrawn	1	0	1
Applications refused	0	0	0
Applications not determined by 31 March 2001	21	0	21
TOTAL	33	6	39

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

- 3.25** In addition to licensed bingo, unlicensed bingo may be played in certain clubs and institutes and at entertainments not held for private gain and is lawful so long as it complies with sections 40 or 41 of the 1968 Gaming Act. Bingo played under these sections is subject to various restrictions and limitations and is intended to be small scale and non-commercial. In particular, bingo played under section 40 must be only one of the activities provided by the club. The proceeds of bingo played under section 41 must normally go to a charity or to the benefit of a non-proprietary members' club.
- 3.26** It was reported last year that the Home Office was considering recommendations to increase the monetary limits for both sections 40 and 41 bingo, and these came into force on 13 November 2000. These are, for section 40, an increase in the maximum charge per player per day from 50p to 60p; and, for section 41, an increase in the maximum payment by each player from £3.00 to £4.00 per entertainment, an increase in the maximum total value of prizes from £300 to £400 per entertainment, and an increase in the provision for the maximum prize in the last of a series of entertainments taking place over a two day period from £600 to £700.

4: Certification of employees

Introduction

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

- ◆ Policy and procedures (paragraphs 4.2 to 4.3).
- ◆ Reduction in the number of types of certificates (4.4).
- ◆ Applications (4.5).
- ◆ Issue of certificates (4.6 to 4.9).
- ◆ Introduction of Criminal Records Bureau (4.10).
- ◆ Quality of managerial applicants (4.11 and 4.12).
- ◆ Revocation of certificates (4.13 to 4.15).
- ◆ Interviews and hearings (4.16).
- ◆ European Court of Human Rights application in section 19 revocation case (4.17).
- ◆ Attendance at hearings (4.18).
- ◆ Revocation without a hearing (4.19).
- ◆ Reapplication after revocation action (4.20).
- ◆ Overseas enquiries (4.21).
- ◆ Contravention of section 23(6) of the Gaming Act 1968 (4.22).
- ◆ Decisions by outcome and issues by type, 2000/01 (4.23).

Policy and procedures

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

4.3 The Board currently issues certificates of approval as follows:

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

Reduction in the number of types of certificates

4.4 One of the recommendations of the report in 2000 by the National Audit Office ("The Gaming Board: Better Regulation") was the rationalisation of the number of types of certificates of approval issued by the Board. The Board believes that it could, without prejudicing good regulation, reduce the six current certificates by two by amalgamating the casino dealers' and inspectors' certificates; and the supervisors' and managers' certificates. The British Casino Association has put forward alternative proposals, which would retain the current manager's certificate but involve amalgamation of the other three casino certificates. These proposals were under discussion with industry representatives at the end of the year.

Applications

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

Table 20: Applications for Certificates of Approval 1996/97 to 2000/01

	Number of applications dealt with	Number of certificates issued
1 April 2000 – 31 March 2001	5,541	4,906
1 April 1999 – 31 March 2000	4,637	4,106
1 April 1998 – 31 March 1999	5,509	5,056
1 April 1997 – 31 March 1998	3,992	3,574
1 April 1996 – 31 March 1997	5,518	5,051

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

Issue of certificates

- 4.6** It remains the Board's policy to make checks or obtain reports from the police and other authorities on all new applicants for certificates of approval, in accordance with paragraph 3 of Schedule 5 to the Gaming Act 1968. This can delay the processing of applications. However, on average during the year 81 per cent of all first time applicants for the dealers' (blue) certificate received their certificate within six weeks of receipt of the application by the Board. This has been achieved despite staff shortages during the first part of the year.
- 4.7** Casino gaming is an international business and it is understandable that staff wish to work in different jurisdictions. Enquiries are made of overseas employers before the issue of fresh certificates to previously certificated staff returning from working in casinos abroad; police checks are made in tandem with these enquiries to reduce any delays to a minimum. Applications from foreign nationals are processed to the same standard as UK citizens, but difficulties in obtaining information from abroad can lead to delays in the issue of certificates.
- 4.8** When the Board issues a certificate, it sends an accompanying advisory letter to the certificate holder. This letter gives, in broad terms, the kinds of activities that might result in revocation of the certificate and also asks the certificate holders to inform the Board of any convictions and/or formal cautions that they might receive. The letter also requires certificate holders to notify the Board if they are made bankrupt, enter into a composition with creditors, or make an Individual Voluntary Arrangement under the Insolvency Rules 1986. Not all bankruptcy or financial insolvency cases necessarily mean that a person is unfit to hold a Board certificate: each case is examined on its merits. Applicants are required to declare all convictions, formal cautions and pending prosecutions on every application for a fresh certificate.
- 4.9** A certificate, once issued, remains valid for the employee in respect of the casinos identified on it unless and until it is revoked. The Board has no record of the number of certificate holders actually in employment, as it has no comprehensive records of staff resignations or departures. The wording of section 19 of the 1968 Act is such that new certificates may be required when the holder moves to a different casino or when their employer is taken over or otherwise changes. The Board considers that the Section 19 certificate relates to the individual holder rather than their employer and whenever possible does not require a new Section 19 certificate for moves of location in the same grade.

Introduction of Criminal Records Bureau (CRB)

- 4.10** The Government is establishing the Criminal Records Bureau to take over responsibility in England and Wales from the police for conducting criminal record checks of individuals and to issue appropriate certificates. The Scottish Criminal Records Office (SCRO) will undertake this for Scotland. In the future, the Board will undertake its background checks on applicants resident in England, Wales and Scotland through these organisations. Discussions are being held to ensure a smooth transition to the new arrangements, currently planned to come into force later in 2001.

Quality of managerial applicants

- 4.11** The standard of first-time applicants for the managers' grey certificate remains high. Where an applicant does not meet the required standard, the application is normally deferred by agreement to allow the applicant to improve his or her knowledge of the Gaming Act 1968 and the regulations made under it. In fact, all applications were granted, without any deferments, during the period of this Annual Report. The Board regards it as important that high standards are maintained and that holders of this certificate should understand the reasons which lie behind the Act and Regulations, and the reasons for the rules they must follow. The Board was pleased by the continued efforts of operators to ensure that senior staff received adequate training before they applied for the managers' certificate.
- 4.12** The Board, of course, expects particularly high standards of applicants for its casino executives' white certificate. Where such applicants are new to the industry and have not previously held a grey certificate, they are interviewed by a panel, normally consisting of a Board member and a senior member of the Inspectorate. Eight such applicants were interviewed during the year and all were issued with a white certificate.

Revocation of certificates

- 4.13** Revocation procedures are normally prompted by receipt from the Board's Inspectorate of an adverse report on the certificate holder. The Board expects operators to notify its Inspectorate immediately if disciplinary proceedings are taken against employees. Even if the certificate holder has not been dismissed or committed an illegal act, the Board may take revocation action. The test provided for in the Act is the broad one of fitness and propriety to hold the certificate. Where doubts are raised about the fitness or propriety of the certificate holder, the case is considered by officials in the Board's Secretariat, who decide what action should be taken. If that decision calls into question the holder's suitability to continue to hold one or more of the Board's certificates, a "minded to revoke" letter is issued. In it, the certificate holder is offered the opportunity to appear before a panel of Board members or to make written representations to explain his or her actions. In either situation, the case is then referred to Board members for a decision. The Board believes that where consideration is being given to revocation the certificate holder should take the opportunity to draw the Board's attention to any extenuating circumstances, either at the hearing or by letter. Reasons for revocation of certificates in the year ending 31 March 2001 were as follows:

Table 21: Reasons* for Revocation of Certificates 1 April 2000 – 31 March 2001
(Previous year's figures in brackets)

	Certificate Holders	
Involvement with drugs (including drug-related convictions)	13	(6)
Theft from employers	13	(4)
Socialising with members	11	(8)
Visiting and gaming in another casino	7	(9)
Incurring convictions after the issue of a s19 certificate (excluding drug-related convictions)	6	(8)
Failing to declare convictions in breach of s.23 (6) of the 1968 Act (see paragraph 4.22)	6	(2)
Falsifying records/ Misappropriating company funds	5	(0)
Collusion with players	4	(4)
Drunkenness	3	(2)
Others**	4	(15)
TOTAL	72	(58)

* The principal reason is shown in each case.

** Relates to working in another casino whilst on sick absence; inappropriate behaviour for a supervisor; theft of £50 from fellow employee; accepting gratuities.

4.14 The Board was disturbed to note that the number of revocations for involvement in drugs rose significantly. It continues to take a very serious view of any certificate holder having any involvement with drugs. Illicit drug taking is not only a criminal offence in itself, but also brings into question the ability of certificate holders who may be under the influence of drugs to undertake their duties in a fit and proper manner. The Board was also concerned to note that incidents of theft by employees had risen significantly. Of particular concern to the Board was the case of two bingo managers who were each sentenced to two years imprisonment for their offences of theft from their employer, which had been committed over a four year period. Furthermore, the Board was disturbed to note that five other bingo managers had their certificates revoked for either falsifying records or misappropriating company funds. Other areas of continuing concern are unauthorised socialising by staff with members of casinos, and unapproved visits to other gaming establishments. Where prior permission has not been given by casino management, visiting other casinos leaves the employee open to allegations of improper influence and of compromising his/her integrity.

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

Interviews and hearings

4.16 During the period 1 April 2000 to 31 March 2001, 148 interviews and 14 hearings were held in connection with certificates of approval.

**Table 22: Interviews/Hearings in Connection with Certificates of Approval:
1 April 2000 – 31 March 2001**

Type of certificate	Number	Remarks
Casino Executive (white)	8	8 were granted
Casino Manager (grey)	70	70 were granted
Gaming Inspector (yellow)	2	Both were re-applications after revocation; both were granted
Gaming Dealer (blue)	2	Both were re-applications after revocation; both were granted
Bingo Manager (pink)	66	66 were granted of which 1 was a re-application after revocation
Existing certificate holders who had received "minded to revoke" letters	14	4 retained their certificates after the hearing

European Court of Human Rights application in section 19 revocation case

4.17 Last year's report recorded that, following the Court of Appeal's refusal of permission to appeal from the High Court's dismissal of his application for judicial review of the Board's revocation in 1994 of his manager's certificates of approval, Mr Max Kingsley, former Chairman of London Clubs International, had applied to the European Court of Human Rights to bring a case against the UK Government under the Human Rights Convention. The application was declared admissible by the Court on 14 September 1999, and the Court, in its judgement on 7 November 2000, ruled that there was a breach of Article 6 of the European Convention on Human Rights, in that aspects of the way in which the Board handled the revocation proceedings in Mr Kingsley's case did not present the necessary appearance of impartiality required by that Article and that in the particular circumstances of the case the subsequent judicial review proceedings were not sufficient to rectify this failing. The Court went on to decide that the finding was itself just satisfaction for the non-pecuniary damage suffered by Mr Kingsley and limited its pecuniary award to a contribution of £13,500 towards Mr Kingsley's legal costs. The Court has however agreed Mr Kingsley's request that the case be referred to the Grand Chamber of the European Court for review of the decision not to award him full costs or non-pecuniary damages. The Board has reviewed its procedures in the light of the decision.

Attendance at hearings

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

Revocation without a hearing

4.19 In cases where the Board is considering revocation of certificates, and the holder does not wish to attend a hearing or to make written representations, or the Board's recorded delivery letter is returned undelivered by the Post Office, the Board must consider the certificate holder's suitability to hold the Board's certificates on the available information. During the period 62 certificate holders had their certificates revoked without a hearing, including 13 who had made written representations.

Reapplication after revocation action

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

Overseas enquiries

4.21 The Board received 123 enquiries during the year from regulatory authorities in other countries where British staff holding the Board's certificate were seeking employment. These are dealt with by issuing letters of accreditation to the agency, employer or individual concerned.

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

4.22 It is a requirement that all applicants declare all convictions, police cautions and pending prosecutions on all applications. A number of applicants failed to disclose a full record of their convictions or cautions, even though the application form makes it clear that the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975 authorises the Board to require such disclosure.

In all cases of failure to disclose previous convictions, the matter was addressed by the Board with the applicant either at a hearing, where refusal or revocation will have been considered, or as a written warning. The police may also decide to take action although this is rare.

Decisions by outcome and issues by type, 2000/01

4.23 The outcome of applications for section 19 certificates, and certificates issued by type, for 2000/01 were as follows:

Table 23: Section 19 Certificates: Decisions by Outcome 2000/01

	New certificates issued	Existing certificates re-issued*	Total certificates issued	Applications refused	Applications withdrawn	Revocations**
Casino Executive (white certificate)	10	1	11	0	2	0
Casino Manager (grey certificate)	88	19	107	0	2	0
Casino Supervisor (green certificate)	100	11	111	0	1	5
Casino Inspector (yellow certificate)	1,399	193	1,592	0	106	22
Casino Dealer (blue certificate)	2,862	127	2,989	1	514	38
Bingo Manager (pink certificate)	83	13	96	0	9	7
TOTAL	4,542	364	4,906	1	634	72

* Includes re-issues, re-issues after revocation, changes of name and changes of company name.

**A total of 72 individuals had certificates revoked: the number of certificates revoked was 173.

Table 24: Section 19 Certificates: Issues by Type 2000/01

	New applications	Transfers	Promotions	Re-issues	Total
Casino Executive (white certificate)	0	2	8	1	11
Casino Manager (grey certificate)	0	18	70	19	107
Casino Supervisor (green certificate)	0	16	84	11	111
Casino Inspector (yellow certificate)	9	837	553	193	1,592
Casino Dealer (blue certificate)	2,324	538	0	127	2,989
Bingo Manager (pink certificate)	65	18	0	13	96
TOTAL	2,398	1,429	715	364	4,906

5: Gaming Machines

Introduction

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

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

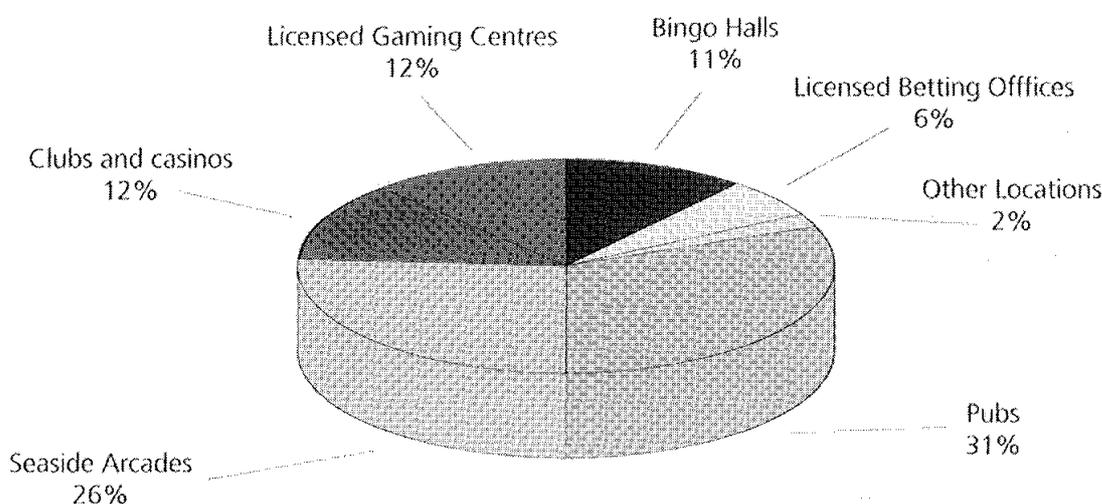
With certain specified exceptions, those who wish to sell, supply or maintain gaming machines may do so only if they hold a certificate granted by the Board under section 27 of the 1968 Act. This chapter reports on the Board's involvement with the gaming machines industry, and contains sections on the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

- ◆ Size of industry (paragraphs 5.2 and 5.3);
- ◆ Proposals for changes to payment methods for machines (5.4);
- ◆ 2001 Triennial Review of stakes and prizes (5.5);
- ◆ BACTA/ Board links (5.6);
- ◆ Review of machine control guidelines (5.7);
- ◆ Machine testing (5.8);
- ◆ Possible introduction of the Euro (5.9);
- ◆ Gaming machines and children (5.10);
- ◆ Applications for certificates under section 27 of the Gaming Act 1968 to sell, supply and/or maintain gaming machines (5.11);
- ◆ Renewal of certificates (5.12 to 5.14);
- ◆ Revocations and refusals (5.15);
- ◆ Certificates in force (5.16);
- ◆ Permits (5.17).

Size of industry

5.2 Whilst those who wish to sell, supply or maintain gaming machines need a Board certificate, these certificate holders are not required to submit to the Board details of the numbers of machines they handle and the Board thus does not hold statistics on machine numbers and locations. However, BACTA (the trade association for the pay-to-play leisure machines industry) has obtained its own statistics for 1999 (source: the 2000 Henley Centre Industry Model) which indicate that there are some 250,000 gaming machines of one type or another sited in Great Britain. These include around 215,000 AWP machines, whether all-cash or cash/token machines. The remainder comprise about 30,000 club or jackpot machines and 8,000 pinball, pusher and crane grab machines, which all qualify as gaming machines under the definition in the 1968 Act. An estimate of the distribution of these machines by location is provided below:

Table 25



5.3 BACTA also estimates the combined annual turnover of AWP and jackpot machines to have been around £10.3 billion in 1999 of which around £8.8 billion was paid out to players in the form of prizes. Around 23,000 people are believed to be employed directly by the industry.

Proposals for changes to payment methods for machines

5.4 As reported in previous years, BACTA has been seeking, by way of deregulation, changes to the legislative controls over payment systems for gaming machines, in particular to relax the methods by which monies can be paid into the machines. The Board's view remains that it has no objections in principle to the proposals, subject to suitable arrangements being put in place to control the way in which the provisions operate in practice. Following discussions with BACTA and the Board, the Home Office issued a consultation paper in March 2001. It proposed that the law contained in the 1968 Gaming Act should be changed in respect of jackpot and higher-value ("all cash") AWP machines in order to:

- ◆ allow players to use bank notes and electronic 'smart cards' in these machines;
- ◆ allow winnings to be stored in these machines to be used for further plays without the player having to reinsert money into the machine;
- ◆ allow these machines to be set so as to pay out winnings in cash (notes or coins), by printing a cheque, by adding credit to the player's smartcard, or by means of a credit note or token redeemable by the operator; and
- ◆ remove the present requirements for jackpot machines and higher value AWP machines to accept payment for a single game.

The closing date for responses to the consultation is 15 June.

2001 Triennial Review of stakes and prizes

5.5 It is the Board's practice to review the monetary limits for gaming machines every three years; the last review took place in 1998. The 2001 Triennial Review commenced in February 2001 when the Board wrote to interested parties seeking their views and proposals. Submissions were received during March and meetings between the Board and various organisations took place during April. A report giving the Board's recommendations was submitted to the Home Office for consideration at the beginning of June 2001.

BACTA/Board links

5.6 The BACTA/Board working group has continued to meet during the course of the year. This close co-operation has been helpful in addressing a range of issues including machine testing (see paragraph 5.8), BACTA's Euro conversion proposals (paragraph 5.9), drafting the revised version of the guidelines for machine control (paragraph 5.7) and the development by BACTA of a Unified Code of Practice covering the use of AWP's and All-Cash Machines in the range of premises in which they are located (paragraph 5.10).

Review of machine control guidelines

5.7 The previous machine control guidelines had developed over the years into a document that was long and difficult to interpret. Following a request by Board officials, BACTA undertook to consolidate the guidelines into a new easily understandable format. The new guidelines were published in March 2000. Since then it has been agreed by BACTA and the Board that further work is necessary to modernise the guidelines and amend them where they might be misinterpreted. The guidelines are available on the Board's website at www.gbgb.org.uk

Machine testing

- 5.8 As reported in previous years, the BACTA/Board working group agreed to the introduction of a limited regime of machine testing for AWP machines in 1996. Since that time considerable effort has been devoted to providing sound administrative procedures for the effective exchange of testing information between manufacturers and the Board's machines Inspectors. This exchange of information continues to be monitored by the working group and an audit trail has been established between the Board, BACTA and the manufacturers for the submission of testing information. The working group is also considering how the testing regime might be extended to jackpot machines.

Possible introduction of the Euro

- 5.9 If the United Kingdom should decide to join the single European currency, the gaming machines industry will face a range of practical, technical and design problems. The Board/BACTA working group continued to discuss these issues throughout the year with a view to deciding what steps might be taken to help simplify any transition if it were to occur. BACTA prepared proposals for the conversion of stake and prize limits and the Board has agreed to support these proposals in principle, subject to certain conditions. In outline the agreed proposals are as follows:

- ◆ Any conversion formula should maintain the existing ratios between the levels of stakes and prizes.
- ◆ The most appropriate formula would be one that replaced any sterling figure by an amount in Euros which is numerically double (eg a £15 prize would be replaced by 30 Euros).
- ◆ Such a formula would replace any Triennial Review due around the same time.
- ◆ The so-called "doubling" formula is the appropriate approach as long as the exchange rate remains in a band 25% above or below its current rate.
- ◆ Outside this range, negotiations would be needed about whether a different round number ratio was appropriate, but on the basis that any formula which replaced a triennial review should not reduce stakes and prizes.

These proposals were submitted to the Home Office, along with the 2001 Triennial Review recommendations, in June 2001 for its consideration.

Gaming machines and children

5.10 In previous reports the Board has drawn attention to its continuing concerns over children having access to “all cash” gaming machines intended for adult use only. The subject of gaming machines and children is one of the issues being addressed by the Gambling Review Body (see paragraphs 1.9 to 1.13). The Board supported and welcomed the publication in September 2000 of BACTA’s Unified Code of Practice, which seeks to encourage BACTA members and other various related trade organisations to adopt measures to ensure that children do not gain access to “all cash” machines and do not gain access to any AWP machines during school hours. The Board looks forward to BACTA introducing its own monitoring procedures and gathering data on the effectiveness of the code.

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

5.11 The number of new applications received during 2000/01, and their outcome, are shown in the following table:

Table 26: New Applications for Section 27 Certificates: 2000/01

	England and Wales	Scotland	Total
New applications outstanding on 31 March 2001	11	0	11
New applications received in 2000/01	24	2	26
TOTAL	35	2	37
Certificates issued	18	1	19
Applications refused	0	0	0
Applications withdrawn	3	1	4
To be determined, or awaiting payment of fee on 31 March 2001	14	0	14
TOTAL	35	2	37

Renewal of certificates

(i) Renewal of certificates from the original certification programme

5.12 The current system of certification began in 1970. 115 certificates from that original programme reached the end of their latest five-year life on 30 September 2000. At the beginning of 2000/01, 43 of these certificate holders were still undecided about whether or not to renew their certificates. Of these, 15 subsequently submitted applications and the remaining 28 decided not to seek renewal. The outcome of these applications, together with those carried over from the previous year, is shown in the following table:

Table 27: Applications for Section 27 Certificates – Bulk Renewals

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2000	42	5	47
Applications received in 2000/01	13	2	15
TOTAL	55	7	62
Certificates issued	55	7	62
Applications refused	0	0	0
Applications withdrawn	0	0	0
To be determined, or awaiting payment of fee, on 31 March 2001	0	0	0
TOTAL	55	7	62

(ii) Renewal of other certificates

5.13 During the year another 163 certificates reached the end of their five year life. The Board was notified that renewal was not being sought for 63 of these. 100 renewals were therefore left to be considered. The outcome of applications made, together with applications carried over from 1999/2000, is shown in the following table:

Table 28: Applications for the Renewal of Section 27 Certificates: 2000/01

	England and Wales	Scotland	Total
Renewal applications outstanding on 31 March 2000	20	3	23
Applications received in respect of certificates expiring during 2000/01	94	6	100
TOTAL	114	9	123
New certificates required	0	0	0
Certificates issued	99	6	105
Applications withdrawn	1	0	1
Applications refused	0	0	0
To be determined, or awaiting payment of fee, on 31 March 2001	14	3	17
TOTAL	114	9	123

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

Revocations and refusals

5.15 During the year one section 27 certificate was revoked following the company going into receivership.

Certificates in force

5.16 On 31 March 2001 there were 679 certificates in force, 94 fewer than 12 months previously.

Permits

5.17 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. 34 such permits were issued during the course of the year.

6: Lotteries

Introduction

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

- ◆ Size of lotteries sector (paragraphs 6.2. to 6.5)
- ◆ External lottery managers (6.6 and 6.7)
- ◆ Action by the Board (6.8 to 6.10)
- ◆ Lotteries Council (6.11)
- ◆ Proposals for increases in ticket price, proceeds and prize limits (6.12)
- ◆ Internet lotteries (6.13)
- ◆ Illegal lotteries, prize competitions and product promotions (6.14)
- ◆ Lottery statistics (6.15 to 6.17)

Size of lotteries sector

6.2 Societies which wish to run larger lotteries (with proceeds in a single lottery of over £20,000 or cumulative annual proceeds of more than £250,000) and all local authority lottery schemes must first be registered with the Board. At 31 March 2001 there were 657 registrations with the Board, comprising 2 local authority schemes and 655 societies. This compares with 2 local authority schemes and 646 societies at the end of March 2000. During the year one registration was revoked and no new applications were refused.

6.3 The number of individual lottery returns received by the Board increased in 2000/01. Returns were received for 5,049 lotteries promoted by societies and 4 lotteries promoted by local authorities registered with the Board, compared with 4,321 and 4 returns respectively for the preceding 12 month period.

6.4 Proceeds raised by societies' lotteries rose from £103.5m in 1999/2000 to £107.1m in 2000/01, an increase of around 3.5%. This compares with the peak sales of £161m in 1998/99 and £125m in 1997/98, with proceeds having grown substantially from £38m in 1994/95. Of the society ticket sales in 2000/01, around £29m (27%) went on prizes, around £27m (26%) on expenses and the remaining £51m (47%) to the good causes. Proceeds from lotteries promoted by local authorities registered with the Board continue to decline and are now at very low levels. Only £72,069 worth of tickets were sold in 2000/01, as compared to £82,500 in 1999/2000, £108,000 in 1998/99 and £730,000 in 1994/95.

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

External lottery managers

- 6.6 At 31 March 2001 there were seven companies and one individual registered with the Board as external lottery managers. One new company was registered during the year and two other applications remain under consideration. Such registration is necessary before any external person may manage lotteries on behalf of registered societies.
- 6.7 The booklet "Lotteries and the Law", which is available on the Board's website (www.gbgb.org.uk), sets out some criteria for determining whether an organisation is acting as an external lottery manager or as a "service provider". Societies are advised that if they are considering employing someone to manage their lottery or part of their lottery and they have doubts about the status of that person they should approach the Board's Lotteries Section for advice, as their registration may be at risk if they use a "service provider" which the Board believes should more properly be registered as an external lottery manager.

Action by the Board

- 6.8 In addition to dealing with applications for registration, the Board's Lotteries Section deals with the examination of financial returns for each lottery held and the examination of accounts and reports on those returns, prepared by an auditor, from societies or local authorities which have sold more than £100,000 worth of tickets in one year.
- 6.9 At the time of registration, societies and local authorities must provide the Board with details of the schemes (i.e. details of the lotteries) which they intend to run. Any modifications to schemes or new schemes proposed after registration must be notified to the Board at least four weeks before any tickets are put on sale. As noted in last year's Report, many schemes submitted to the Board are innovative and, in some cases, involve the use of new technology. Work involved in considering the legality of such schemes can be complex and societies are encouraged to give the Board as much notice as possible of these schemes in order to avoid difficulties later if it transpires that the Board has reservations about their legality.
- 6.10 In addition both the Lotteries Section and the Board's Inspectorate continue to receive a large number of telephone and written enquiries relating to free draws, prize competitions and lotteries which do not require registration with the Board. Approximately 40% of telephone enquiries relate to schemes proposed to be organised over the Internet. All such enquiries fall outside the Board's statutory responsibilities. Although staff do all they can to assist enquirers, since in most cases there is no other body or organisation to whom callers can turn, it is the Board's practice to recommend that independent legal advice is sought before proceeding with proposals. In particular, the Board cannot offer a definitive interpretation of the law; that is a matter for the courts. Both the Board's website and the Home Office website at www.homeoffice.gov.uk contain general information and advice on these issues.

Lotteries Council

6.11 The Chairman of the Board addressed the annual conference of the Lotteries Council in February 2001. The theme of the conference was "Looking to the future" and the Chairman spoke on the regulator's perspective. Members of the Lotteries Section also ran workshops at the conference on the subject of the paperwork of lotteries. Members of the Board's Lotteries Section also attended some of the Council's annual regional meetings, held in Autumn 2000.

Proposals for increases in ticket price, proceeds and prize limits

6.12 As reported last year, following approaches from the Lotteries Council, the Board had recommended to the Home Office that the Secretary of State consider using his powers under the 1976 Act to increase the maximum ticket price in society and local authority lotteries from £1 to £2 and the maximum proceeds limit for a single lottery to £2m, on the understanding that the maximum yearly proceeds limit for all lotteries promoted by a single society or local authority should remain at £5m. The maximum single prize would as a consequence increase to £200,000. The Home Office responded that it would not be appropriate to make any significant changes prior to publication of the Gambling Review Body's report, due in the summer of 2001 (see paragraphs 1.9 to 1.13). However, Ministers would be prepared to consider increases in the maximum price of a ticket to £1.50 and the maximum proceeds from a single lottery to £1.5 million, with a consequent increase in the maximum prize to £150,000.

Internet lotteries

6.13 The Board has previously approved two applications to run lotteries on the Internet. There were no further applications during 2000/01. In considering any further applications from societies to run Internet lotteries the Board will continue to be concerned to check the safeguards against under-age sales and sales to non-UK residents, and that the sale of tickets is effected by sales staff rather than the machine itself. (Sale by the machine itself would breach the Lotteries Regulations 1993.)

Illegal lotteries, free prize draws and competitions

6.14 For several years the Board has reported its view that many of the prize competitions on television, in newspapers and run as product promotions, particularly when conducted by means of premium rate telephone lines, are in fact illegal lotteries. The Board has drawn attention to this issue in its submission to the Gambling Review Body. In doing so, the Board acknowledged that such competitions were popular amongst participants and suggested that they might be legitimised, provided that some means could be found to ensure that they were merely incidental to some other entertainment or product promotion and that stakes and prizes were kept at a low level.

Lottery statistics

- 6.15** The first table below gives details of returns received from 1 April 2000 to 31 March 2001 for lotteries registered with the Board. It shows the proceeds for society and local authority lotteries in returns received by the Lotteries Section.
- 6.16** The second table shows comparative figures for the total ticket sales on returns received for each year from 1 April 1996 to 31 March 2001 for lotteries in Great Britain for which schemes are registered with the Board.
- 6.17** The pie chart shows the distribution of proceeds among prizes, expenses and the good causes.

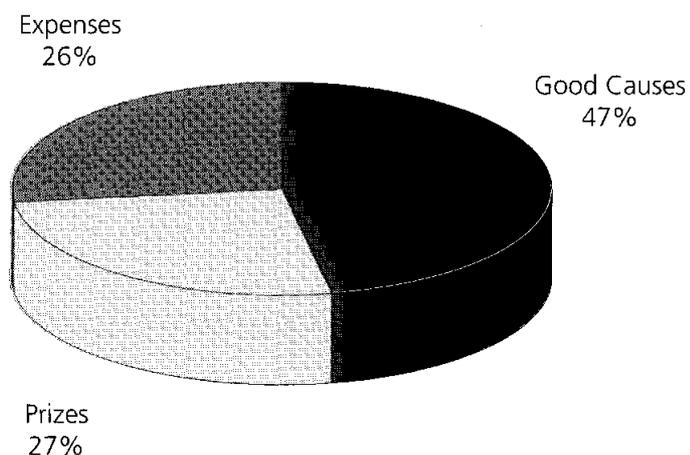
Table 29: Details of Returns Received in the Period 1 April 2000 to 31 March 2001 for Lotteries Promoted in England, Wales and Scotland Under Schemes Registered with the Board

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
Society Lotteries								
England and Wales	4,764	94,478,415	24,081,753	25.49	25,226,952	26.70	45,169,710	47.81
Scotland	285	12,622,796	3,535,718	28.01	3,797,142	30.08	5,289,936	41.91
TOTAL	5,049	107,101,211	27,617,471	25.79	29,024,094	27.10	50,459,646	47.11
Local Authority Lotteries								
England and Wales	4	72,069	21,693	30.10	20,697	28.72	29,679	41.18
Scotland	0	0	0	0	0	0	0	0
TOTAL	4	72,069	21,693	30.10	20,697	28.72	29,679	41.18
Total All Lotteries								
TOTAL	5,053	107,173,280	27,639,164	25.79	29,044,791	27.10	50,489,325	47.11

Table 30: Total Ticket Sales and Number of Lotteries Shown on Returns Received Between 1 April 1996 and 31 March 2001

	1996/97		1997/98		1998/99		1999/2000		2000/01	
	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
Society Lotteries										
England and Wales	108.78	2,221	115.73	4,870	144.61	27,154	94.20	4,203	94.48	4,764
Scotland	6.30	222	8.93	200	16.38	180	9.30	298	12.62	285
TOTAL	115.08	2,443	124.66	5,070	160.99	27,334	103.50	4,321	107.10	5,049
Local Authority Lotteries										
England and Wales	0.26	18	0.21	11	0.11	8	0.08	4	0.07	4
Scotland	0	0	0	0	0	0	0	0	0	0
TOTAL	0.26	18	0.21	11	0.11	8	0.08	4	0.07	4
Total All Lotteries										
TOTAL	115.34	2,461	124.87	5,081	161.11	27,342	103.58	4,325	107.17	5,053

Table 31: Distribution of proceeds of society and local authority lotteries 2000/01



7: The Inspectorate

Introduction

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

- ◆ Inspection visits and other regulatory activities (paragraphs 7.2 to 7.4).
- ◆ Inspectorate staffing (7.5).
- ◆ Risk based inspections (7.6 to 7.8).
- ◆ Memoranda of Understanding with ACPO(S), SDEA and HM Customs & Excise (7.9).
- ◆ Variations to casino games (7.10).
- ◆ Thematic and major review inspections (7.11).
- ◆ Head Office Inspections (7.12).
- ◆ Second table supervision trial (7.13 and 7.14).
- ◆ Compliance (7.15).
- ◆ Establishment of Operations and Intelligence Section (7.16 to 7.18).
- ◆ Exchange of investigative information (7.19).
- ◆ Gaming machines (7.20 to 7.23).
- ◆ Armed robberies (7.24).
- ◆ Complaints from the public (7.25).

Inspection visits and other regulatory activities

7.2 During the year the Board's Inspectors made 2,435 supervisory visits to casinos and 2,046 to bingo clubs. In addition they made 304 inspections of certificated machine suppliers and 15 lottery inspections were completed. The Inspectorate also carried out a large number of separate investigations, the majority of which were into certificate of consent and certificate of approval applications, complaints in respect of licensed premises or other premises, and unlawful gaming. Assistance provided to the police resulted in 11 prosecutions/cautions in respect of gaming and lottery related offences and Inspectors were named in 6 warrants issued under section 43 of the Gaming Act 1968.

- 7.3** The Board continues to provide the police, courts and other authorities with specialist assistance and advice which has proved to be of particular importance following the further relaxation of gaming legislation as a result of deregulation. During the year Inspectors gave 46 talks to police and 43 to gaming licensing and other authorities, and Inspectors assisted in the instruction of one gaming course held by the Greater Manchester Police. Representatives from the Inspectorate also attended the Financial Fraud Investigators Annual Conference organised in November 2000 by the National Criminal Intelligence Service (NCIS).
- 7.4** Members of the Inspectorate either attended conferences, undertook enquiries or assisted gaming bodies in the following countries: United States (Nevada and New Jersey), the Turks and Caicos Islands, South Africa, Italy, Poland, Channel Islands and the Isle of Man. Visitors to Gaming Board headquarters have included regulators and officials from the USA, Canada, Finland, Sweden, Norway, Slovenia, Isle of Man, South Africa, Switzerland, Denmark and the Channel Islands.

Inspectorate staffing

- 7.5** One Senior Inspector and one Inspector retired from the Inspectorate during the year and replacements were recruited and trained. In addition, the Specialist Assistant Machines Inspector resigned in the Autumn to take up a post in the aircraft industry. The appointment of an assistant to the Senior Inspector (Operations), detailed in the previous Annual Report, with a remit to collate intelligence information and to improve and add to the Inspectorate intelligence database has proved to be valuable. The post was subsequently made an Inspectorate appointment and the incumbent began her Inspectorate training at year end. Two new recruits – the Machines Inspector (Compliance), which is the new title for the Assistant Machines Inspector post, and a successor to one of the Area Inspectors who retires in June 2001 – also began their training at the same time. Reflecting the Board's efforts to recruit more widely for its Inspectorate posts (see paragraph 1.36), none of these three appointees was drawn from the police or armed forces.

Risk based inspections

- 7.6** As recorded earlier in this report, recommendations made by the Public Accounts Committee and the National Audit Office, following the latter's review of the Board, included that the Inspectorate establish a 'risk based' inspection strategy for the continued supervision of casino, bingo and machine operators and lottery promoters. This was designed to replace the long established practice of regular visits to premises and operators, which had become predictable and in some cases duplicated the function of company compliance departments. Accordingly, a working group was set up under the chairmanship of an experienced area Inspector. The task of this group was to develop a risk based inspection model for use by the Inspectorate together with a database that would assist with the collation of data required for costing each type of inspection as recommended by the NAO. In addition, the database was to be designed to provide data to measure effectiveness.

- 7.7** At the outset it was decided that the new system would be trialled by Inspectors from the South East Region at fourteen selected casinos – both London and provincial – and that trial commenced on 1 January 2001. This will be followed, on 1 July 2001, by an extension of the trial in the South East region to include bingo premises, machine suppliers and lottery promoters, while the remaining regions will adopt a risk based approach to their casinos on the same date. It is intended that risk assessment will ultimately be operated across the Inspectorate for all operators/premises/promoters with effect from 1 January 2002. Some resource difficulties have been experienced in providing the required computer hardware and software, and it is now planned that the fully computerised solution – which will include ISDN communications facilities between Inspectors and Headquarters, and the provision of a ‘file server’ at Headquarters – should be available around the end of 2001. Meanwhile the trial of risk based inspections of casinos has been initiated in the South East Region using a manual recording system in conjunction with an existing computer spreadsheet and this manual system will be extended elsewhere pending installation of the computerised system.
- 7.8** Once the trials have been successfully completed, the whole approach to frequency, coverage and style of inspections will be guided by risk assessment in the future. Casino operators have been kept informed of the new style of inspection to be adopted by the Inspectorate and it is intended similarly to brief bingo and machine suppliers in due course.

Memoranda of Understanding (MOU) with the Association of Chief Police Officers (Scotland), the Scottish Drug Enforcement Agency and HM Customs & Excise

- 7.9** During the year formal Memoranda of Understanding were agreed between the Inspectorate and respectively the Association of Chief Police Officers (ACPO) (Scotland), the Scottish Drug Enforcement Agency and HM Customs & Excise. These documents, which add to the MOUs already agreed with ACPO in England and Wales and NCIS, are intended to facilitate better understanding and co-operation between the bodies concerned. The MOU with ACPO includes the Royal Ulster Constabulary.

Variations to casino games

- 7.10** As detailed in last year’s report, two variations to existing casino games – ‘Punto Banco 2000’ and the provision for a player to play a single box at Blackjack – were introduced in 1999 and their performance has been monitored by the Inspectorate. While providing additional choice for the player, it is understood that in the small number of premises which initially introduced the new variants the effect on income has been negligible. In addition, various electronic versions of roulette (see paragraphs 2.23 and 2.24) were introduced during the year. Early indications are that these games are proving popular – especially with new players – and are generating new ‘drop’ (money wagered by players) for casinos. Their performance, from both a player’s and operator’s perspective, will be monitored by the Inspectorate during the coming year.

Thematic and major review inspections

7.11 The use of thematic inspections – where Inspectors concentrate on the inspection of a particular area of casino, bingo or machine operations during visits to a number of premises – and major review inspections – where a small team of Inspectors undertake an in-depth inspection of a particular casino – has been significantly expanded during the year. In addition, thematic inspections of two major gaming machine suppliers, which included visits to respective head offices, maintenance depots and machine sites, were undertaken. These types of inspection have proved to be highly effective and generally welcomed by the industry. They have given the Inspectorate a better insight into how operators manage their business interests and have identified areas of risk at an early stage. Further thematic inspections on a range of topics and involving casino, bingo and machine operators are planned for the coming year.

Head office inspections

7.12 The outcome of the two head office inspections of casino operators undertaken to date was detailed in the Annual Report for 1999-2000. Because of other priorities, and in particular a short-term shift in emphasis to the greater use of thematic inspections based on perceived risk, no head office inspections were conducted during the reporting year. However, the value of such inspections to both the Inspectorate and industry has been demonstrated and further such inspections will take place in the coming year.

Second table supervision trial

7.13 As previously reported, in the spring of 1999, the Board agreed a 12-month trial which involved reducing the level of table supervision for casino games. In short, the trial enabled operators to reduce the then generally accepted table inspection criteria of a minimum of one inspector per two gaming tables, to one inspector per four gaming tables. Participation in the trial was conditional upon the operator providing video recording facilities of the gaming tables involved, the refusal of 'announced' bets, and the requirement that only games of the same type could be supervised in this way. Following this trial, which did not attract any adverse comment from the Inspectorate, the British Casino Association requested approval to conduct a second trial whereby 'announced' bets and a mix of table games would be permitted. The Board and operators agreed terms of reference for this further trial, which commenced on 1 January 2001. These terms of reference included requirements for operators to maintain an incident log of disputes – both for tables subject to conventional supervision criteria and for those tables being used for the trial – and CCTV coverage of the tables being trialled.

7.14 The trial will end on 31 August 2001 and prior to this participating operators will provide to the Board incident log data and data on table win percentages for analysis purposes. At the completion of the trial the Board will assess any matters arising and determine, in consultation with the industry, whether the revised table inspection criteria may become normal practice.

Compliance

7.15 The Board has made clear in previous Annual Reports that it expects operators to take appropriate action against staff who are shown to have acted unlawfully or in breach of agreed Guidelines. Further, it expects that such instances should always be reported to the Inspectorate without delay and, where appropriate, to police for further investigation. The number of instances where incidents are not properly dealt with or reported has diminished this year. However, operators are reminded of their responsibilities in this regard to ensure that persons who are employed in the gaming industry remain 'fit and proper' within the meaning of the Gaming Act 1968.

Establishment of Operations and Intelligence Section

7.16 To reflect its changing function, the previous Operational Support office at Board Headquarters was re-titled the Operations and Intelligence Section on 1 July 2000. The Section is now the focal point for the analysis, storage and dissemination of all information and intelligence gathered by the Inspectorate and Secretariat. It is headed by a Senior Inspector whose prime areas of responsibility include co-ordinating and directing Inspectorate operations, in consultation with the Deputy Chief Inspector. Since October 2000, the Senior Inspector has been supported by the holder of the newly created post of Headquarters Intelligence Officer. This Inspector is also responsible for the production of comprehensive profiles of individuals and companies in pursuit of the Board's role in conducting the 'fit and proper' process.

7.17 The previous Annual Report described the duties and responsibilities of the Inspector seconded to the National Criminal Intelligence Service. However, in order to take a more proactive role in ensuring compliance with the anti-Money Laundering Code by casino operators, the Inspector was returned to Headquarters to take up the appointment of Headquarters Inspector (Money Laundering) and also to act as the Board's Money Laundering Reporting Officer. The incumbent, who is also part of the Operations and Intelligence Section, is scheduled to undertake a programme of training 'roadshows' across the country in the coming months for the benefit of casino operators.

7.18 In addition to its other functions, the Operations and Intelligence Section has responsibility for the collation and assessment of data arising from the new style risk management inspection regime adopted by the Inspectorate (see paragraphs 7.6 to 7.8).

Exchange of investigative information

7.19 Continuing problems have been experienced by the Inspectorate in seeking to fulfil its statutory functions as a result of legal constraints imposed on the exchange of information with the Police, the National Criminal Intelligence Service and other regulators. These difficulties include the impact of measures in the Financial Services Act 1986, The Police Act 1997, the Data

Protection Act 1998 and the Regulation of Investigatory Powers Act 2000. A paper was submitted by the Inspectorate to the Home Office in April 2001 setting out the nature and extent of the problems. As a consequence a working group was established consisting of representatives of the Home Office, the Board and other involved parties, with a view to solving the problems. Responsibility for this will now transfer to the Department for Culture, Media and Sport (see paragraph 1.3).

Gaming machines

- 7.20** Responsibility for liaison with gaming machine manufacturers lies with the Board's Specialist Machines Inspector who carries out visits on a regular basis to give advice on the acceptability of new design concepts for Jackpot, Amusement With Prizes (AWP) and Skill With Prizes (SWP) machines. Over the last year, advice has been given on variants of electronic roulette designed for use in casinos, multi-choice video AWP machines and networked SWP terminals. Development of this last concept, known as a 'soft terminal' and to which reference was also made in the Board's last report, has continued and a number of such machines are on site test. The development has not yet been extended to AWP machines, but in the event this is proposed the Board will need to consider any necessary safeguards required, particularly with regard to access to the software controlling the system.
- 7.21** Specialist assistance and advice was also given by the Machines Inspector to police, HM Customs and Excise and licensing authorities. Visits were made to UK trade shows and to manufacturers of ancillary equipment used in gaming machines. Additionally, the training of new Inspectors in the technical and legal aspects of gaming machines was also undertaken. In total, the Specialist Machines Inspector and his Assistant carried out over 80 site visits during the course of the year.
- 7.22** The Assistant Machines Inspector, who has particular responsibility for gaming machine compliance testing, continued his evaluation of the system during the year and it was encouraging to note that improvements had been made to previously identified shortcomings in the delivery of test data from manufacturers. Prior to his departure from the Board in December 2000, he refined and updated the Board's web-site and designed a database for use in the Inspectorate risk management model. He also continued to monitor and give advice from a technical perspective to the operators of multiple bingo games.
- 7.23** Several operations by police, supported by the Inspectorate, against both certificated and uncertificated machine operators acting unlawfully have been undertaken in pockets of the country and resulted in successful prosecution of the individuals concerned. Unfortunately, and largely due to other, more pressing, priorities, the response by police to reports of unlawful machine supply is patchy with the result that certificated operators acting within the law feel aggrieved that no action is being taken against those acting unlawfully. Several operations involving the Inspectorate and representatives from HM Customs & Excise have also been undertaken.

Armed robberies

- 7.24** The Board has noted with concern the increased incidence of robberies involving casino and bingo club premises where staff have been threatened, and in several instances assaulted, by armed assailants. Clearly this is a worrying trend for the industry in general and further safeguards will need to be developed to protect both staff and property. The move by certain casino operators towards an afternoon 'count' of the proceeds of the previous night's gaming is a step in the right direction as is the provision of improved CCTV coverage both within and outside the premises.

Complaints from the public

- 7.25** The prime responsibility for dealing with complaints from customers rests with the operator concerned. Nevertheless any complaints received by the Board from members of the public and players in respect of gaming licensed premises and other gaming activities, both lawful and unlawful, receive full enquiry by the Inspectorate. Where possible, all complaints are acknowledged in writing and a member of the Inspectorate will generally make a personal visit to the complainant to discuss the findings. During the year investigations into 186 complaints (38 casino, 111 bingo and 37 'other') were completed. Of these 49 were found to be justified.

Appendix I

The work of the Board, its organisation and procedures

Introduction

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

- ◆ Why gaming is regulated and the objectives of regulation (paragraphs A2 to A4).
- ◆ The legislative framework in Great Britain (A5 to A9).
- ◆ The Board's purposes and functions (A10 to A12).
- ◆ The Board's composition and staffing (A13 to A15).
- ◆ The Board's procedures (A16 to A21).
- ◆ Recovery of expenditure through fees (A22).
- ◆ Audits and inspections and other links with the Government (A23 and A24).
- ◆ Consultation, communication with the industry and confidentiality (A25 and A26).
- ◆ Guidance to operators and others (A27 to A32).
- ◆ Conduct of Board's staff and the Inspectorate, including the handling of complaints (A33 to A35).

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

Why gaming is regulated and the objectives of regulation

A2 Gambling is an activity which involves the circulation of large sums of money. In any type of play, for instance in a casino or on a gaming machine, the amount of money which passes backwards and forwards between the player and operator can be many times the initial stake which is gambled. With so much movement of money, gambling, if not properly controlled, is susceptible to fraud, money-laundering, other criminal activity and malpractice. The events of the 1960s in this country, when a measure intended to provide a relatively small relaxation in the controls surrounding gaming resulted in an uncontrolled proliferation of casinos and other gaming with attendant malpractices and criminal involvement, illustrate the problems which can occur.

A3 Gambling can also be addictive for some individuals, with adverse effects for themselves, their families and society in general. The small minority of gamblers who have problems in controlling their gambling can cause damage to themselves and those near them. A significant proportion of problem gamblers also commit illegal acts to enable them to pursue their gambling.

A4 As a consequence, gambling is regulated in all developed countries and, whilst the nature of the regulatory system varies from one country to another, the Board believes that the following objectives are common to them all:

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

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

The legislative framework in Great Britain

A5 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.

A6 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 – were: the certification and licensing procedures; the requirements that casinos and commercial bingo operations should be genuine members’ clubs and should not allow gaming on credit; that casinos and gaming machine operators should not be able extensively to promote or advertise the gaming they provide; and the creation of the Gaming Board as a dedicated regulatory body to control and monitor the industry.

A7 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.

- A8** 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 Gaming Act does not require the Board to reveal sources of confidential information and it does not provide an appeal mechanism against Board decisions. However, the Act prescribes in detail the criteria to which the Board should have regard in reaching decisions. Moreover, the Act lays on licensing justices the power of granting and taking away licences and on the police the responsibility for enforcement in respect of criminal offences. The Board is not a prosecuting authority. The Board's decisions are subject to judicial review.
- A9** The Lotteries and Amusements Act 1976 established the regulatory and control systems which apply to lotteries. It enables lotteries to be carried on by societies to assist good causes and by local authorities provided that statutory limits on sales, prizes and expenses are not exceeded. The Board itself is only concerned with the regulation of the larger society lotteries and those lotteries promoted by local authorities: local authorities themselves in turn regulate the smaller society lotteries. Hence, societies (for example charities or football clubs) which wish to promote individual lotteries with proceeds in excess of £20,000 or a number of lotteries with cumulative proceeds in a calendar year of more than £250,000 need to register with the Board, as do all local authorities which wish to promote public lotteries. Organisations or companies which manage lotteries on behalf of societies or local authorities also need to be registered. The Board is not responsible for regulating the National Lottery: this is done by the National Lottery Commission.

The Board's purposes and functions

- A10** The Board's purposes and functions under the 1968 and 1976 Acts can be broadly summarised as follows:
- ◆ to ensure that those involved in organising gaming and lotteries are fit and proper to do so and to keep gaming free from criminal infiltration;
 - ◆ to ensure that gaming and lotteries are run fairly and in accordance with the law;
 - ◆ to advise the Secretary of State on developments in gaming and lotteries so that the law can respond to change.

A11 In pursuit of these purposes the Board:

(i) in respect of gaming,

- ◆ determines applications for certificates of consent without which an application cannot be made for the grant or transfer of a casino or commercial bingo licence;
- ◆ determines applications for continuance of certificates of consent held by casino operating companies where there has been a change in the control of the licence-holding company to the extent of 15 per cent or more of the voting power;
- ◆ determines applications for certificates of approval required by those who wish to be employed to operate, supervise or manage the gaming;
- ◆ determines applications for the grant of certificates to sell, supply and/or maintain gaming machines;
- ◆ supervises the conduct of holders of certificates and licences and takes action against those no longer considered fit and proper;
- ◆ makes representations to licensing authorities concerning the grant, revocation or renewal of gaming licences.

(ii) in respect of lotteries,

- ◆ determines applications to the Board for the registration of societies and local authority lottery schemes ;
- ◆ determines applications for certificates from lottery managers;
- ◆ supervises the conduct of registered lottery schemes and takes action against those which have not conducted lotteries properly;
- ◆ supervises the conduct of lottery managers and takes action against those no longer considered fit and proper.

(iii) and in general,

- ◆ keeps under review the extent, character and location of gaming and lotteries in general and in licensed premises in particular, including public attitudes;
- ◆ makes recommendations to the Secretary of State regarding hours, charges and prizes in respect of gaming and monetary limits in respect of lotteries;
- ◆ initiates proposals for changes in the law and regulations on gaming and lotteries and advises Ministers on proposals from interest groups;
- ◆ maintains close contact with the gaming industry's trade associations with a view to informing itself about developments in the industry and encouraging the issue of appropriate codes of conduct and other co-operation in pursuit of the Board's aims;
- ◆ maintains contact with gambling regulatory authorities abroad to inform itself of relevant developments.

A12 In carrying out its statutory duties, the Board seeks to ensure, so far as possible, that:

- ◆ licence and certificate holders know what is required of them;
- ◆ applicants, licence and certificate holders are treated impartially and with equal fairness;
- ◆ the Board's requirements and guidance do not impose unnecessary work or costs on the industry;
- ◆ the interests of the public are protected and through the Board's work and contacts with the industry players understand what they are being offered when they game;
- ◆ the work of the Board is carried out professionally, promptly, fairly and courteously.

The Board's composition and staffing

- A13** The Board consists of a part-time Chairman and four other part-time members. It is served by secretariat staff and its Inspectorate. Secretariat staff are civil servants seconded from the Home Office. Inspectorate staff are directly recruited and employed by the Board. Specialist legal and accountancy advice is sought from outside consultants as and when required through three year contracts agreed in 2000.
- A14** 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 and is supported by a four person operational support and intelligence section. The Board also employs two Specialist Machines Inspectors to supervise and monitor the gaming machines industry. Secretariat staff are all located at the Board headquarters and are organised into separate sections covering casino gaming, bingo, certification of gaming employees, gaming machines, lotteries, management services and finance. Address and contact numbers of the Board's headquarters and regional offices, together with the names of senior staff, are given in Appendix III.
- A15** All executive Non-Departmental Public Bodies such as the Board are required by the Government to draw up and agree with their sponsoring Departments a code of practice for their Board members and a code of conduct for their staff, both based on model codes of best practice produced by the Treasury. The Board has adopted codes to reflect its own characteristics and circumstances, which were agreed with the Home Office.

The Board's procedures

- A16** As described in paragraph A11, 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 generally involve examining 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 authorities in respect of casinos and bingo clubs and it advises the authorities on the demand for new facilities.
- A17** 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.
- A18** 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, although in certain exceptional circumstances the Chairman acting alone can agree to the lodging of an objection to a licence. Such decisions are always accompanied by a statement of reasons. 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 a senior member of the Inspectorate 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 believe refusal is appropriate, the case is referred to a panel of Board members. The Board carries out checks of criminal records with the police for applicants where appropriate.
- A19** 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 authorities, officials write to the applicants or certificate or registration holders stating the matter to be decided and the issues which the Board wishes to

address and giving them the opportunity of making written representations or appearing personally before the panel to respond to those issues. It is made clear that the Board will not wish to reach a decision on applications for certificates of consent from those new to the industry or those undertaking a substantial expansion of activities without the opportunity of hearing the applicants. In other cases, for example those involving potential revocation of Board certificates or registrations, if written representations are made but no hearing 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 a Board members' panel for decision.

- A20** Board panels at hearings 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 hearing 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 hearing. Although the hearing 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 panel may be given at the end of the hearing 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.
- A21** 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 promulgates its views and advice and the reasons for them as appropriate, and summarises them in the Annual Report. To the extent that the Board gives confidential advice to the Home Office in connection with Government policy decisions, it is for the Home Office to promulgate this if it considers it appropriate.

Recovery of expenditure through fees

- A22** The Board is financed by grant-in-aid from the Government. It is required to seek 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 Government and police and of supporting licensing authorities in relation to their involvement in the control of gaming.

Audits and inspections and other links with the Government

- A23** The Home Office was the Board's sponsoring Government Department until June 2001. In that role it 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 meetings have been 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 produced, and provided to the Home Office for comment, its corporate and business plans in February 2001. The Department for Culture, Media and Sport became the sponsoring Department from June 2001 (see paragraph 1.3).
- A24** The National Audit Office is responsible for auditing the Board's accounts, although it may subcontract the detailed work of examination. Internal audit of the Board's operations is conducted on its behalf by the Home Office Audit and Assurance Unit. The Board has an audit committee consisting of the five Board members, under the chairmanship of one of their number (Mr Steen), which amongst other things reviews the reports produced by the National Audit Office and the Home Office Audit and Assurance Unit to ensure that appropriate action is taken to respond to any recommendations or other comments.

Consultation, communication with the industry and confidentiality

- A25** 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 Board's Chairman regularly speaks at annual meetings of these associations. Working groups consisting of Board officials and representatives of the British Casino Association, of the Bingo Association and of BACTA (the trade association for the coin-operated amusement machine industry) respectively continue to meet at intervals and have proved valuable vehicles through which to address and make progress on specific issues of importance and current concern to the respective sides. The Board itself holds informal meetings at intervals with casino and bingo operators.
- A26** Whilst the Board promulgates its views and advice on policy matters and the reasons for them, it regards its dealings and interviews with individual operators, companies and individuals, including compliance failures, as confidential except to the extent that particular action is required, e.g. with the licensing justices or the police and prosecuting authorities. Points of general concern may be raised subsequently with trade associations.

Guidance to operators and others

- A27** The Board has produced a leaflet on its work which briefly describes such matters as the Board's role and aims, the certificates, registrations, etc, needed by those who wish to organise gaming or run lotteries and the guidance and help available from the Board. Copies can be obtained free of charge from the Board's headquarters at the address in Appendix III. The information is also available in the "Introduction" section of the Board's website (www.gbgb.org.uk).
- A28** The Board provides all applicants for its certificates or registrations with forms and accompanying notes of guidance detailing the information which it requires to determine those applications. These application forms are designed to be as clear and comprehensive as possible and are intended to provide the Board at an early stage of the application with as much as possible of the information it needs to carry out its statutory duties and so reduce the need for follow-up enquiries. The Board emphasises that gaming and lotteries are activities in which the scope for fraud and other dishonesty is high. Those seeking to operate or benefit from such activities must therefore expect to be thoroughly investigated.
- A29** The Board provides an annual memorandum of advice to justices responsible for licensing casinos and bingo clubs, so that both justices and the industry are aware of the Board's views on issues relevant to those licences. This memorandum relates in particular to the matters on which Schedule 2 to the 1968 Act provides for the Board to give such advice, that is the demand for gaming facilities, the places in which gaming facilities are provided, the suitability of premises and restrictions to be attached to licences. The Board publishes as an Annex to that advice the policy to which it works when considering whether to object to a casino licence on demand grounds. Copies of the memorandum can be obtained from the Board's headquarters at the address in Appendix III or on the Board's website.
- A30** 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 set out principles to which the Board expects the industry to adhere. Hence, while failures to follow the provisions of the guidelines may not of themselves be offences in law, the Board believes that such failures can legitimately be taken into account in assessing whether certificate and licence holders have acted in a fit and proper manner. This view was endorsed by the judge in a judicial review case involving the Board in 1995.

A31 The main guidelines currently in operation are:

Casino gaming	<p>The Board's Accounting and Control Guide and Notes for Guidance of new operators regarding the form of submission for operational procedures.</p> <p>BCA and Board agreed Guidelines No.1 – Acceptance of Cheques and Debit Cards. *</p> <p>BCA and Board agreed Guidelines No.2 – Club Activities. *</p> <p>BCA and Board agreed Guidelines No.3 – Competitions in Card Rooms. *</p> <p>BCA and Board agreed Guidelines No 4 – Socialising with Members and Gaming in Other Casinos. *</p> <p>The Board's Code of Practice Relating to the Prevention and Detection of Money Laundering in Casinos.</p>
Bingo	<p>Board/Bingo Association Mechanised Cash Bingo Code of Conduct.</p> <p>Board/BACTA Code of Practice relating to prize bingo played in amusement arcades.</p>
Gaming Machines	<p>Board/BACTA Guidelines for features on Gaming and Amusement-with-Prizes machines. *</p>

* available on Board's website.

A32 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 or on the Board's website. The website also contains an outline of the legislation relating to the circumstances in which bingo, both licensed and unlicensed, may be played.

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

A33 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.

- A34** The Board's staff will provide on request any advice needed by existing or potential certificate, registration and licence holders. The Board's Inspectorate discuss problems and other relevant issues with licence and certificate holders during their regular monitoring and inspection visits. Minor, isolated and/or inadvertent contraventions of gaming legislation, regulations, approved guidelines or conditions attached to licences/registrations are normally dealt with by verbal or written warnings. All staff will answer telephone enquiries as far as they are able at the time they are received: if they need to obtain further advice first, they will undertake to call back. Replies to written enquiries, other than those relating to particular applications which are handled within the arrangements for such casework, are normally sent within 20 working days. No charge is made for the provision of advice. The Board has however noted a tendency for responses to be sought at very short notice. Whilst officials will always deal as quickly and as helpfully as possible with issues relating to the work of the Board, it is often the case that an apparently straightforward request will involve research or the investigation of the legal position. It is therefore important that those requesting information recognise that an immediate answer may not always be possible; and make their enquiries in good time to meet their needs.
- A35** 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.

Appendix II

Table 32: Selection of Key Gaming Industry and Board Statistics: 1996/97 – 2000/2001

	1996/97	1997/98	1998/99	1999/00	2000/01
Casinos					
Operating at year end	116	115	116	118	118
Drop (£million)	2,599	2,720	2,669	3,100	3,316
House win as % of drop	18	18	17	18	16
American roulette as % of total drop	59.8	61.4	62.7	63.8	66.3
Applications for certificates of consent or their continuance					
(a) made	20	19	15	44	49
(b) Determined (including withdrawn and fallen applications)	18	22	16	44	20
– of which refused	–	1	–	0	0
Bingo					
Clubs holding gaming licences at end of year	908	818	772	743	717
Amount staked on bingo: million	967	1,019	1,041	1,076	1,118
Application for certificates of consent					
(a) made	86	83	43	56	41
(b) determined (including withdrawn)	96	54	72	50	30
– of which refused	0	0	–	0	0
Certification of Casino and Bingo Employees					
Certificate issued or re-issued	5,051	3,574	5,056	4,106	4,906
Applications refused	0	3	2	0	1
Certificate holders revoked	87	73	81	58	72
Gaming Machines					
Jackpot (or club machines) Licensed					31,000
Amusement with prizes (AWP) Machines licensed	260,000*	250,000*	250,000	250,000*	215,000
Certificates to sell, supply and Maintain in force at year end	817	800	781	773	679
Certificates refused or revoked	2	5	5	2	1
Lotteries					
Society scheme registrations at year end	614	614	628	644	655
Local authority scheme Registrations at year end	11	9	6	2	2
Schemes revoked	1	0	0	0	1
Number of lotteries held under Board registered schemes	2,461	5,081	27,342	4,325	5,053
Total ticket sales (£million)	115.34	124.87	161.11	103.59	107.17
Gaming Board					
Grant-in-aid (£million)	3.36	3.32	3.31	3.45	3.54
Staff	75	69	73	69	75
– of which Inspectorate	34	35	35	34	37

*Based on industry estimates.

Appendix III

The Board Members, Staff and Offices

Board Members

Peter Henry DEAN (Chairman)

Mr Dean joined the Board in 1998. From 1996 to early this year he was the Investment Ombudsman appointed by the Investment Management Regulatory Organisation (IMRO) to handle complaints against IMRO regulated companies. He was Deputy Chairman of the Monopolies and Mergers Commission from 1990 to 1997, and an Executive Director of Rio Tinto Plc for over 10 years. He has a legal background.

Donald ELLIOTT

Mr Elliott joined the Police Service in Liverpool, eventually becoming the Chief Constable of Devon and Cornwall. He was appointed as one of Her Majesty's Inspectors of Constabulary from 1988 to 1994. He subsequently served for a short period as Chief Constable of the South Wales Police. He joined the Board in 1995 and holds a special responsibility for the Inspectorate.

Robert Charles LOCKWOOD

Mr Lockwood is a former local authority Director and Chief Executive. His extensive local government career was followed by a senior appointment in the charity sector as Chief Executive of the London Red Cross. Appointed as a Magistrate in 1983, he is currently a Deputy Chairman of the Enfield Petty Sessions Area. For five years prior to his appointment to the Board in 1998, he was the Chairman of the Betting, Gaming and Licensing Committees. In 1999 he was appointed as a Deputy Traffic Commissioner for the Eastern Traffic Area.

Michael STEEN

Mr Steen is a Chartered Accountant. He retired in 1998 as a partner with KPMG. He is a non-executive director of Old Mutual South Africa Trust Plc and Molins Plc. He was appointed in 1999 and holds a special responsibility for the Board's Scottish affairs.

Marie STEVENS

Mrs Stevens is a solicitor and was formerly head of Legal Services at Hilton Group Plc. She has world-wide experience of gambling regulation. She is currently a director of the Bournemouth Symphony Orchestra. Mrs Stevens joined the Board in 1999.

Senior Staff of the Gaming Board at 31 March 2001

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 C Young
Finance and Management Services	Ms A C Wilson

Table 33: The Board's Staff as at 31 March 2001

	Grade	Staff in Post
Administrative Staff	5	1
	7	1
	SEO	2
	HEO*	5
	EO	8
	PS	1.5
	AO**	16
	AA	2
	Typist	0.5
	Messenger/Paperkeeper	1
Total		37
Inspectorate	Chief Inspector	1
	Deputy Chief Inspector	1
	Senior Inspectors	6
	Inspectors	27
	Specialist Machines Inspector	1
	Assistant Specialist Machines Inspector	1
Total		37
GRAND TOTAL		75

* includes an HEO accountant grade

Offices Of The Gaming Board

Headquarters	Berkshire House, 168-173 High Holborn, London WC1V 7AA
Telephone	020 7306 6200
Fax	020 7306 6266
E-Mail Address	enqs@gbgb.org.uk
Web Address	www.gbgb.org.uk

Telephone enquiry numbers:

Bingo Sections	020 7306 6238
Casino Section	020 7306 6224
Certification Section	020 7306 6240
Lotteries Section	020 7306 6269
Machines Section	020 7306 6213

Regional Offices Of The Board

Headquarters Operations & Intelligence

Senior Inspector J. A. Hyde

Berkshire House, 168-173 High Holborn, London EC1V 7AA

Tel 020 7306 6250

Fax 020 7306 6268

South East Region

Senior Inspector T Adams

Berkshire House, 168-173 High Holborn, London EC1V 7AA

Tel 020 7306 6218

Fax 020 7306 6268

South West Region

Senior Inspector A Carpenter

Unit 16, Apex Court, Woodlands, Almondsbury, Bristol BS12 4XA

Tel 01454 616687

Fax 01454 613090

Midland Region

Senior Inspector R G Nicholson, MBE

Minerva House, Spaniel Row, Nottingham NG1 6EP

Tel 0115 941 9991

Fax 0115 948 4587

Northern Region

Senior Inspector P Denny

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

Tel 0161 872 6016

Fax 0161 873 8248

Scottish Region

Senior Inspector I Maxwell

Portcullis House, 21 India Street, Glasgow G2 4PZ

Tel 0141 221 5537

Fax 0141 221 5494

APPENDIX IV

THE GAMING BOARD FOR GREAT BRITAIN ACCOUNT 2000/2001

FOREWORD

Introduction

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

History

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

Principal Activities

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

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

Results for the Period

5. Since 1 April 1987, the Board has been financed by a grant in aid from the Home Office administration, Police, Probation, Immigration and other services, England and Wales vote [Class IV Vote 1].
6. Remuneration, pensions and other expenses of Board Members are charged in this account. Expenditure on staff (including inspectors') remuneration and other expenses incurred by the Board under section 48(1) of the Act and paid out of the grant in aid are charged in this account.

Board Members

7. The members of the Gaming Board for Great Britain during 2000/2001 were as follows:

Mr P H Dean CBE (Chairman)
 Mr D Elliott CBE, QPM
 Mr R C Lockwood JP
 Mr D M C E Steen FCA
 Mrs M A G Stevens

Fees and Charges

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

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

Set out below is an estimate of the extent to which this objective has been achieved in the year to 31 March 2001.

	<u>Gaming</u>		<u>Lotteries</u>		<u>Total</u>	
	2000/2001 £	1999/2000 £	2000/2001 £	1999/2000 £	2000/2001 £	1999/2000 £
<u>FEE INCOME</u>						
Fees collected by:						
Gaming Board	1,117,273	788,557	361,200	316,478	1,478,473	1,105,035
Courts (estimated)	<u>2,352,526</u>	<u>2,108,566</u>	-	-	<u>2,352,526</u>	<u>2,108,566</u>
Total Fee Income	<u>3,469,799</u>	<u>2,897,123</u>	<u>361,200</u>	<u>316,478</u>	<u>3,830,999</u>	<u>3,213,601</u>
<u>COSTS</u>						
Incurred by:						
Gaming Board						
Operating Expenditure	3,085,100	3,094,948	357,507	337,849	3,442,607	3,432,797
Board Members	124,461	123,388	6,850	7,720	131,311	131,108
Notional cost of capital	16,046	18,210	1,760	987	17,806	19,197
Notional insurance costs	2,322	2,391	290	176	2,612	2,567
Costs recovered	<u>(44,664)</u>	<u>(83,796)</u>	<u>(2,239)</u>	<u>(2,144)</u>	<u>(46,903)</u>	<u>(85,940)</u>
Gaming Board (net)	<u>3,183,265</u>	<u>3,155,141</u>	<u>364,168</u>	<u>344,588</u>	<u>3,547,433</u>	<u>3,499,729</u>
Estimated costs supplied by Home Office:						
Courts	186,839	177,836	-	-	186,839	177,836
Police Authorities	50,373	47,946	-	-	50,373	47,946
Home Office	<u>63,864</u>	<u>37,187</u>	<u>15,965</u>	<u>9,297</u>	<u>79,829</u>	<u>46,484</u>
Total Expenditure	<u>3,484,341</u>	<u>3,418,110</u>	<u>380,133</u>	<u>353,885</u>	<u>3,864,474</u>	<u>3,771,995</u>
(Deficit) for year	<u>(14,542)</u>	<u>(520,987)</u>	<u>(18,933)</u>	<u>(37,407)</u>	<u>(33,475)</u>	<u>(558,394)</u>

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

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

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

Certain of the above figures are based on estimates. In particular, estimated court fees have been calculated by using returns from the Courts regarding the number of licences granted, multiplied by the appropriate fees.

The under-recovery in 1999/2000 was largely attributable to lower than anticipated levels of activity in the industry. For 2000/2001, whilst activity in some areas of the industry has been lower than expected, these shortfalls have been compensated by higher than expected activity in other areas, with the result that the deficit this year has been almost entirely eliminated. These fluctuations and the individual sector variations once again highlight the difficulty of accurately predicting fee income.

The National Audit Office and the Public Accounts Committee reports ("The Gaming Board - Better Regulation") commented both on the deficits in fee income in recent years and on the subsidisation of other gaming sectors by the casino industry and recommended that both should be eliminated. Fees have been set for 2001/2002 which are designed to achieve this.

Charitable Donations

9. No charitable donations were made in the period ended 31 March 2001.

Change to Fixed Assets

10. In the period to 31 March 2001, the only significant change in fixed assets was the acquisition of new computer equipment, mainly for use by the Board's Inspectorate, at a cost of £58,980.

Post Balance Sheet Events

11. There were no significant events to report.

Compliance with Public Sector Payment Policy

12. The Gaming Board's policy, in line with Government requirements, is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the period to 31 March 2001, 95% (target 95%) of invoices, totalling £1,890,685, were paid within 30 days of receipt. This percentage shows an improvement on 1999/2000 and recognises the efforts the Board has made to increase the percentage of invoices paid within the 30 day target.

Staff Involvement and Development

13. The Gaming Board continues to place importance on ensuring priority is given to the provision of appropriate training so that staff can develop skills and understanding of their roles in line with the aims and objectives of the Gaming Board.

Disabled Employees

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

Future Developments

15. As described in the main body of the Annual Report, the Gambling Review Body (established by the Government) has been undertaking a wide ranging review of the gambling laws. It is intending to deliver its report to the Home Office at the end of June 2001. It is expected that the Body will make specific recommendations about the future structure of gaming regulation, including the role of the Board. Pending any legislative change which flows from the Review Body's work, the Board will continue in its existing role of maintaining effective regulation of the gaming industry and lotteries. In the circumstances the Board has considered it appropriate to prepare these accounts on the basis of a going concern.

At the time this account was being finalised, the Board were told that responsibilities for gambling policy, and therefore the Board, were being transferred from the Home Office where they have previously resided, to the Department for Culture, Media and Sport (DCMS).

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

21 June 2001

STATEMENT OF THE GAMING BOARD'S RESPONSIBILITIES

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

In preparing the accounts the Gaming Board is required to:

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

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

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

21 June 2001

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

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

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

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

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

During the year the National Audit Office and the Public Accounts Committee published linked reports entitled "The Gaming Board - Better Regulation". These included a wide range of recommendations designed to help the Board improve its efficiency and effectiveness in carrying out its regulatory role. The Board and the Home Office accepted the thrust of all the recommendations and the Board has been working to implement those for which it is responsible. Fuller descriptions of progress are given in the main body of the Board's Annual Report to Parliament. In particular, the Board's Inspectorate are developing a risk-based system for their work in inspecting and monitoring gaming premises.

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

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

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance issued by them.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

21 June 2001

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

I have audited the financial statements on pages 93 to 103. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 96 and 97.

Respective responsibilities of the Gaming Board for Great Britain and Auditor

As described on page 89, the Gaming Board for Great Britain is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Board is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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

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

I review whether the statement on page 90 reflects the Board's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of Opinion

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

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

Opinion

In my opinion:

- ◆ the financial statements give a true and fair view of the state of affairs of the Gaming Board for Great Britain at 31 March 2001 and of the income and expenditure, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the directions made by the Secretary of State with the approval of the Treasury; and

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

John Bourn
Comptroller and Auditor General

4 July 2001

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

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2001

	<u>Notes</u>	<u>2000/2001</u>		<u>1999/2000</u>	
		£	£	£	£
INCOME					
Grant in aid	2	3,544,613		3,454,240	
Other Income	4	<u>35,337</u>		<u>80,450</u>	
			3,579,950		3,534,690
EXPENDITURE					
Salaries and Wages	5	(2,210,520)		(2,192,912)	
Other Operating Costs	6	(1,294,621)		(1,317,127)	
Depreciation	7	<u>(68,777)</u>		<u>(53,866)</u>	
			<u>(3,573,918)</u>		<u>(3,563,905)</u>
Operating surplus/(deficit)			6,032		(29,215)
Fee Income			1,482,419		1,105,035
Interest Receivable			11,566		5,490
Notional Cost of Capital			(17,806)		(19,197)
Loss on Disposal of Fixed Assets			(6,627)		(23,058)
Release from Deferred Government Grant					
Reserve in respect of loss on disposal of Fixed Assets	10		<u>6,627</u>		<u>23,058</u>
Surplus for the year before appropriations			1,482,211		1,062,113
Notional cost of capital reversal			17,806		19,197
Appropriations due to the Home Office	3		<u>(1,482,419)</u>		<u>(1,105,035)</u>
Retained surplus/(deficit) for the year			<u>17,598</u>		<u>(23,725)</u>
Movement on Income and Expenditure Reserve					
Surplus brought forward	10		154,023		177,508
Retained surplus/(deficit) for the year			17,598		(23,725)
Transfer from Revaluation Reserve			<u>-</u>		<u>240</u>
Surplus carried forward			<u>171,621</u>		<u>154,023</u>

All operations are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2001

	<u>Notes</u>	<u>2000/2001</u>		<u>1999/2000</u>	
		£		£	
Retained surplus/(deficit) for the year			17,598		(23,725)
Unrealised surplus/(deficit) on revaluation of assets	10		<u>1,307</u>		<u>(500)</u>
Total Recognised Gains/(Losses) in the period			<u>18,905</u>		<u>(24,225)</u>

The notes on pages 96 to 103 form part of these accounts.

BALANCE SHEET
as at 31 March 2001

	<u>Notes</u>	<u>2000/2001</u>		<u>1999/2000</u>	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	7		128,991		135,816
CURRENT ASSETS					
Debtors and prepayments	8		253,506		317,315
Cash in hand and at bank	12		<u>300,322</u>		<u>236,674</u>
			553,828		553,989
CREDITORS: Amounts falling due within one year	9		<u>(381,963)</u>		<u>(397,614)</u>
NET CURRENT ASSETS			<u>171,865</u>		<u>156,375</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>300,856</u>		<u>292,191</u>
 CAPITAL AND RESERVES					
Reserves	10		129,235		138,168
Income and Expenditure Account	10		<u>171,621</u>		<u>154,023</u>
			<u>300,856</u>		<u>292,191</u>

The notes on pages 96 to 103 form part of these Accounts.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

21 June 2001

CASH FLOW STATEMENT
for the year ended 31 March 2001

	<u>Notes</u>	<u>2000/2001</u>		<u>1999/2000</u>	
		£	£	£	£
Net Cash Outflow from operating activities	11		(15,232)		(24,354)
Returns on investment and servicing of finance					
Interest received			11,615		5,483
Investing activities					
Payment to acquire tangible fixed assets			(65,164)		(45,626)
Net Cash Outflow before Financing			(68,781)		(64,497)
Financing					
Grant in aid for capital expenditure			65,164		45,626
Fee income received	3		1,434,672		1,193,107
Less: Fees appropriated to Home Office			(1,371,007)		(1,147,118)
			<u>128,829</u>		<u>91,615</u>
Decrease in net debt	12		<u>60,048</u>		<u>27,118</u>

The notes on pages 96 to 103 form part of these Accounts.

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

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

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

Fixed Assets

Tangible fixed assets are capitalised when the original purchase price, on an individual or grouped basis, is £500 or more. All furniture is treated as a group.

Depreciation

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

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

A full year's depreciation is charged in the year of acquisition, with no charge being made in the year of disposal.

Revaluation

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

Capital Grant in Aid and Deferred Government Grant Reserve

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

Deferred Income

Fee receipts are treated as deferred income where monies have been received at the end of the financial year in respect of applications for Bingo and Casino Certificates of Consent. The amount deferred is calculated by reference to the proportion of work undertaken at the end of the year relative to the target timescale for processing each type of application and is released back to the Income and Expenditure Account as the work is completed. Fee income received in respect of Section 27 certificates which are awaiting issue at 31 March is deferred and released back to the Income and Expenditure Account once the certificates have been

The Gaming Board for Great Britain**Account 2000/2001**

issued. The National Bingo fee is paid in advance for 3 years. A proportion of the income is therefore deferred and released back to the Income and Expenditure Account over this 3 year period.

Notional Charges

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

Pension Costs

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

Operating Leases

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

Value Added Tax

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

2. **GRANT IN AID**

	<u>2000/2001</u>	<u>1999/2000</u>
	£	£
Grant received from Class IV Vote 1 (Section G)	3,541,000	3,446,000
Transfer to Deferred Government Grant Reserve in respect of fixed asset acquisitions	(65,164)	(45,626)
Release of Deferred Government Grant Reserve in respect of depreciation charged	<u>68,777</u>	<u>53,866</u>
	<u>3,544,613</u>	<u>3,454,240</u>

3. **FEE INCOME**

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

	Fee Income Received £	Fee Income Deferred £	Deferred Fee Income Released £	Other Accruals Adjustments £	2000/2001 TOTAL £	1999/2000 TOTAL £
Section 19 certificates	502,495	-	-	(42,755)	459,740	316,749
Section 27 certificates	410,620	(17,370)	11,410	-	404,660	226,700
Certificates of Consent						
- Bingo	44,935	(9,441)	6,797	-	42,291	49,031
- Casino	109,920	(5,108)	6,270	-	111,082	105,022
National Bingo Game	-	-	99,500	-	99,500	91,055
Total Gaming	1,067,970	(31,919)	123,977	(42,755)	1,117,273	788,557
Lotteries and Amusements Act	362,855	-	-	(1,655)	361,200	316,478
Total Lotteries	362,855	-	-	(1,655)	361,200	316,478
TOTAL FEE INCOME	1,430,825	(31,919)	123,977	(44,410)	1,478,473	1,105,035
Interest on fee income	3,847	-	-	99	3,946	-
TOTAL	1,434,672	(31,919)	123,977	(44,311)	1,482,419	1,105,035

4. **OTHER INCOME**

	2000/2001 £	1999/2000 £
Court Costs Awarded	33,532	62,176
Miscellaneous Income	1,805	18,274
	35,337	80,450

5. **SALARIES AND WAGES**a) **Analysis of Staff Costs**

	Secretariat £	Inspectorate £	Board Members £	Total £
2000/2001				
Salaries and Wages	763,764	967,918	102,367	1,834,049
Social Security Costs	54,756	75,846	9,179	139,781
Other Pension Costs	104,443	123,588	8,659	236,690
TOTAL	922,963	1,167,352	120,205	2,210,520
1999/2000				
Salaries and Wages	754,603	963,551	102,069	1,820,223
Social Security Costs	52,140	75,591	9,766	137,497
Other Pension Costs	103,343	124,137	7,712	235,192
TOTAL	910,086	1,163,279	119,547	2,192,912

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Other pension costs include £228,031 in contributions paid to the Home Office and £8,659 paid as pensions to previous Chairmen of the Gaming Board. For 2000/2001 the rates of superannuation contributions paid are between 12% and 18.5% for permanent staff according to grade.

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

Secretariat	37	(1999/2000: 38)
Inspectorate	36	(1999/2000: 35)

c) **Salary and Pension Entitlements**

The salary and pension entitlements of the Secretary to and Chairman of the Gaming Board were in the following bands:

	<u>Age</u>	<u>Salary including performance pay at 31 March 2001</u> £k	<u>Real increase in pension at 60</u> £k	<u>Total accrued pension at 60 at 31 March 2001</u> £k
Mr T J Kavanagh <i>Secretary to the Board</i>	53	65 - 70	0 - 2.5	20 - 25
Mr P H Dean CBE <i>Chairman</i>	61	35 - 40	0 - 2.5	0 - 5

“Salary” includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

In addition to the Chairman, there are four other Board members whose salaries fall in the band £15,000 to £20,000. All Board members are part-time and only the Chairman’s post is pensionable.

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). This is a statutory scheme which provides benefits on a “final salary” basis at a normal retirement age of 60.

Benefits for this scheme accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to 3 years’ pension is payable on retirement. Members pay contributions of 1½% of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse’s pension. The enhancement for members of the PCSPS depends on length of service and cannot exceed 10 years. Early retirement is possible in the event of serious ill-health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Pension arrangements for the Chairman are broadly by analogy with the Principal Civil Service Pension Scheme. This scheme was set up specifically for the Chairman and provides benefits on a “final salary” basis. There is no minimum retirement age and there are certain minor modifications to the standard PCSPS arrangements in respect of enhancements.

6. **OTHER OPERATING COSTS**

	<u>2000/2001</u>	<u>1999/2000</u>
	£	£
Rent and Rates	479,859	487,082
Maintenance	121,157	127,939
Professional and Consultancy Fees	122,617	171,694
Travelling and Subsistence - Gaming Board staff	216,593	217,087
- Board members	11,106	11,561
Training/Recruitment and Agency Staff	143,072	105,412
Postage and Telephone	62,203	54,972
Office Supplies, Printing and Stationery, Publications	34,072	25,755
Hospitality	2,835	3,969
IT Expenditure	52,849	65,787
Home Office Service Charges	17,690	14,233
Gaming Regulators European Forum	1,653	1,819
Audit Fee	17,000	16,450
(Reversal of) diminution in value of fixed assets	(2,108)	2,108
Miscellaneous and Bank Charges	<u>14,023</u>	<u>11,259</u>
	<u>1,294,621</u>	<u>1,317,127</u>

Of the operating costs, an amount of £435,644 (£436,507 in 1999/2000) was paid under operating leases and is included in the headings for Rent and Rates, Maintenance, Postage and Telephone, and Office Supplies.

7. **TANGIBLE FIXED ASSETS**

	<u>Computers</u>	<u>Furniture</u>	<u>Office Equipment</u>	<u>Telecoms</u>	<u>Total</u>
	£	£	£	£	£
Cost					
At 31 March 2000	123,102	141,026	75,512	23,054	362,694
Revaluations	3,311	2,916	1,977	825	9,029
Additions	58,980	5,606	578	-	65,164
Disposals	<u>(13,885)</u>	<u>(3,789)</u>	<u>(9,247)</u>	-	<u>(26,921)</u>
At 31 March 2001	<u>171,508</u>	<u>145,759</u>	<u>68,820</u>	<u>23,879</u>	<u>409,966</u>
Depreciation					
At 31 March 2000	77,924	93,134	52,659	3,161	226,878
Revaluations	2,245	1,810	1,366	193	5,614
Provided in year	42,132	14,743	9,594	2,308	68,777
Disposals	<u>(10,706)</u>	<u>(2,653)</u>	<u>(6,935)</u>	-	<u>(20,294)</u>
At 31 March 2001	<u>111,595</u>	<u>107,034</u>	<u>56,684</u>	<u>5,662</u>	<u>280,975</u>
Net Book Value at 31 March 2001	<u>59,913</u>	<u>38,725</u>	<u>12,136</u>	<u>18,217</u>	<u>128,991</u>
Net Book Value at 31 March 2000	<u>45,178</u>	<u>47,892</u>	<u>22,853</u>	<u>19,893</u>	<u>135,816</u>

In accordance with the accounting policy set out on page 96, fixed assets acquired by the Gaming Board during the period were not revalued at 31 March 2001.

The Gaming Board for Great Britain**Account 2000/2001**8. **DEBTORS**

	<u>2000/2001</u>	<u>1999/2000</u>
	£	£
Staff Season Ticket Loans and Expense Imprests	50,480	38,166
Bank interest accrued	383	333
Other Debtors	60	764
Fee Income prepaid to Home Office	35,527	146,939
Other Prepayments	<u>167,056</u>	<u>131,113</u>
	<u>253,506</u>	<u>317,315</u>

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

	<u>2000/2001</u>	<u>1999/2000</u>
	£	£
Trade Creditors	4,585	10,395
Payroll	40,832	5,918
Other Creditors	88,987	45,285
Bank overdraft	112,187	108,587
Accruals	40,272	40,271
Deferred Income	<u>95,100</u>	<u>187,158</u>
	<u>381,963</u>	<u>397,614</u>

The bank overdraft represents unpresented cheques. There was no actual overdraft on the bank account at 31 March 2001.

10. **RESERVES**

	Income & Expenditure Reserve £	Deferred Government Grant Reserve £	Revaluation Reserve £	<u>TOTAL</u> £
At 31 March 2000	154,023	138,168	-	292,191
Surplus for the year	17,598	-	-	17,598
Revaluation of assets	-	-	1,307	1,307
Grant deferred for additions	-	65,164	-	65,164
Release for depreciation	-	(68,777)	-	(68,777)
Release for disposals	<u>-</u>	<u>(6,627)</u>	<u>-</u>	<u>(6,627)</u>
At 31 March 2001	<u>171,621</u>	<u>127,928</u>	<u>1,307</u>	<u>300,856</u>

11. **RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO THE NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<u>2000/2001</u>	<u>1999/2000</u>
	£	£
Operating Surplus/(Deficit)	6,032	(29,215)
Depreciation provided in year	68,777	53,866
(Reversal of) diminution in value of fixed assets	(2,108)	2,108
Release of Deferred Government Grant	(68,777)	(53,866)
(Increase) in debtors relating to operating activities	(47,943)	(9,091)
Increase in creditors relating to operating activities	<u>28,787</u>	<u>11,844</u>
Net cash outflow from operating activities	<u>(15,232)</u>	<u>(24,354)</u>

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

	<u>1999/2000</u>	<u>Cash Flow</u>	<u>2000/2001</u>
	£	£	£
Cash at bank and in hand	236,674	63,648	300,322
Bank overdraft [see note 9]	<u>(108,587)</u>	<u>(3,600)</u>	<u>(112,187)</u>
	<u>128,087</u>	<u>60,048</u>	<u>188,135</u>

13. **CAPITAL COMMITMENTS**

There were no capital commitments at 31 March 2001.

14. **COMMITMENTS UNDER OPERATING LEASES**

	2000/2001		1999/2000	
	<u>Land and Buildings</u>	<u>Other</u>	<u>Land and Buildings</u>	<u>Other</u>
	£	£	£	£
Leases expiring:				
< 1 year	-	207	2,854	1,585
2 to 5 years	388,718	821	386,985	1,224
> 5 years	<u>15,350</u>	<u>-</u>	<u>23,970</u>	<u>-</u>
Total	<u>404,068</u>	<u>1,028</u>	<u>413,809</u>	<u>2,809</u>

15. RELATED PARTY TRANSACTIONS

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

The Home Office is regarded as a related party. During the year, the Gaming Board has had various material transactions with the Home Office, comprising largely grant in aid, payment of salaries, and appropriation of fee income. These transactions are shown in the Income and Expenditure Account.

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

16. CONTINGENCIES

The Board has not recognised as debtors potential fee income in respect of monies requested for machine licences because no amounts are due unless applicants wish to finalise their requests for new or renewal licences. At 31 March 2001, the estimated amount of income requested is £38,790 (£58,550 in 1999/2000).

At 31 March 2001, the Gaming Board anticipates a requirement for legal representation at licence hearings resulting from Casino applications for Certificates of Consent granted during 2000/2001. It is estimated that the costs in relation to these hearings will be in the region of £20,000. The Board seeks to recover these costs from the applicants wherever possible.

17. FINANCIAL TARGETS

No financial targets were set for the Gaming Board for the year ended 31 March 2001.

APPENDIX A

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

1. The Gaming Board for Great Britain shall prepare accounts for the financial year ended 31 March 1999 and subsequent financial years comprising:
 - a) a foreword;
 - b) a statement of Accounting Officer responsibilities;
 - c) a statement of internal financial control;
 - d) an income and expenditure account;
 - e) a balance sheet;
 - f) a cash flow statement; and
 - g) a statement of total recognised gains and losses,including such notes as may be necessary for the purposes referred to in the following paragraphs.
2. The accounts shall give a true and fair view of the income and expenditure, total recognised gains and losses, and cash flows for the financial year, and the state of affairs as at the end of the financial year.
3. For 1998/99 prior year comparatives need only be provided for the balance sheet and relevant notes.
4. Subject to this requirement, the accounts shall be prepared in accordance with:
 - a) generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b) the accounting and disclosure requirements given in "Government Accounting" and in "Executive NDPBs: Annual Reports and Accounts Guidance", as amended or augmented from time to time;
 - c) the disclosure and accounting requirements contained in the "Fees and Charges Guide", subject to segmental information on services provided being disclosed in the foreword rather than the notes to the accounts (see paragraph 1(c) of Schedule 2);
 - d) any other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;insofar as these are appropriate to the Gaming Board for Great Britain and are in force for the financial year for which the statement of accounts is to be prepared.
5. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
6. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a) fixed assets at their value to the business by reference to current costs; and
 - b) stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

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

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

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

18 May 1999

Schedule 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS**Companies Act**

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

Accounting Standards

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

Schedule 2

ADDITIONAL DISCLOSURE REQUIREMENTS

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

Appendix V

Gaming And Lotteries Fees

Table 34: Gaming and Lotteries Fees

	England & Wales From 1 April 2001 (Scotland from 2 July 2001) £
Casino licences	
Grant	26,349
Renewal	7,325
Transfer	5,898
Bingo licences	
Grant	2,940
Renewal	1,357
Transfer	1,030
Casino certificate of consent	
New licence	6,810
Transfer of licence	3,405
Bingo certificate of consent	
New licence	3,260
Transfer of licence	2,630
Certificate to organise games of multiple bingo	
Grant	150,168
Renewal (for 3 years)	144,576
Registration of club or institute	
Part II	235
Renewal of registration	118
Part III	115
Renewal of registration	69
Employees certificate of approval (Section 19)	
Certificate of approval	145
Gaming Machines	
Grant of certificate for the sale, supply or maintenance of gaming machines	5,623
Renewal of certificate for the sale, supply or maintenance of gaming machines	3,753
Lotteries	
Application for registration of society or local authority lottery scheme	3,840
Renewal of registration of society or local authority lottery scheme (three-yearly)	142
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)	82
More than £10,000 to £20,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	86
More than £20,000 to £50,000	86
More than £50,000 to £200,000	263
More than £200,000	404
Application for certification as a lottery manager under Schedule 2A	5,470
Inspection of lottery return by member of the public	5

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

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

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

Appendix VI

Table 35: 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 2000 and 31 March 2001

	1 April 2000	31 March 2001
England		
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.	23	23
The Areas of the Former County Boroughs, Non-County Boroughs and Urban Districts of:-		
Birkenhead	1	1
Birmingham	5	5
Blackpool	2	2
Bolton	1	1
Bournemouth	2	2
Bradford	2	2
Brighton	2	2
Bristol	3	3
Coventry	2	2
Derby	2	2
Dudley	1	1
Great Yarmouth	2	2
Hove	1	1
Huddersfield	1	1
Kingston upon Hull	1	2
Leeds	4	4
Leicester	2	2
Liverpool	3	3
Luton	2	2
Lytham St Annes	1	1
Manchester	5	5
Margate	2	2
Newcastle upon Tyne	2	2
Northampton	1	1
Nottingham	2	2
Plymouth	2	2
Portsmouth	3	3
Ramsgate	1	1
Reading	2	2
Ryde	-	-
Salford	2	2
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	2	2
Warley	-	-
West Bromwich	-	-
Wolverhampton	1	1

Table 35: (Continued)

	1 April 2000	31 March 2001
Wales		
The Areas of the Former County Boroughs of:		
Cardiff	3	2
Swansea	1	1
Scotland		
The Areas of the Former Counties of the Cities of:		
Aberdeen	2	2
Dundee	1	1
Edinburgh	4	4
Glasgow	5	5
TOTAL:	118	118

Appendix VII

Submission by the Gaming Board for Great Britain to the Gambling Review Body 21 July 2000

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A. Introduction And Background

- 1 This paper is the Gaming Board's response to the Gambling Review Body's invitation to submit written evidence contained in its letter of 8 May 2000.

The Gaming Board

- 2 The Board is the regulatory body for casinos, bingo clubs, gaming machines and the larger society and all local authority lotteries in Great Britain. It was established by the 1968 Gaming Act. This major piece of legislation was introduced because earlier measures, which had been 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.
- 3 The purposes for which the Board was given its statutory functions under the 1968 Gaming Act, and later under the 1976 Lotteries and Amusements Act, can be summarised as:
 - ◆ 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.

The Board seeks to achieve the first two of these objectives by thoroughly investigating those seeking to enter the gaming and lotteries industries (who need certificates, licences, etc before they can operate) and, mainly through its Inspectorate, by monitoring operations once they are certificated and licensed. The Board itself consists of a part-time Chairman and four other part-time members. It has a staff of 73, consisting of 35 members of the Inspectorate and 38 administrative staff. Its total annual budget is about £3.6 million. Further information about the Board's purposes and functions is given in the Annex to this submission.

- 4 The Board does not regulate all gambling. It has no responsibility for betting (whether fixed odds, pool or spread, for which there are a variety of other licensing and control arrangements) or the National Lottery (which is regulated by the National Lottery Commission). Neither does it have responsibility for investigating and prosecuting illegal gambling, which are for the police.

Gambling and its regulation

- 5 Legal gambling in Great Britain is big business. The recently published KPMG study for Business in Sport and Leisure (“The Economic Value and Public Perception of Gambling in the UK”) gave the total amount wagered on all gambling in the UK in 1998 as over £42 billion. Over £27 billion (or two thirds of this) was staked on the activities for which the Board has regulatory responsibility. Gross gaming yield from all gambling (ie the amount retained by operators after the payment of winnings but before the deduction of the cost of the operations) was £7.4 billion. Around £2.5 billion or just over one-third of this was contributed by the gaming industries and lotteries for which the Board has regulatory responsibility, in excess of a further one-third by the National Lottery and the remainder by horserace and other betting.

- 6 Statutory arrangements for the regulation, or even suppression, of gambling have existed in this country for centuries and remain common today in most countries. Two factors lie behind this regulation. First, gambling is an activity which involves the circulation of very large sums of money, unconnected with the delivery of any good or readily verifiable service, and as a consequence, if not properly controlled, is susceptible to fraud, money laundering, other criminal activity and malpractice. Secondly, individuals can become addicted to gambling, with adverse effects for themselves, their families and society in general. A proportion of problem gamblers also commit illegal acts to enable them to pursue their gambling.

- 7 Accordingly, whilst the nature of the regulatory system varies from one country to another, the following objectives are common to them all:
 - ◆ gambling should be crime-free (both in terms of its operators and the players it attracts), conducted in accordance with regulation and honest;
 - ◆ players should know what to expect and be confident that they will get it and should not be exploited;
 - ◆ there should be protection for children and vulnerable persons.

Although these general principles underlie all gambling controls, they are usually applied in different degrees to different forms of gambling. For example, casino style gaming, whether table games or slot machines or both, is recognised as particularly vulnerable to abuse by criminals and large amounts of money may be lost very quickly. It represents the “hardest” form of gambling, in the sense of the risks of adverse effects for the individual resulting from the substantial amounts typically gambled and the speed of play. Consequently it is the most tightly regulated in Great Britain, as in other developed countries where it is permitted. (Throughout this paper, references to “harder” forms of gambling mean those where the amounts staked tend to be greater and the speed of playing faster, with consequential risks to those prone to gambling problems, in contrast to “softer” forms where stakes are smaller and speed of play slower.)

The basis of the Board's submission

- 8 As the Review Body will know, the Gaming Board has been calling for some time for a review of gambling legislation. There are two main reasons for this. First, in the Board's view, many of the social controls in the legislation need close examination as they no longer seem necessary or appropriate given changes in attitudes to, and the nature of, the modern gambling industries. (By "social controls" is meant those aspects of statutory regulation which are intended to limit the availability, accessibility and types of gambling. Examples are the need to demonstrate "demand" before a licence is granted, limiting casinos to certain geographical areas, restrictions on facilities that can be offered and limits on stakes and prizes.) Secondly the legislation is ill-equipped to cope with modern technological developments such as the Internet and the use of high-tech computerised systems in delivering gaming. The Board therefore welcomes the Review Body's inquiry.
- 9 The following perspectives and beliefs underlie this submission.
- ◆ The Board is a regulator engaged in specific tasks of regulation and that has governed both the specific issues on which it has commented and its views on those issues. In particular, the Board believes that the three objectives of regulation listed in paragraph 7 above are valid and should form the basis of policy and (where necessary) legislation.
 - ◆ Statutory intervention should be limited to matters which can clearly be justified by reference to one of those three objectives and should not go beyond that. Some of the controls introduced in 1968 go beyond what is now required to meet the objectives: they inhibit competition unnecessarily and should be scrapped.
 - ◆ Although this has scarcely featured in policy considerations in the past in Great Britain, gambling brings economic benefits in terms of the jobs it creates and the duties and taxes it generates. Many other countries recognise this when considering what regulation is appropriate and the Board believes Britain should do so too.
 - ◆ Much of the population regards gambling as an acceptable and pleasurable activity and a legitimate part of the leisure industry as a whole. People should not be unnecessarily prevented by regulation from doing what they want to do.
 - ◆ As mentioned earlier, the Board's statutory remit only covers some parts of the gambling industries and therefore only some parts of the field being scrutinized by the Review Body. For the most part, the Board's submission relates to matters within its responsibility but it has extended its commentary more widely where it believes its experience gives it something useful to offer.
 - ◆ The Board's starting point has been the industry as it now stands. Whilst a radical overhaul of the regulatory system is highly desirable, it seems to the Board that it would be unrealistic to attempt to devise an entirely new structure which starts from scratch.

- 10 In what follows, the Board takes each of the three primary objectives of regulation identified in paragraph 7 above and discusses in broad terms what continuing arrangements are needed to safeguard them. This is followed by a brief section on Internet gambling and finally a summary of the Board's recommendations. The submission is concerned mainly with matters of substance, not detail, taking its cue from the questions raised in the Review Body's letter of 8 May 2000. The Board is ready to make a submission on more detailed matters, including the practical aspects of specific proposals, if that would be helpful. It assumes that there will be an opportunity to comment at a later stage on any legislative changes recommended by the Review Body.

B. Keeping Gambling Crime-Free

- 11 In seeking to keep gambling crime-free, it is better to ensure that criminal elements are denied access to the industry than to try to root them out once they are established. The Board believes therefore that it should remain a requirement of the law that gambling facilities may only be offered by those specifically certificated/licensed to provide them. The test for a certificate/licence should be that those concerned should be fit and proper, should be capable and diligent and should have sufficient and legitimate financial resources to operate properly.
- 12 The system established for the industries which the Board regulates has been notably successful in ensuring crime-free licensed gaming and lotteries. Apart from a short period at the end of the 1970s and beginning of the 1980s, when a number of high profile cases resulted in revocation of numbers of casino licences, the available evidence suggests that the British gaming industries have operated properly over the last 30 years. Much of the industry is in the hands of companies (from large plcs to small private ones) which have a deserved reputation for providing gambling facilities of good quality.
- 13 In the Board's view, a principal instrument in this success has been the requirement under the 1968 Act whereby those who wish to operate a casino or bingo club, to supply gaming machines or to be employed in key gaming jobs must first be certificated by the Board. This allows the Board, as a dedicated regulatory body, to investigate properly and thoroughly those who wish to enter the industry and to remove, or seek to remove, those who subsequently fall below the standards required.
- 14 Whilst much has changed over the last 30 years, the natural affinity between gambling and crime has not. The Board has little doubt that if controls on entry and subsequent monitoring of operations were ended there is every likelihood that criminal activity would return to the industry. This is not to say that the current system of controls on entry and subsequently is the only one that would work. But it has a proven record and it is a system which has been widely emulated around the world, at least as far as casino gaming is concerned. Nearly every major casino jurisdiction has a dedicated regulatory body (or complementary bodies where licensing is separated from investigation and enforcement) which operates controls at the point of entry into the industry and thereafter.

- 15 The Board further believes that systems of certification, registration or licensing should continue to apply to all (non-trivial) gambling operations. Whereas distinctions can be made between hard and soft types of gambling, and the harder forms (for instance casino and machine gaming) have undoubtedly in the past been more prone to criminal interest, it is nonetheless true that the scope for fraud can often be as great in the softer forms of gambling. For instance, in bingo and lotteries, the player's payments go into a pool and the player has no independent means of verifying what becomes of the monies. Without appropriate controls it is relatively easy to divert proportions of the proceeds into illegitimate uses. The Board's view is that operators of such gambling should remain subject to vetting on and monitoring after entry. The fact that the nature of the gambling is soft should be reflected in less intensive subsequent monitoring and the more relaxed nature of the social controls applied to the gambling itself.

The case for a Single Regulatory Authority

- 16 The Review Body has raised the question whether there should be a unified body – or Single Regulatory Authority (SRA) – to licence and regulate gambling. Assuming that the need for a certification/licensing system is accepted, the Board sees merit in a system under which any company, partnership, etc, which wished to be part of the licensed gambling industry would first need certification/licensing by the SRA. (The Gaming Board's functions would be subsumed into the new arrangements along with the licensing/regulatory systems for other branches of gambling.)
- 17 Advantages of a SRA would include the following:
- ◆ Companies in the industry often span different types of gambling and it would be sensible if they were subject to a single vetting and licensing process, rather than a variety as at present.
 - ◆ The tests applied would be of a uniform and appropriate standard and decision making would be consistent.
 - ◆ The SRA would have both the ability and resources to investigate and monitor prospective and existing licence holders to a standard which a multiplicity of local licensing authorities generally cannot be expected to achieve.
 - ◆ The SRA would be able to deal with the sorts of issues which are increasingly arising because technical convergence, along with problems of legal definition, make it unclear whether a particular activity is a game or a bet or a lottery. (Definition of these terms is crucial for proper regulation, and the SRA should be empowered to give authoritative and binding interpretations.)
 - ◆ For any given level of appropriate licensing or regulation, the SRA ought to be cheaper and more efficient than any heterogeneous system (for instance in respect of the gathering and use of intelligence).

In the remainder of this paper there are various references to the SRA. This assumes that the Review Body decides to recommend such an entity. If not, the references should be read as applying to the Gaming Board or other appropriate regulatory authority as the case may be.

Local licensing arrangements

- 18 Whether or not there is to be a SRA, the Board believes that local licensing arrangements should continue to have a role. Without a SRA, local licensing authorities would be the fundamental decision makers in appropriate cases where a certificate/licence was needed. If a SRA was established, local licensing arrangements should still apply in those cases where the company etc needed public premises on which to offer gambling. The licensing authorities could then concentrate on local issues of importance such as the threat of nuisance and disturbance, the suitability of the premises to the area and the character of the facilities to be provided. To a substantial extent, this is the system which operates successfully for casinos and bingo clubs. The SRA could have an input to this process by advising on matters such as the size and suitability of the premises and the proposed standards of accommodation. Currently, licensing justices in England and Wales deal with local gambling licence applications for casinos and bingo clubs. It would need to be for consideration, particularly in the light of the Government's proposals in respect of liquor licensing, whether the local licensing arrangements should be transferred to local authorities. What is important is that the decision should be a local one made by and on behalf of local people. (In Scotland licensing is already undertaken by licensing boards which consist of elected members of the local authorities.)

The types of operations and activities which should require gambling certification

- 19 Starting from the current arrangements, the Board would suggest that companies etc wishing to engage in the following types of operations and activities should all require certification by the SRA.
- ◆ Companies etc which wish to offer premises-related gambling. (Such companies etc would also need local licences for individual premises.) This would cover casinos, bingo and bookmaking operations. Key personnel who operate the gaming and betting and have contact with players should be subject to a 'certificate of approval' regime as currently for casinos and bingo clubs. (More is said below about premises licences.)
 - ◆ Companies etc which wish to offer centralised gambling facilities such as credit betting operations and football pools.
 - ◆ Those who provide gaming machines to gambling operators. (More is said on machine gaming below.)
 - ◆ Companies which manage lotteries on behalf of charities, etc.
 - ◆ Societies etc and local authorities which wish to run large permitted lotteries.

Such a system would in essence simply involve transferring the Gaming Board's certification/registration arrangements in respect of gaming and lotteries, and local licensing justices' responsibilities in respect of vetting betting operators, to the SRA.

- 20 There are two further areas in respect of which the Board believes consideration should be given to whether operators should be subject to certification and regulation by the SRA.
- ◆ Gaming machine arcades are currently not subject to licensing arrangements but operate instead under permits issued by local authorities. Operators of such arcades are consequently not subject to any test of probity etc. The two tier system, of certification of the operator by the SRA and premises licensing at a local level, would again seem more appropriate, particularly if, as suggested later, the social controls on arcades are eased. More is said below about what should constitute a “gaming machine arcade” for this purpose.
 - ◆ Spread betting is regulated by the Financial Services Authority. It seems questionable whether this is a correct use of that authority’s powers for what is clearly part of the gambling industries and whether it would not be better if spread betting was subject to the same regulatory regime as other betting.

The structure of premises licensing

- 21 Under the current system, casino, bingo and betting operators, who need public premises to offer gambling, require a licence from the local licensing authorities. In theory at least, applicants have to demonstrate unmet demand before a licence is granted. In practice, that test has not been strictly applied for bingo and, to a large extent, for betting premises for some years. For casinos, the test has largely become an academic exercise, involving sometimes convoluted, lengthy and artificial arguments about the meaning of particular figures and over witness evidence. In addition, casino licences can only be granted in one of 53 permitted areas around the country (mainly the large cities and towns but including some seaside resorts).
- 22 The Board does not believe that the need to demonstrate demand should be retained in future licensing arrangements. The requirement is there essentially because of concerns about improper behaviour by operators to attract custom if over-supply leads to excessive competition. But licensing authorities have never found it an easy concept to apply and, more importantly, the SRA would, in the Board’s view, be able to ensure that licensees do not operate improperly, even under competitive pressure. The Board also does not believe that the concept of “permitted areas” need be retained for casinos, although some safeguards will be needed to ensure that removal of controls does not lead to a plethora of small, unregulatable casinos as occurred in the 1960s. The Board believes that a better system of control can be achieved by (a) requiring that licensed premises must be used wholly or mainly for gambling, (b) giving the local licensing authority discretionary powers to prevent the proliferation of gambling premises, (c) giving the SRA a right to object if that body has concerns about its continuing ability to regulate in any particular area, and (d) in the case of casinos, minimum size requirements, as suggested below.

- 23 The Board suggests that premises offering serious (non-trivial) gambling opportunities should be licensed and, again starting from the present position, that there should be four categories of licence.
- ◆ **Casino licences** – These would be granted to premises to be used primarily for casino gaming. The operators should be free to offer other types of gambling (such as betting facilities) on the same premises. In particular, they should be able to install international casino style slot machines with unlimited stakes and prizes. The Board does not believe there would be any need to restrict the extent of the facilities to be offered. In contrast, it believes that casinos should be subject to a requirement that they offer a facility of a minimum floor area, or minimum capital value, in order to help avoid a plethora of small casinos. There might also be a case for requiring that casinos offer ancillary dining and other entertainment facilities, as is commonly the case abroad, in order that patrons have alternatives to the gambling.
 - ◆ **Betting licences** – These would be available, as now, to gambling operators which wished to offer local premises in which people could place bets. Again as now, other gambling facilities on the premises should be restricted to a limited number of gaming machines. The appropriate type of machine to be available is discussed further below. The Board does not believe there need be statutory restrictions on the type of refreshments, including alcohol, which can be provided on such premises. But these should be ancillary facilities and the Board believes that restrictions on opening hours on broadly the current lines should be retained. Such requirements will ensure that appropriate distinctions remain between betting and liquor licensed premises.
 - ◆ **Bingo licences** – These could again remain broadly as now and, indeed, the Board sees little reason to make any substantial changes to the current regime. Many licensed bingo clubs provide ancillary refreshment and entertainment facilities and it might be appropriate to make this a statutory requirement for new licences to prevent the growth of small premises dedicated to rapid cash bingo, which would provide a harder form of gambling with risks for those prone to gambling problems. The Board does not believe that licensed bingo premises should be able to offer casino style gaming. Any operator which wants to offer such gaming should apply for a casino licence.
 - ◆ **Gaming machine arcade licences** – The Board suggests above that it would make sense for gaming machine arcades to be brought within a single system of certification and licensing. The arcades concerned should be those which wish to offer higher prize machine gaming to adults only. “Family arcades” which offer only those types of machine entertainment agreed to be suitable for children need not be licensed in this way and could be subject instead just to normal local (planning) controls. The distinction between adult machines and those suitable for play by children is discussed later. Again, the Board does not believe that adult arcades should be prevented from providing refreshments, including alcohol, but equally believes that opening hours should be capable of restriction, as is commonly the practice now to prevent such premises becoming late or all night entertainment venues. Control of hours might again be a matter which could be left to the discretion of local licensing authorities.

Such a system would reinforce the need, mentioned in paragraph 17, for adequate definitions and power to enforce them to ensure that proper distinctions are maintained between different types of facilities.

- 24 The Board believes that all such licensed gambling premises should be available for adults only, with a minimum age of entry of 18. The Board does not believe that it should be an essential requirement that any should operate as clubs, nor that the current 24-hour notice rule should be retained. But, because of the requirements for recording, and reporting suspicious, transactions under the systems for preventing money laundering, casinos will need to establish the identity of all players and to maintain player registration systems. The question of whether there is a need to extend recording and reporting arrangements to other licensed operations needs further consideration.

Unlicensed gambling

- 25 Given the Board's view that those offering serious gambling opportunities should be subject to an appropriate system of authorisation/licensing, it follows that if any gambling is to be offered on non-licensed premises it should be minor. Hence pubs should broadly be limited in what they can offer to what is permitted now, mainly a limited number of relatively low stake, low prize gaming machines. The Board does not believe in particular that pubs, to which children commonly have access, should be able to act as bookmakers and accept bets. Also it does not consider that it is acceptable to argue that more gambling should be allowed in order to prevent otherwise unprofitable public houses from closing. More is said later about the appropriate types of gaming machines for different types of premises.

Illegal gambling

- 26 There is evidence of considerable illegal gambling throughout the country in respect of which the Gaming Board has no powers and the police little resources to take action. Illegally sited gaming machines and illegal betting (mainly in pubs) are the most common but some illegal casinos also exist. The Review Body should consider whether it wants to make an explicit recommendation about which body should have powers and responsibilities in respect of minimising illegal gambling. The SRA would be an obvious candidate. It would need to be provided with appropriate powers to permit it to investigate, gain access and institute proceedings, where there was evidence of illegality.
- 27 There is one specific issue of illegality in relation to lotteries which the Board believes the Review Body should address. Large numbers of competitions are organised, for instance on TV, in newspapers and as product promotions, which are currently illegal lotteries. Most are in the Board's view harmless entertainment and enjoyed by the substantial numbers who enter them. The Board believes that such competitions should be legitimised. One way might be to permit such lotteries as long as they are incidental to some other entertainment or activity, have a cost of entry (over and above the cost of any product or service) which does not exceed, say, 50p (half the current maximum price of a society or local authority lottery ticket) and do not offer prizes above a certain value. As well as legitimising harmless existing lotteries, this would send a signal that those who breached these limits could expect to be pursued through the courts.

C. Ensuring that gambling is fair and properly conducted

- 28 As stated in paragraph 7 above, one of the objectives of gambling regulation is that players should know what to expect, can be confident that they will get it and will not be exploited. This section deals first with the monitoring of the gambling industries to ensure this objective is met and then with gaming machines, an area of the law which has become particularly outdated with resulting threat to the objective.

Inspection of licensed gambling operators

- 29 For those industries for which it is responsible, the Gaming Board ensures that the gambling remains fair and properly conducted through regular visits to, and inspection of, certificated operators by the Board's Inspectorate. The intensity of that monitoring varies between sectors according to the perceived risks of possible criminal involvement and the hardness of the gambling. The Board believes this to be an effective means of meeting the objective. Some degree of self-regulation will be appropriate, but within the framework of a statutory system and under the aegis of a strong regulator. It would be foolhardy to suppose that self-regulation alone would suffice within the gambling industries to ensure continued probity of operations. Especially given the characteristics of gambling referred to in paragraph 6 above, tensions between the profit motive on the one hand and the requirements of compliance with laws, regulations, etc, on the other would lead, in the Board's view, to some operators going beyond acceptable limits in the absence of external monitoring.
- 30 The SRA should have powers to inspect and monitor the companies etc it has certificated to ensure that they retain their probity and are operating to proper standards. There will nonetheless be a need to consider in some detail the correct level at which inspection and monitoring should occur and the extent to which self-regulation should suffice. Less intensive monitoring is required where the risks of impropriety or its consequences are deemed to be of a lower order.

Powers and responsibilities of the SRA

- 31 The SRA will require a range of powers and responsibilities. The Gaming Board believes that chief amongst these should be the following:
- ◆ The SRA should have the power to grant or refuse applications for certification. It should have subsequent powers of inspection and monitoring of certificated operators and a range of sanctions for dealing with regulatory failures, including warnings, fines, suspensions, revocation of certificates and the power to institute proceedings. The question of a right of appeal against its decisions needs to be considered.
 - ◆ The SRA should have powers to promulgate, after consultation, regulations, codes, rules and practices of the games, etc, in order to ensure that gambling is fairly and properly conducted and that players fully understand what is on offer. Regulations relating to matters such as the types of games permitted in casinos and stake and prize limits for gaming machines should be the responsibility of the SRA, rather than the Government.

- ◆ The SRA should be supported by an Inspectorate with powers to inspect and investigate certificated operations and rights to inspect information relating to the gambling operations in whatever location or form it is stored. The SRA will also need powers to investigate a person's character and background with access to criminal and other relevant records. Arrangements will be needed to facilitate exchanges of information with other regulatory authorities.
- ◆ The SRA should set minimum standards for the conduct of the gambling. The extent of direct supervision by the SRA should vary according to the risks inherent in and hardness of the gambling, with casinos subject to the highest scrutiny. But a part of any future regulation should also involve self-regulation by an operator's compliance manager and team. The compliance manager should be expected to report to and co-operate with the SRA. That person should be required to satisfy the SRA of the adequacy of controls and to be open about regulatory failures.
- ◆ The SRA should have the power, and be required, to recover the costs of its operations from certificated gambling companies etc. A system should be established under which the SRA presents and agrees its budget for the forthcoming years with the Government and then is free to recoup those amounts from the certificated industry. Flexibility should be incorporated to cope with any unforeseen and unexpected demands on its resources and to allow for any variation from year to year in the amounts recouped.

Machine gaming

- 32 The legislation relating to gaming machines was enacted when nearly all machines were mechanically operated, of the traditional "one-armed bandit" type. The controls introduced at that time were equally basic and simple. Modern technology has developed in ways that could not have been imagined in the 1960s and one of the main reasons that the Board advanced for a review of the legislation is that current legislation is ill equipped to cope with the modern electronic, micro-processor driven age. Whilst technology brings great advantages, its complexity means that operations are not as transparent as they were before computerisation. For example, it is impossible for players to understand the operation of the software of gaming machines, which determines the outcome of the games, and indeed many British gaming machines have "hidden features" of which only experienced players are aware. This brings obvious risks to the regulatory objective of ensuring "fair gaming".
- 33 The Board believes that a substantial overhaul of the legislative structure for gaming machine operations is needed, covering both types of machine available and their location and the statutory requirements which machines are required to meet. In considering this, it needs to be recognised that this country already has, by international standards, a relatively liberal regime, with a wide mix of machines and range of locations in which they can be sited. As already indicated, the Board considers it impractical to attempt to devise fresh arrangements without reference to the current position. In addition, machines are a relatively hard form of gambling which cause concern because of their potential impact on those with problems with their gambling. Examples of particular concerns have arisen in Australia, where there has been a proliferation of high prize slot machines in clubs, and the USA, where slot machines have been

sited in a range of premises under lotteries legislation. All this makes gaming machine legislation a particularly difficult area in which to find the right balance of measures in order adequately to protect the public while avoiding undue restrictions.

- 34** At present, permitted gaming machines can be of one of three types.
- ◆ Club or “jackpot” machines with maximum prizes of £1,000 in casinos, £500 in bingo clubs and £250 in other clubs. Numbers are limited to 10 in casinos, 4 in bingo clubs and 3 in other clubs.
 - ◆ All cash “amusement with prizes” (AWP) gaming machines with a maximum prize of £15, in adult environments such as betting offices, pubs, bingo clubs and adult arcades.
 - ◆ Traditional cash/token AWP machines with maximum prizes of £5 cash and £8 non-cash available in family arcades and a wide variety of other locations such as cafes, fish and chip shops, minicab offices, etc.
- 35** As mentioned earlier, the Board believes that all limits on numbers, stakes and prizes for gaming machines in casinos should be removed, thereby allowing them to site slot machines of the type currently found in casinos elsewhere in the world. In addition provision should continue to be made for:
- ◆ Jackpot machines of the type currently permitted in bingo and other clubs. The Board sees no objection to their availability being extended to other licensed gambling operations such as betting offices and arcades as long as numbers are also limited for such premises.
 - ◆ All cash AWP machines in adult environments largely as now but possibly with a somewhat higher maximum prize as long as concerns about access by children have been addressed.
- 36** The Review Body will no doubt be considering the general question of whether gaming machines should be available to children at all. As mentioned above, traditional low prize AWP's are currently widely available to children in family arcades and other locations. The Board has found it difficult to assess what the appropriate level of the maximum prize should be for such machines but, if they are to be retained, does not believe it should be higher than current levels. The Board further believes that such machines should be restricted to family arcades and that the opportunity should be taken to remove them from single sites such as cafes, fish and chip shops, minicab offices, etc. Many local authorities have already adopted policies, as they are entitled to do, enforcing a blanket ban of machines in such locations. In those areas in which they are permitted, machines are often sited both without a permit and of a type (eg jackpot machine) not allowed. Enforcement is difficult and a complete ban for cafes etc. would be more effective to prevent both illegal gaming and unsupervised gambling by children.
- 37** Allied to this new structure, and as it has argued in the past, the Board believes that new statutory requirements in respect of machine operations are needed, particularly if casino slot machines are introduced. Hence, as in virtually every other jurisdiction, the regulator should have the power to require testing of gaming machines to ensure that they operate fairly and properly according to regulatory requirements and in the ways intended. Under such a system

machines would be tested against a specification drawn up by the regulatory body. The testing itself would be undertaken by a commercial test organisation, of which a number exist around the world. The arrangements should apply to any machines provided for "gambling" purposes and would thus exclude traditional low prize AWP's. The Board believes that the requirements should include a condition that gaming machines operate randomly and have a mandatory minimum percentage pay-out. Discussions would be needed on whether the requirement for random operation should extend to "add on" or "feature" games and, if not, what alternative requirements should apply. Most other jurisdictions also require machine manufacturers to be certificated by the regulatory authorities before their machines can be sited there. The Board believes that there is a good case for similar arrangements to apply here.

D. Protecting Children and the Vulnerable

38 The gambling legislation of the 1960s included a raft of controls which sought to ensure that there was no stimulation of demand. An issue for the Review Body is the extent to which any such controls remain necessary. In addressing this issue, the Gaming Board suggests that the following principles should be observed in determining what controls need or need not be retained.

- ◆ However measured, the vast majority of people who choose to gamble do so in a responsible way which provides them with enjoyment. They should be free to do so subject only to the controls needed to ensure that gambling is crime-free and fair.
- ◆ Nonetheless, a significant minority do suffer problems and can become addicted. Programmes, such as self-barring, licensee awareness and arrangements for treatment, need to be provided to help and support these people, and the industry should pay.
- ◆ Children should not gamble and, arguably, should not even be exposed to gambling of the harder sort.
- ◆ Harder forms of gambling should only be allowed on premises licensed for the purpose: non-licensed premises should only be permitted to operate softer forms, defined in terms of such matters as levels of stakes and prizes and rapidity of play.

39 The Board would suggest that the following are examples of the conclusions which might flow from these principles.

- ◆ Provided that the relevant authorities have sufficient powers and resources to regulate the gambling industries properly, and that satisfactory and adequate programmes and arrangements are available for those who develop problems with their gambling, statutory social controls of a form which seek to limit normal commercial operations of gambling facilities are generally unnecessary.
- ◆ Hence for instance the current controls on advertising and promotion might be removed and replaced by a requirement to observe a code of conduct promulgated by the SRA.

- ◆ Generally controls over stakes, prizes and other monetary limits, whether for gaming or, assuming they continue as at present to be permitted just for the benefit of good causes, for lotteries and on ancillary facilities are unnecessary, except insofar as stake and prize limits remain needed for certain types of gaming machines where the potential for addiction appears greater than in other forms of gambling. The Board currently finds great difficulty in establishing any coherent policy or approach when asked to consider increases in monetary amounts.
- ◆ As already mentioned, requirements to demonstrate demand for gambling before a licence is granted, to restrict gaming to clubs with a 24 hour waiting period for membership and to limit casinos to certain permitted areas could be ended.
- ◆ A single common minimum age for all gambling should be established. The Board suggests this should be 18. This would avoid any confusion of messages about the acceptability of gambling by children and ensure that, insofar as some underage gambling is inevitable, it is unlikely to involve people as young as 14 or 15. But if the minimum age for participation in the National Lottery were to remain 16, it would be unfair to raise it to 18 for other lotteries and football pools.

E. Gambling on the Internet

- 40 The Review Body has already had submitted to it a separate paper prepared by the Gaming Board on this issue, following a study carried out by the Board during late 1999/early 2000. The key conclusions of that paper are as follows. There is a growing number of sites on the Internet which offer opportunities to gamble and in particular on line casino gaming, and legislation in this country bears on Internet gambling in unintended and erratic ways. For instance, no on-line casino gaming site can lawfully be established here, but residents are free to play on overseas sites and those sites can accept bets from here without breaking any British laws. The Board concludes that legislative change is needed to remedy this unsatisfactory situation. It does not believe that measures which attempt to prohibit on-line gambling in Britain would be either sensible or likely to be successful. Thus, whilst acknowledging that legislative change is unlikely to be simple or straightforward, the Board recommends that a coherent legislative system should be established which permits controlled and regulated Internet gambling sites in Britain. It believes that this is a matter to which the Review Body should give particular attention. The need to act as a matter of urgency – ie in priority to other gambling law reform – was not demonstrated to the Board on the evidence of its survey, but it could become so, and the Board recommends that the Review Body gives appropriate priority to Internet gambling in its deliberations.

F Summary of the Board's main Conclusions

- 41** The Gaming Board believes that it should remain a requirement of the law that serious (non-trivial) gambling facilities may only be offered by those specifically certificated/licensed to provide them. The test should be that those concerned are fit and proper, will be capable and diligent and have sufficient and legitimate financial resources to operate properly. The Board further believes that systems of certification, registration or licensing should continue to apply to all (non-trivial) gambling operations, including the softer forms of gambling such as bingo, lotteries and football pools.
- 42** The Board sees merit in a single national gambling regulatory authority (SRA) responsible for overseeing all companies etc which wish to offer serious (non-trivial) gambling opportunities to the public. Under such a system, any company, partnership, etc, which wished to be part of the licensed gambling industry would first need certification/licensing by the SRA that they were fit, proper, etc.
- 43** If a SRA is established, local licensing arrangements should still play a part in those cases where the company etc needed public premises in which to offer gambling. The licensing authorities should concentrate on local issues of importance such as the threat of nuisance and disturbance, the suitability of the premises and the facilities to be provided to the public. In the absence of a SRA, local licensing authorities would be the fundamental decision makers in appropriate cases where a certificate/licence was needed.
- 44** The Board suggests therefore that certification by a SRA if it is established, or certification/licensing by some other means if it is not, should cover all those wishing to offer betting (whether fixed odds, pool or spread), gaming (casinos, bingo or gaming machine arcades) or lotteries. Certification should also be required of key personnel where gambling is offered on public premises and of gaming machine suppliers. Separate premises licences should be required for casinos, betting offices, bingo and gaming machine arcades. Applicants for premises licences should no longer have to demonstrate demand and casino licences should no longer be limited to certain permitted areas, although licensing authorities should have discretion to refuse a licence on the grounds of the proliferation of facilities.
- 45** The Board believes that any gambling to be offered on non-licensed premises should continue to be minor.
- 46** The Review Body should consider whether it wants to make an explicit recommendation about which body should have powers and responsibilities in respect of minimising illegal gambling. Some means should be found to legitimise the numerous TV, newspaper, etc, competitions which provide relatively harmless entertainment but are under current legislation illegal lotteries.
- 47** Any SRA, or whatever other bodies are appointed to certificate/licence gambling, should have continuing responsibility for monitoring and inspection of certificated gambling operations to ensure that they retain their probity and are operating to proper standards. These bodies would need powers of entry to gambling operators premises and unfettered access to information

stored in whatever form and whatever location as it relates to licensed operations. They should have a range of sanctions to deal with regulatory failures including warnings, fines, suspensions, revocation of certificates and power to institute proceedings. An outline of the powers and responsibilities which the SRA should have is given in the body of the paper.

- 48** A new legislative structure for gaming machines should be introduced which distinguishes between:
- ◆ slot machines available in casinos.
 - ◆ high prize jackpot machines in other licensed gambling premises (ie bingo, betting shops and gaming machine arcades) and clubs.
 - ◆ all cash amusement with prizes machines largely as now available in adult environments, including pubs.
 - ◆ if retained at all, traditional low prize AWP's which should be available only in family arcades but need no longer be subject to statutory regulation under the gambling legislation other than in respect of maximum stakes and prizes.
- 49** All regulated gaming machines should be subject to a statutory, mandatory testing regime, as is common elsewhere, and should be subject to conditions on their operation, including randomness and minimum percentage pay-outs. There is a good case for machine manufacturers to be certificated.
- 50** Subject to the relevant authorities having sufficient powers and resources to regulate and monitor the gambling industries properly, and the establishment of satisfactory programmes and arrangements for those who develop problems with their gambling, the Gaming Board does not believe that many other statutory social controls should remain necessary. Advertising and promotion could be permitted subject to the requirement to observe a code of conduct issued by the SRA. Controls over stakes, prizes and other monetary limits could be abolished except where they remain necessary for gaming machines and casino and bingo premises need no longer operate as clubs.
- 51** A single statutory minimum age of 18 should apply to all gambling opportunities.
- 52** A coherent legislative system is needed which permits controlled and regulated Internet gambling sites in Britain.

Annex

The Board's purposes and functions

- 1 The Board's purposes and functions under the 1968 and 1976 Acts can be broadly summarised as follows:
 - ◆ to ensure that those involved in organising gaming and lotteries are fit and proper to do so and to keep gaming free from criminal infiltration;
 - ◆ to ensure that gaming and lotteries are run fairly and in accordance with the law;
 - ◆ to advise the Secretary of State on developments in gaming and lotteries so that the law can respond to change.

- 2 In pursuit of these purposes the Board:
 - (i) in respect of gaming,
 - ◆ determines applications for certificates of consent without which an application cannot be made for the grant or transfer of a casino or commercial bingo licence;
 - ◆ determines applications for continuance of certificates of consent held by casino operating companies where there has been a change in the control of the licence-holding company to the extent of 15 per cent or more of the voting power;
 - ◆ determines applications for certificates of approval required by those who wish to be employed to operate, supervise or manage the gaming;
 - ◆ determines applications for the grant of certificates to sell, supply and/or maintain gaming machines;
 - ◆ supervises the conduct of holders of certificates and licences and takes action against those no longer considered fit and proper;
 - ◆ makes representations to licensing authorities concerning the grant, revocation or renewal of gaming licences.

 - (ii) in respect of lotteries,
 - ◆ determines applications to the Board for the registration of societies and local authority lottery schemes ;
 - ◆ determines applications for certificates from lottery managers;
 - ◆ supervises the conduct of registered lottery schemes and takes action against those which have not conducted lotteries properly;
 - ◆ supervises the conduct of lottery managers and takes action against those no longer considered fit and proper.

- (iii) and in general,
- ◆ keeps under review the extent, character and location of gaming and lotteries in general and in licensed premises in particular, including public attitudes;
 - ◆ makes recommendations to the Secretary of State regarding hours, charges and prizes in respect of gaming and monetary limits in respect of lotteries;
 - ◆ initiates proposals for changes in the law and regulations on gaming and lotteries and advises Ministers on proposals from interest groups;
 - ◆ maintains close contact with the gaming industry's trade associations with a view to informing itself about developments in the industry and encouraging the issue of appropriate codes of conduct and other co-operation in pursuit of the Board's aims;
 - ◆ maintains contact with gaming regulatory authorities abroad to inform itself of relevant developments.
- 3 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.

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