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Report of the GAMING BOARD FOR GREAT BRITAIN 1999–00

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REPORT OF THE GAMING BOARD FOR GREAT BRITAIN 1999/2000

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MEMBERS OF THE GAMING BOARD FOR GREAT BRITAIN IN 1999/2000

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MR B AUSTIN until 31.8.99

MR D ELLIOTT, CBE, QPM

MR R C LOCKWOOD, JP

MR D M C E STEEN

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ANNUAL REPORT OF THE GAMING BOARD FOR GREAT BRITAIN

To:

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

and

Her Majesty's Secretary of State for Scotland

In pursuance of section 50 of the Gaming Act 1968 I have the honour to present the thirty-first report of the Gaming Board for Great Britain, covering the period 1 April 1999 to 31 March 2000. In this opening statement I comment on a few matters of topical interest.

Review of gambling legislation

The Board has in recent years been calling, with increasing urgency, for a wide-ranging review of gambling legislation to be undertaken. I therefore warmly welcome the establishment by the Government of the Gambling Review Body under the chairmanship of Sir Alan Budd. There are anomalies in the current regulatory structure because of the many cultural, technological and other changes that have occurred in the 25 or more years since the relevant statutes were passed. Piecemeal de-regulation, while easing certain pressures, has created further inconsistencies. The case for reform is compelling.

The Review Body, which is due to report in the summer of 2001, faces a demanding task. It must cater for the continuing need to meet the widely accepted threefold objectives of gambling controls – keeping crime out of activities inherently susceptible to criminal infiltration, ensuring that players know what to expect and get it, and protecting children and vulnerable persons – while seeking to accommodate more relaxed attitudes in society towards gambling. It must also cope with concerns about problem gambling, and with the phenomenon of gambling on the Internet. Devising a new regulatory structure which balances these needs appropriately and stands the test of time will not be straightforward.

Internet gambling

The Internet continues to be a hotly debated topic among gaming regulators. It is easy to understand why. All developed countries regulate gambling to a greater or lesser extent, for the purposes just mentioned. The Internet threatens to drive a coach and horses through conventional systems of regulation, based as these are on the notion of physical licensed premises such as a casino or betting shop which people have to visit in order to gamble. The Internet has the potential to offer unregulated, unlicensed and low or no tax gambling.

In view of its concerns about these matters, and having regard to its duty to advise the Home Secretary on developments in gaming, in November 1999 the Board issued a consultation paper on Internet gambling to

interested parties. After consideration of the responses the Board submitted a report to the Home Office setting out its findings and recommendations.

Our main conclusion, consistent with the views expressed to us by almost all the respondents, is that a legislative system should be established which permits controlled and regulated Internet gambling sites in Britain. The subject of Internet gambling is, of course, on the agenda of the Gambling Review Body. It needs to be addressed with some urgency.

Members and staff

Mr Bryan Austin retired from the Board in August 1999, having given valuable service for five years. He has been replaced by Mrs Marie Stevens, who brings to the Board wide experience of gambling regulation.

I would like, finally, to record my thanks for the effective work done by the Board's Members, Secretariat and Inspectorate during the year under review. Regulation in a climate of change is not easy. All concerned have risen to the challenge and will, I am sure, continue to do so.

PETER DEAN
Chairman

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THE GAMING INDUSTRY 1999/2000: SOME KEY STATISTICS AT A GLANCE

Casinos:	Number operating	118
	Drop (money exchanged for gaming chips)	£3.1 billion
	Number employed	11,700
	Duty paid	£90.8 million*
Bingo Clubs:	Number operating	727
	Money staked	£1.08 billion
	Number employed	c.21,000
	Duty paid	£105.0 million*
Gaming Machines:	Number of machines	250,000+
	Number certificated to sell, supply or maintain machines	773
	Money retained by suppliers and site owners	£1.5 billion
	Number employed	c.25,000
	Duty paid	£156.5 million*
Charity Lotteries:	Ticket sales	£104 million
	Number of registered societies and local authorities	646
Gaming Board:	Cost of operations	£3.6 million
	Number of staff	73

*Customs and Excise figures for 1998/99

1: Introduction and general

Introduction

1.1 This is the thirty-first Annual Report of the Gaming Board for Great Britain since it was established by the Gaming Act 1968. It covers the year 1 April 1999 to 31 March 2000. 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. Chapter 8 reports the results of the Board's triennial survey of registered clubs. Appendix I, entitled "The work of the Board, its organisation and procedures", explains why gaming is regulated and the objectives of regulation, how that is achieved 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:-

- Size of the industry (paragraphs 1.3 to 1.8).
- Establishment of the Gambling Review Body (1.9 to 1.11).
- Progress with derestrictions of the gaming industries (1.12 to 1.16).
- Internet gambling (1.17 and 1.18).
- Problem gambling and gambling by children (1.19 to 1.23).
- The Board's operations (1.24 to 1.28).
- Method of funding the Board and Board resources (1.29 to 1.31).
- The Board's costs and fee levels (1.32 to 1.34).
- Membership of the Board (1.35 and 1.36).
- International activities (1.37).
- Performance targets (1.38).
- Audits and reviews of the Board's work (1.39 to 1.41).
- Investors in People (1.42).

Size of the industry

1.3 The industry which the Board regulates is a very substantial one. Figures published by KPMG in May 2000 in their study of the gambling industries (see paragraph 1.21) gave the gross gaming yield (ie the amount retained by operators after the payment of winnings but before deduction of the costs of the operations) of all betting and gaming in the United

Kingdom in 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.

1.4 There were 118 casinos open in Great Britain at 31 March 2000, more than in any other European country with the exception of France. London has 23 casinos, which is unique for a capital city anywhere in the world. Drop (ie money exchanged for chips) was £3.1 billion in 1999/2000. Operators retained about 18 per cent of this, or £546 million. Nearly 12,000 staff are estimated to be employed by British casinos and around 11.2 million separate visits to casinos were made by members and their guests in 1999/2000.

1.5 Great Britain had 727 commercial bingo clubs operating at 31 March 2000, with total stakes amounting to over £1 billion in 1999/2000. Bingo clubs have some 3 million active members, and they employ an estimated 21,000 people.

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

1.7 The larger society and all local authority lottery schemes which the Board regulates had combined total ticket sales of £104 million in 1999/2000.

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.

Establishment of the Gambling Review Body

1.9 In recent annual reports, the Board has set out its view that the need had developed for a thorough review of all the gambling legislation by an independent review body. It pointed out that the principal Acts governing gambling (the 1963 Betting, Gaming and Lotteries Act, the 1968 Gaming Act and the 1976 Lotteries and Amusements Act) are each a quarter of a century or more old. The last major review of the legislation was by the Royal Commission on Gambling chaired by Lord Rothschild which published its conclusions in July 1978. Few of its recommendations were implemented. Whilst the Deregulation and Contracting Out Act procedures have allowed some limited easing of outdated controls in recent years, this process of piecemeal amendment had complicated the legislation, highlighted inadequacies and left inconsistencies. The Deregulation Committees of both Houses of Parliament had also commented on the complexity of the present law, the piecemeal attempts at amendment and the need for simplification and consolidation. In the light of such considerations and continuing pressures for a range of deregulation measures from the gambling industries, a full review was needed.

1.10 The Board therefore welcomed the announcement on 8 December 1999 by the Home Secretary, Mr Jack Straw, of the Government's plans to establish the Gambling Review Body to undertake a wide ranging review of the gambling laws. At the time of the announcement, the Home Office Minister responsible for gambling policy, Mr Mike O'Brien, said:

“Much of our current gambling legislation is over 30 years old. Social attitudes have changed and the law is fast being overtaken by technological developments. The Government wants to get rid of unnecessary burdens on business, while maintaining protections necessary in the public interest. We believe there is now a good case for a comprehensive review of British gambling legislation. Reform would raise important issues and the social and economic impact would have to be carefully assessed.”

1.11 On 16 February 2000, the Government announced both that the Review Body would be chaired by Sir Alan Budd (former Chief Economic Adviser to the Treasury and Monetary Policy Committee member and now Provost of Queen’s College Oxford) and the Body’s terms of reference. Other members, including the Board’s Chairman, Mr Peter Dean, were announced on 10 March. The terms of reference and list of members are given at Appendix VII. The Body held its first meeting on 20 April and has been asked to report back to Ministers in the summer of 2001.

Progress with derestrictions of the gaming industries

1.12 Previous annual reports have recorded the 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. This process continued during 1999/2000.

1.13 In August 1999, changes were implemented under the 1994 Act in relation to casinos which:

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

At the time of the implementation of these changes, the Board and the British Casino Association (BCA) published guidelines in respect of the operation of the first two. There have been some difficulties of interpretation in respect of the extent to which advertising is permitted under the revised arrangements and discussions between the Board and the BCA continue on this.

1.14 The Home Office and Scottish Executive also consulted on an extension of permitted casino hours to permit closure at 6am rather than 4am. Ministers have announced that the changes are likely to come into effect later in summer 2000.

1.15 Following extensive discussions between the Board, the Bingo Association and the Home Office, a statutory instrument was laid in April 2000 which has:

- Abolished the previous controls which limited the amounts which could be charged by bingo clubs per two hour period.
- Established instead a statutorily based, customer notification system specifying the form in which charges must be notified so that they are as simple and clear as possible.

1.16 The Home Office has said that, notwithstanding the establishment of the Gambling Review Body, it will seek to continue to proceed with sensible and uncontroversial derestrictions of the legislation relating to gaming using the Deregulation Act powers while that Body undertakes its work. In this regard, consideration is being given in particular to issuing consultation documents on two sets of measures:

- In respect of bingo, to remove prize limits and the introduction of greater flexibility in the permitted prize structures for multiple bingo; to allow clubs to site both jackpot and amusement with prizes gaming machines; and to abolish the requirement to give licensing justices 14 days notice of changes to charges.
- In respect of gaming machines, to permit the manufacture and siting of machines which only accept £1, or £2, coins; the use of bank note acceptors in machines; the use of electronic and other non-monetary methods of playing machines; and the re-playing of winnings in the machine's bank without paying out first.

With the exception of some reservations about the way in which the last of these gaming machines measures would operate in practice, the Board has indicated that it is generally content with all the proposals.

Internet gambling

1.17 Last year's Report expressed the Board's concerns at the potential of the Internet to offer unregulated, unlicensed and low tax gambling and described briefly the approaches being taken around the world, the legal position in Great Britain and the options for future regulation here. In view of its concerns and its duty to advise the Home Secretary on developments in gaming, the Board decided that it should launch a study of Internet gambling with a view to preparing a report on the issue. It circulated a background consultation paper in November 1999 to the various interested organisations with which it deals and considered the responses to that paper, and to a follow up letter, from the more than 20 organisations which replied in preparing its final report.

1.18 That report setting out the Board's findings and recommendations was sent to Mr Mike O'Brien, the Minister responsible for gambling policy, at the beginning of April 2000. A copy is reproduced at Appendix VIII. As can be seen there, the Board's main conclusion is that there should be a structured and coherent legislative system which permits controlled and regulated Internet gambling sites in Britain. There are however a range of difficult and complex matters which need to be addressed in establishing the form of that legislation, and legislative change is unlikely to be simple or straightforward. The Board believes that the whole subject of Internet gambling and what changes are needed to accommodate it are matters to which the Gambling Review Body should give particular attention. Meanwhile the

need for urgency will be determined by the speed at which Internet gambling facilities develop, the opportunity cost of delay and the prevalence rates of Internet gambling. The last currently appear to be lower than might have been expected. The Board has told the Home Office that it will continue to monitor developments in this whole area.

Problem gambling and gambling by children

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

1.20 The Board has therefore welcomed efforts in recent years to promote greater public understanding of the risks inherent, at least for some, in gambling and, as problem gambling concerns all sectors of the industry, to promote a co-ordinated approach to research and action. In particular, GamCare (the National Association for Gambling Care, Educational Resources and Training) has now completed three 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 make contributions to GamCare to support its work and the Board welcomes this. Sectors of the gambling industry (such as the British Casino Association (BCA), BACTA (the trade association for the pay-to-play leisure machine industry) and the Betting Offices Licensees Association (BOLA)) have also adopted a positive attitude by producing notices, guides and leaflets which they have encouraged their members to display or have available in their premises.

1.21 One of GamCare’s recent major initiatives has been to undertake a nationwide study to provide good quality benchmark data on the prevalence of gambling throughout Great Britain. The two specific objectives of the research have been to:

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

Work on the study has been co-ordinated by a steering committee chaired by GamCare and including representatives of the government, the industry, the Board and the National Lottery Commission. Much of the costs of the survey have been borne by industry bodies. The survey

has been conducted by the National Centre for Social Research, fieldwork was carried out in autumn 1999 and the results were published in June 2000. In parallel to this study, KPMG, commissioned by Business In Sport and Leisure (BISL) and again funded by the industry, conducted a survey of the costs and benefits of gambling to the UK economy. Their report (The Economic Value and Public Perceptions of Gambling in the UK) was published in May 2000. Both surveys should provide valuable material for the work of the Gambling Review Body.

1.22 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, as this would both avoid confusion and reduce significantly gambling by those aged 14 or 15 on the grounds that they appear older.

1.23 The Board mentioned last year that it believes there is a need to address the question of whether gaming machines should be available to children at all. Reflecting this, the Board said that it had agreed to set up a working party with BACTA to establish whether a consensus could be reached on which types of machines might be regarded as “non-gambling” machines suitable for play by children. In the event, BACTA has suggested that the best way to approach the concerns about children gambling is to introduce a code of practice to be adopted by all trade bodies representing those who site gaming machines and to be added to the conditions attached to licences/permits by magistrates/licensing authorities. This code would, for instance, include conditions designed to prevent, or at least minimise, access by under 18s to all cash gaming machines (which are intended for adults) and to prevent access to any amusement-with-prizes machines by unaccompanied children during school hours. The Board has told BACTA that it welcomes the code, which is due to be published in July 2000, and commends BACTA’s efforts to ensure its widespread adoption. Whilst the Board has some regrets that it has not proved possible to agree a definition of what constitutes non-gaming machines suitable for play by children, the issue of gambling by children seems certain to need to be addressed by the Gambling Review Body, and the Board is content, at this stage, to leave further consideration to that Body.

The Board’s Operations

1.24 There were a number of significant developments affecting the Board’s operations during the year. First the Board conducted a review of the policy it adopts when deciding whether to lodge an objection to a casino licence on grounds of lack of demand. It was concerned that under the policy at the time it was lodging a formal objection in nearly all applications for a new licence where there was already one casino or more. Under its revised policy, the Board expects to object in many fewer cases. This is explained more fully in paragraphs 2.14 and 2.15.

1.25 The Board’s Inspectorate has been discussing with the casino industry for some time the introduction of “head office” inspections to supplement the regular inspections of individual casino premises. The Board was pleased that the first two such inspections were conducted during 1999/2000 (see paragraphs 7.13 to 7.16).

1.26 The Board has continued to develop its Information Technology facilities as resources allow. In addition to every member of staff being contactable by e-mail and all staff having access to the Internet, the Board has established its own web site through the efforts of one of

the members of its Inspectorate. This can be found at <http://www.gbgb.org.uk>. This Report is being made available on that site.

1.27 Board Secretariat staff posts have over the years been filled by Home Office employees on secondment. In recent times the Board has found it increasingly difficult to recruit such staff to fill vacancies when they occur. The Board is considering what can be done to overcome this problem, including consideration of the possibility of direct external recruitment.

1.28 Later this year, the legislation incorporating the European Convention on Human Rights into British law comes into effect. The Board has been considering what needs to be done to ensure that its procedures are fully compliant with the new legislation. During 1999/2000, the Board also became subject to the jurisdiction of the Parliamentary Commissioner for Administration (“the Parliamentary Ombudsman”).

Method of funding the Board and Board resources

1.29 Over recent years the Board has made clear to the Home Office its unhappiness 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 is determined by the Home Office by reference to what it can afford from its overall budget and in competition with other, more conspicuous demands such as crime policy, prisons and immigration. This means that little regard is paid to the resources the Board needs to carry out its duties properly. Further, some desirable deregulation measures have not been able to be taken forward in part because the necessary regulatory resources could not be furnished by the Home Office even though those resources would have been funded by the industry which supported the measures and was content with the financing arrangements.

1.30 The Home Office has said that it sympathises and appreciates the difficulties that the current regime presents for the Board. It has thus been seeking ways of making the Board more independent and self-standing in the manner of financing, without prejudice to its accountability. During the year, discussions took place with the Treasury which suggested that there might be a possibility that much of the work of the Board could be treated, in national accounting terms, as a “service” to industry. If so, it might be possible for the system of funding to be changed, without the need for legislation, so that the Board could use fee revenue directly to fund expenditure. Discussions on the issue continue. The Board was also encouraged to note that, as part of its terms of reference, the Gambling Review Body has been asked to consider how regulation might be “financed by the gambling industry itself”.

1.31 As a result of expenditure constraints which have borne on the Home Office, the Board has in recent years faced successive reductions in its budget in real terms, totalling 10% up to 1999/2000. Over the same period, the Board has taken on a considerable amount of extra work, and has managed by making substantial gains in efficiency. The Board believes that it could not have coped with further real terms cuts without prejudicing the proper discharge of its functions. It is therefore pleased to report that the Home Office agreed to increase its grant for 2000/01 by 2.5%, in line with inflation.

The Board's costs and fee levels

1.32 The total cost of the Board's operations, including the salaries and other expenses of the Board members, amounted to £3.6 million in 1999/2000. The Board is required to cover its expenditure through the fees charged for certification and licensing (see paragraph A22 of Appendix I).

1.33 It became apparent during the year that there had been an unintended shortfall in total fee income when compared with expenditure in the most recent periods. As a result, and having considered the anticipated levels of applications for certificates and licences for 2000/01 alongside forecast expenditure, the Board agreed with the Home Office that gaming and lotteries fees should be increased by 8.5 per cent on average, except for certificates of approval for which the fee has been increased from £75 to £100. It was estimated that increases of this level should ensure that receipts of gaming fees and expenditure match. Gaming fees had only been increased twice in the previous six years, by a total of around 5 per cent over the period.

1.34 Lotteries fees had been cross-subsidised by gaming fees until the early 1990s. When that was stopped, Ministers agreed that the resulting deficit on lotteries fees could be initially financed from public funds but asked the Board to take steps to eliminate it over a period of years. Consequently, taken with the new fees structure introduced in May 1994, lotteries fees have increased on average by around 4 per cent per annum since April 1992. The current increase of 8.5 per cent, along with one further year's above inflation increase, is intended to eliminate the lotteries deficit entirely. The new levels of gaming and lotteries fees, which became effective on 12 June 2000 (with the exception of fees for casino and bingo licences in Scotland which were still awaiting implementation when this report was produced), are set out in Appendix V.

Membership of the Board

1.35 The full list of Board members appears at the beginning of this Report. Mr Bryan Austin retired from the Board at the end of August 1999, after serving as a member for five years. The Board wishes to record its thanks for the valuable contribution Mr Austin made to its work during that time. He was replaced from 1 September 1999 by Mrs Marie Stevens. Mrs Stevens is a self-employed solicitor who was formerly Group Solicitor at Ladbroke Group PLC. She has wide experience of gambling regulation.

1.36 One of the Board's members, Mr Michael Steen, has particular responsibility for the Board's activities in Scotland. During the year he met with officers of the Scottish Executive in Edinburgh to discuss the Board's work and other gaming related issues concerning Scotland.

International activities

1.37 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 Chairman, Secretary and Chief Inspector of the Board attended the eleventh annual meeting of the Gaming Regulators European Forum (GREF) in the Hague in

June 1999. Representatives of 15 countries were present. The Board's Secretary remains GREF Secretary. The Chairman and Secretary also attended the Annual Conference of the International Association of Gaming Attorneys/Regulators (IAGA/R) in Nassau in September 1999. This annual conference includes separate sessions for regulators only: the Secretary is a member of the organising committee for these sessions. Details of the Inspectorate's contacts with individual overseas regulatory bodies are given in paragraph 7.4.

Performance targets

1.38 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: 1999/2000

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

Notes

- (i) Figures for 1999/2000 are not directly comparable with earlier years as a change in the method of calculation was made such that timings are now recorded from receipt of the completed application, rather than initial notification.
- (ii) A study of the Board's work undertaken by the NAO during the year uncovered apparent discrepancies in the calculation of performance in dealing with certificate of approval applications. The Board wishes to express its regret that the figures may therefore have been misleading. While the Board believes the problems are probably limited to certificate of approval cases, work is to be undertaken to validate all the systems for compiling performance data. Meanwhile, the Board suggests that the figures should be regarded as giving just broad indications of performance.

Audits and reviews of the Board's work

1.39 Internal audit of the Board's work is conducted on its behalf by the Home Office Audit and Assurance Unit. Following the completion of the previous long term audit plan, the Unit conducted a full audit needs assessment during 1999 and drew up and agreed with the Board a new five year plan to cover internal audit needs for the period to 2004/5. Under the new plan, which can be amended as the years and needs progress, about half of the audit work each year will concentrate on financial and accounting controls and the other half on other Board operational and administrative systems. In addition to conducting the audit needs assessment, the Unit also conducted a review of the compliance with financial authority delegations during 1999/2000.

1.40 The National Audit Office completed the audit of the Board's accounts for 1999/2000 in June 2000. The audited accounts are given in Appendix IV. Since last year, these accounts are now presented on an accruals basis, rather than on a cash basis as in the past. During the year, the National Audit Office also conducted a "value for money" study of the Board's work. Its report was published on 9 June 2000 and was the subject of a hearing of the House of Commons Public Accounts Committee later that month.

1.41 The Board's Audit Committee, which consists of all Board members under the chairmanship of Mr Steen, met four times in 1999/2000 to review the audited accounts, to consider Internal Audit reports, and to agree the new five year Internal Audit plan.

Investors in People

1.42 As noted last year, the Board established a programme of work with a view to achieving Investors in People status by the end of 1999. Investors in People is the national standard, and regarded as a benchmark of best practice, for effective investment in the training and development of staff to achieve organisational goals. The Board was pleased to be awarded the status in November 1999. Work is continuing to maintain and build on the standards achieved.

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 BCA and casino operators (2.6 and 2.7)
- Applications for certificates of consent and their continuance (2.8 to 2.12)
- Demand for casino gaming and the Board's approach to licensing hearings (2.13 to 2.17)
- New licence applications for additional casinos (2.18 to 2.24)
- Management agreements (2.25)
- Derestriction of casino gaming (2.26)
- Extension to gaming hours (2.27)
- Review of casino games (2.28 to 2.30)
- Involvement of Board certificated companies in gaming overseas (2.31 to 2.32)
- Internet casinos (2.33)
- Numbers of gaming machines in casinos (2.34)
- Employment within casinos (2.35)
- University of Salford Centre for Gambling and Commercial Gaming (2.36)
- Casino attendance (2.37)
- Financial statistics (2.38 to 2.41)
- Numbers of certificates of consent and licence applications (2.42)

Number of licensed casinos

2.2 There were 123 licensed clubs in Great Britain at 31 March 2000 of which 118 were trading at that date, two more than a year earlier. One of the operating clubs provides card room games only. The distribution of individual operating casinos by location is given in Appendix VI.

2.3 Four licences in respect of entirely new additional casinos were granted during 1999/2000 although none of them were operational by 31 March 2000. A further four new concurrent licences (for planned substitute premises or alterations to existing premises) were granted during the year in respect of premises that were being improved or relocated.

2.4 During 1999/2000, four concurrent licences were surrendered or allowed to lapse on the opening of improved or relocated premises. There were four casinos with concurrent licences at 31 March 2000.

Structure of casino ownership

2.5 In the past, casino ownership by listed PLCs could be broadly divided into two main categories: those operating mainly provincial casinos and those operating only in London. However two major acquisitions have changed this: Stanley Leisure (previously exclusively a provincial operation) acquired Capital Corporation's three London casinos, and the Ladbroke Group (previously exclusively a London operator) acquired the Stakis Group's mainly provincial casinos and changed its name to the Hilton Group. The trend in concentration of ownership by large PLCs also continued. The overall structure of casino ownership at 31 March 2000 was as follows:-

a) Listed PLCs

Rank Group	31 casinos (4 in London)	No major changes during the year, but some relocations of casino premises occurred or were planned.
Stanley Leisure Group	30 casinos (3 in London)	Acquired the three former Capital Corporation casinos in London and the three provincial casinos formerly owned by the Skyadd Group.
Hilton Group	27 casinos (6 in London)	Acquired the Stakis Group, with its 20 mainly provincial casinos, and an independent casino in Glasgow.
London Clubs International	7 London casinos	London Clubs has been looking for opportunities to expand its casino operations into the provinces. A licence for a new casino in Brighton was granted in February 2000, but it was not operational at 31 March 2000.

b) Other Operators

A & S Leisure Group	5 casinos (1 in London)	A sixth licence was acquired in Hull, but the casino was not operational at 31 March 2000
Tower Casino Group	5 casinos (none in London)	
R J Bown Limited	2 casinos (none in London)	
Pellenfayre Limited	2 casinos (none in London)	
Other operators	9 casinos (2 in London and 1 of the provincial casinos is a card club only)	A further two licences were granted to independent operators, but neither of these were operational at 31 March 2000.

Meetings with the British Casino Association and casino operators

2.6 Regular and constructive dialogue between Board officials and representatives of the British Casino Association was maintained throughout the year. In particular discussions took place on new casino games, the Internet and the introduction of the deregulation initiatives in respect of limited advertising and postal applications. These issues are dealt with in more detail elsewhere in this Report. The British Casino Association Council also met with all Board members in May 1999 to discuss a number of topics of current mutual interest, including the introduction of deregulation initiatives (see paragraph 2.26 below), Board inspection procedures, revision of guidelines and proposals for the extension of opening hours and new games (see paragraphs 2.27 to 2.30 below).

2.7 The Board continued its programme of informal meetings with casino operators to discuss various regulatory and other issues. Two such meetings were held during 1999/2000. These meetings are valued by the Board as they provide an opportunity to discuss various particular and general issues with casino operators outside the formal certificate of consent interview structure. The operators can also use the occasion to air any areas of concern directly with Board members.

Applications for certificates of consent and their continuance

2.8 During 1999/2000 the Board received 44 applications for certificates of consent or their continuance comprising 16 applications for new certificates and 28 continuance applications. This is the highest number received for some years although the volume of

continuance applications was largely due to the various company take-overs outlined in paragraph 2.5 above.

2.9 Of the applications received for new certificates of consent, eight applications were in respect of proposed new casinos. The other eight were from applicants wishing either to move their casinos to substitute premises or to make major alterations to or to extend existing premises. Twelve of the applications were granted during the year and two were withdrawn leaving two still under consideration at the year end. There was also one outstanding continuance application at 31 March 2000; the other 27 continuance applications were granted.

2.10 Three applications were outstanding at 31 March 1999, all of which were for new certificates. Two were for proposed new additional casinos and the third was for substitute premises. These were all granted during 1999/2000.

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

2.12 The Board's target for dealing with certificate of consent applications is four months and, as is shown in table 1 (paragraph 1.38), over 80 per cent of applications dealt with in 1999/2000 were completed within that time. There continues to be a tendency for existing casino operators to request that Certificate of Consent applications be processed within an unrealistic time frame so as to meet the date for a particular licence hearing. Whilst every endeavour is made to ensure that applications are dealt with as speedily as possible and strict monitoring of the progress of cases is undertaken by Board officials, it is recommended that when submission of a consent application is being considered, no matter how routine it may appear to be, the four month target be used as a guide as to the date for likely resolution of the case and as to which licence hearing is likely to be most appropriate.

Demand for casino gaming and the Board's approach to licensing hearings

2.13 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 help the licensing authorities in this exercise, the Act empowers the Board to provide advice on demand to the authorities and requires these 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. In its last two reports the Board has published its policy for deciding whether it should lodge a demand objection at licence hearings.

2.14 In October 1999 the Board undertook a review of this policy, the practical effect of which had been that it lodged formal objections in nearly all applications for a new licence in a permitted area where there was already one casino or more. It was not convinced that this continued to be the appropriate approach given that, in cases where applications had been granted notwithstanding the Board's objection, the additional casinos had operated successfully and in a compliant manner even when, based on Board figures, existing demand

had appeared to be satisfied by existing casinos. The Board also found it difficult to justify objecting in cases where its census figures suggested that demand was already met but where from a regulatory viewpoint it was neutral as to the grant of an additional licence. Among these there had been applications which had appeared to the Board to have considerable merit for a variety of reasons. The nature of the Board's objections in such cases had, it believed, possibly given rise to misunderstanding. The Board felt that many permitted areas could potentially accommodate additional casinos without any risks to the Board's regulatory objectives or to the essential policy underlying the 1968 Act. It therefore decided to change the criteria to which it would have regard in determining whether to object on ground of demand. The revised policy is published at Appendix IX.

2.15 Whilst the impact of the change of policy is still being assessed, it is expected to reduce considerably the number of objections lodged by the Board at licence hearings. The Board's position where it does not object is neutral and it remains for the applicants to establish the existence of unmet demand if that is the basis of the licence application. The Board does however continue to be represented at hearings to give advice on demand criteria and the use of discretion. This is understood to be helpful to licensing authorities in clarifying some of the complex issues involved.

2.16 Whether or not the Board decides to object, and whether or not it is represented at the hearing, in cases where increases in the provision of gaming facilities are being sought by existing or prospective casino operations, the Board is entitled, and will continue, to provide advice to the licensing authority on the demand for gaming facilities in the area to assist their decision on whether extra facilities should be allowed. Specific demand advice was provided on 28 occasions during the reporting year, double the number provided the previous year.

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

New licence applications for additional casinos

2.18 As recorded in last year's report, an appeal was lodged by A & S Leisure Group following refusal by the Hull Licensing Committee to grant the company a new casino licence in Hull. The appeal was heard during April and May 1999 and a licence granted at the end May.

2.19 An application for a licence for a new casino in Northampton submitted by London Clubs was heard over four days in June 1999 by the Northampton Licensing Committee. An objection was lodged by the Board under its policy at that time following consideration of the demand position. Stakis (which at that time had just been acquired by the Hilton Group) was the only other objector as the holder of the licence for the one existing casino in Northampton. Arguments that the licence should be granted on both demand and discretionary grounds were presented at the hearing by the applicant but the Committee decided not to grant the application on either basis. London Clubs lodged an appeal which was heard over the week commencing 6 December 1999. The Board had reviewed its demand policy in the meantime (see paragraphs 2.14 to 2.15 above) and under the new policy, as there was only one existing casino in Northampton, an objection was no longer appropriate. However the objection by Ladbroke Casinos (part of the Hilton Group) was maintained and the decision by the Judge was delivered on Friday 10 December 1999. Having reviewed the evidence he was not convinced that Northampton could support another casino of the size proposed by London Clubs. The appeal was therefore refused. London Clubs have since submitted another application for a new licence in Northampton which will be heard later in 2000.

2.20 A new company, the Victoria Club Limited, applied to the Nottingham Licensing Committee for a licence for a new casino in Nottingham. The application was heard over five days in June and July 1999 and the decision delivered on 12 July 1999. The Board lodged a demand objection in line with its policy at that time (before the revisions that took place in October/November 1999). Stakis also lodged an objection as the operator of the two existing casinos in Nottingham. Again demand and discretionary arguments were put forward and the Committee decided to grant the application saying that there was unmet demand for the type of facilities to be offered by the Victoria Club. Some weight was also given to the discretionary aspects of the application.

2.21 London Clubs also submitted a licence application for a proposed new casino in Birmingham. The application was heard by the Birmingham Licensing Committee over five days in September 1999. The Board lodged a demand objection in line with its policy at that time (before the October/November 1999 revisions). The holders of the five existing casino licences in Birmingham namely Ladbroke Casinos (part of the Hilton Group), Grosvenor Casinos (part of the Rank Group), Rainbow Casino (an independent singleton operator) and the Tower Group (with two Birmingham licences) also objected. The London Clubs case centred on the proposed provision of a different type of facility. The decision to refuse the application was announced on 5 October 1999. The Committee said that it did not consider demand for a new casino had been demonstrated and it had decided not to exercise its discretion in this case. London Clubs did not appeal against this outcome.

2.22 Patmor Limited, a subsidiary within Ladbroke Casinos (Hilton Group) but formerly part of the Stakis organisation, applied for a new casino licence in Blackpool. The proposed casino was to be housed within premises located at the Blackpool Pleasure Beach, a well known attraction within the resort. The hearing before the Blackpool Licensing Committee was held over five days in November 1999. The Board, having initially lodged an objection under its former demand policy, withdrew it before the hearing took place in line with its revised policy. There were three trade objectors at the hearing, namely the Tower Group and Grosvenor Casinos (part of Rank) which own the two existing casinos in Blackpool, and the Stanley Group which have a casino in Lytham-St-Annes. The applicant argued that the Pleasure Beach Casino would cater for an untapped market amongst tourists and visitors to

the town. The decision of the Committee to refuse the application was announced on 19 November 1999 on the grounds that demand had not been proved. An appeal is not being pursued in this case.

2.23 London Clubs applied for a new licence for a proposed casino to be located in the Brighton Marina and the hearing before the Brighton Licensing Committee was conducted over five days in January 2000. The Board lodged an objection under its former demand policy when the application was originally submitted and this was maintained under the revised policy. Other objectors at the hearing were Grosvenor Casinos (who operate two casinos in the area – one in Brighton and the other in Hove) and Cotedale Limited, the owner of an independently run casino in Brighton. The main thrust of the applicant's argument was that the existing casinos fell short of the requirements expected by modern casino users and that the level of usage indicated by the Board's census figures did not therefore represent the true extent of existing demand. Arguments as to why the justices should in any case exercise their discretion were also made, including the benefits of a casino to the Marina location. The Licensing Committee, which announced its decision on 15 February 2000, decided to grant the application as it considered there was unmet demand for the type of facility to be offered by London Clubs.

2.24 Leo Management Limited made an application for a new casino licence in Liverpool. The company had a management agreement with a subsidiary of the Tower Group to run the casino should the licence be granted. Having considered the demand position in line with its revised policy, the Board did not lodge an objection but put forward advice on demand. The hearing was conducted over the week commencing 27 March 2000 with the two existing Liverpool operators (Stanley and Grosvenor) as objectors. The Licensing Committee delivered its decision to grant the application on Friday 31 March 2000 finding that the applicant intended to provide a fuller range of games than those currently available in the area together with superior facilities for the disabled and secure car parking.

Management agreements

2.25 At the hearing of the application made by Leo Management Limited in Liverpool (see paragraph 2.24 above) there was much interest in the Board's view of management agreements entered into by experienced operators with those wishing to open a casino but without adequate existing background knowledge and experience. The Board considers the merits of each individual certificate of consent case separately, but it has no objection in principle to such arrangements.

Derestriction of casino gaming

2.26 The Deregulation (Casinos) Order 1999 came into force on 24 August 1999. This permitted members of casino clubs to participate in gaming without having personally attended the premises on which the gaming is to take place at least 24 hours in advance, as long as written application for membership or a written notice of intention to take part in gaming has been received at the premises at least 24 hours in advance. It also allowed ten instead of six jackpot machines to be available for gaming in a casino and the publication of

advertisements containing limited factual information about casino premises on which gaming takes place or is to take place. The Board has agreed guidelines on the introduction of these provisions with the British Casino Association, although discussions on the extent to which advertising is permitted under the revised provisions continue.

Extension to gaming hours

2.27 The British Casino Association put forward a request for a change to the Gaming Clubs (Hours and Charges) Regulations so that casinos could close at 6.00am (rather than 4.00am as is currently permitted) every day except Sunday when the current opening hours would be retained. Sunday opening hours are defined in the Gaming Act itself and change would require primary legislation. A consultation exercise was conducted by the Home Office on the proposal and there was a considerable response from casino staff objecting to the proposed change. A similar exercise was conducted in Scotland by the Scottish Executive as gaming hours in Scotland have been devolved to the Scottish Parliament. Announcements were made by the Minister of State for the Home Office and the Scottish Deputy First Minister in April that the proposals would continue but with introduction delayed until after the union recognition provisions of the Employment Protection Act 1999 take place in the summer of 2000. A statutory instrument will be required to bring the changes into effect.

Review of casino games

2.28 Following the addition of Casino Stud Poker and Super Pan 9 to the games permitted by regulation at the beginning of 1995, the casino industry has been in discussion with the Board about the possibility of further diversifying the games available to casino punters and of modifying and/or enhancing existing games. Two relatively minor changes to existing games have already been put to and approved by Home Office ministers and the revised regulation came into force on 1 April 2000. These changes comprise a change to the rules of Blackjack to allow one player to play only one box alone at a table (a solo player at a table would previously have had to use two boxes) at the discretion of the casino and a variation on the game of Punto Banco called Punto 2000.

2.29 The British Casino Association has proposed that three new games be added to those currently permitted: Casino Brag (a three card game played against the bank); Big Six (a "spin the wheel" game with a straightforward staking and payout structure) and Sicbo (in which betting takes place on the outcome of three dice being thrown). Other variations that have been proposed include a simplified version of Roulette, a change to the layout of the Dice table to allow additional bets, an accumulator jackpot feature to be added to Casino Stud Poker, and a further small change to the rules of Blackjack. The Board has indicated to the BCA that it is content in principle with the new games and changes to existing games, subject to further discussion on a number of specific matters.

2.30 Proposals have also been submitted for an electronic version of Roulette, called "Touchbet Roulette" that falls within the existing bankers games regulations. The operation of this game is effected by a camera recording the play of a roulette wheel on a normal table. The image is transmitted to a screen in front of the Touchbet terminals. The players at the terminals

can place bets on the roulette games and, if successful, their winnings are credited to the terminals. The results of the games are transmitted electronically to the terminals by sensors on the table. The Board has informed the British Casino Association that it is content with the game and provided advice to licensing authorities with a view to its introduction in the summer of 2000.

Involvement of Board certificated companies in gaming overseas

2.31 The Board's views with regard to Board certificated companies who have also developed their gaming businesses overseas were set out in last year's report. They remain that whilst the Board has no objections to operators licensed in Britain having overseas interests it nevertheless expects that:

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

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

Internet casinos

2.33 As indicated in paragraphs 1.17 to 1.18, the Gaming Act 1968 precludes on-line Internet casinos being established in Great Britain. However the effect of those established in overseas jurisdictions on the British casino market continues to be monitored. Some companies with gaming interests in Great Britain are pursuing the scope for setting up such operations abroad and the Board has indicated to the BCA that it is willing to co-operate in developing a code of practice for such companies.

Numbers of gaming machines in casinos

2.34 The Board has again undertaken a count of the numbers of gaming machines in use in casinos (and bingo clubs). The results of this third census show that there were 795 jackpot

machines operated in casinos in Great Britain as at 31 March 2000 of which 326 were the £1000 prize machines.

Employment within casinos

2.35 The British Casino Association say that there are currently about 11,700 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

2.36 Following the retirement of Professor Neville Topham as Director of the Centre at the end of September 1999, Mr Peter Collins has been appointed as the new Director with effect from 1 June 2000. The Board has taken an interest in the development of the Centre and the Board Secretary is currently a member of its Advisory Board. The second year of the Postgraduate certificate in casino management course was successfully undertaken by 30 students, including one member of the Board's Inspectorate.

Casino attendance

2.37 The figures on casino attendances for the last five years are given below. There were 11.2 million visits to casinos in Great Britain in 1999/2000, a decrease of 2 per cent compared with 1998/99.

Table 2

CASINO ATTENDANCE BY REGION: Number of Visits

	1995/96	1996/97	1997/98	1998/99	1999/2000
Scotland	979,886	1,107,415	1,258,339	1,212,780	1,081,465
North	2,967,547	3,000,346	3,109,131	3,020,186	3,064,886
Midland & Wales	2,113,930	2,187,576	2,214,941	2,135,150	2,112,305
South	2,108,210	2,206,214	2,236,694	2,340,644	2,232,498
SUB-TOTAL	8,169,573	8,501,551	8,819,105	8,708,760	8,491,154
London	2,783,266	2,813,420	2,832,236	2,710,955	2,695,690
GREAT BRITAIN TOTAL	10,952,839	11,314,971	11,651,341	11,419,715	11,186,844

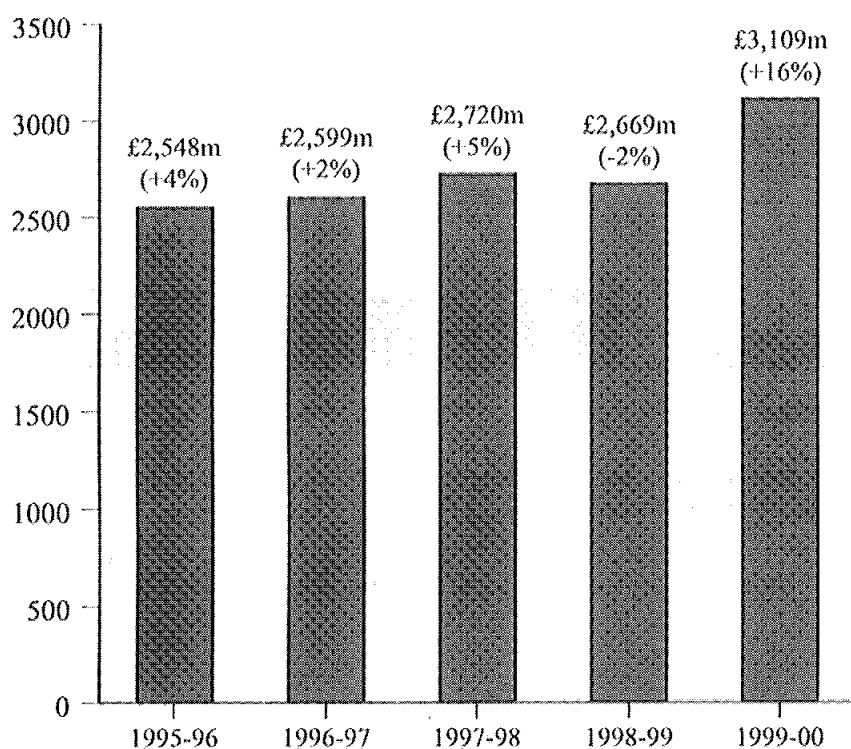
Financial statistics

2.38 The total drop (money exchanged for chips) in casinos in Great Britain during the financial year 1999/2000 was £3,109 million, an increase of £440 million on the 1998/99 figures.

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

Table 3

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

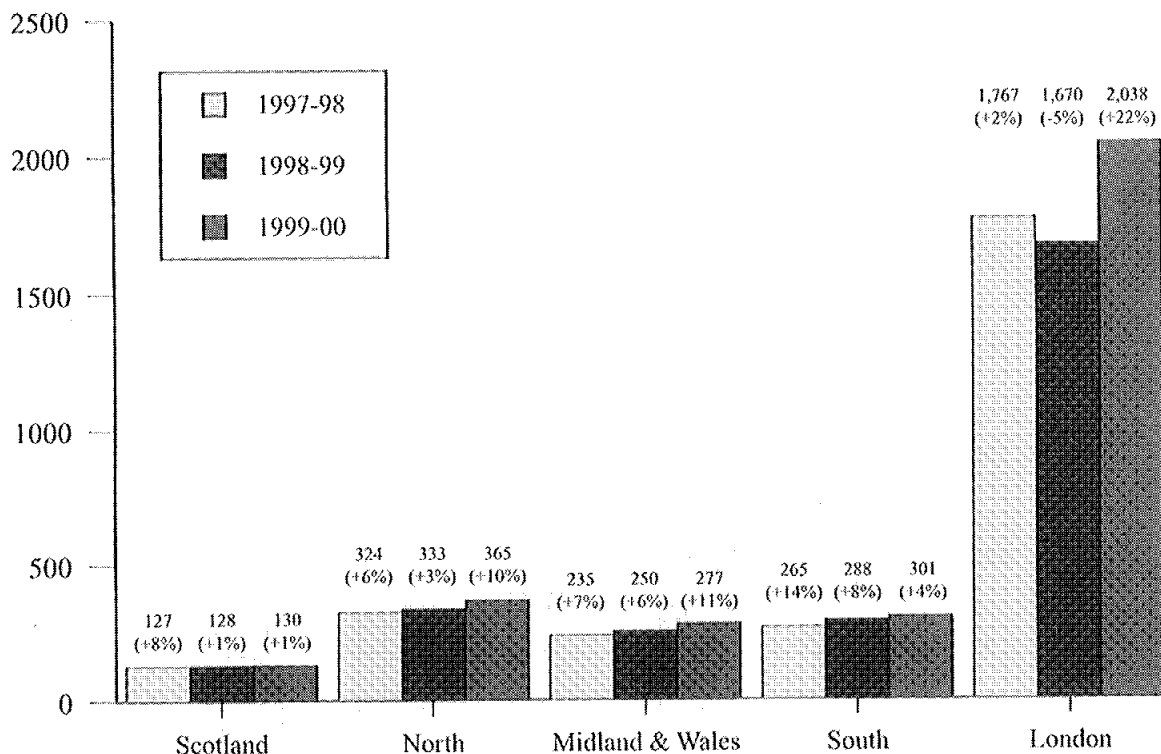


Note on Table 3 – Percentage figures are correct to the nearest whole percentage.

2.39 The drop in London casinos showed an increase of £368 million for the year, while that for the provinces increased by £74 million. Approximately 66 per cent of the total drop produced by all the casinos in Great Britain occurred in the London casinos. The drop figures by region for the last three years were:-

Table 4

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



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

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

Table 5

PERCENTAGE DISTRIBUTION OF DROP BY GAMES

	1995/96	1996/97	1997/98	1998/99	1999/2000
American Roulette	61.9	59.8	61.4	62.7	63.0
Punto Banco (including Baccarat)	13.5	16.7	17.6	12.8	19.1
Blackjack	16.7	16.3	13.9	17.2	11.1
Casino Stud Poker	6.8	6.3	6.2	6.2	5.9
Craps	0.9	0.9	0.9	1.1	0.9
Super Pan 9	0.1	0.1	0.0	0.0	0.0

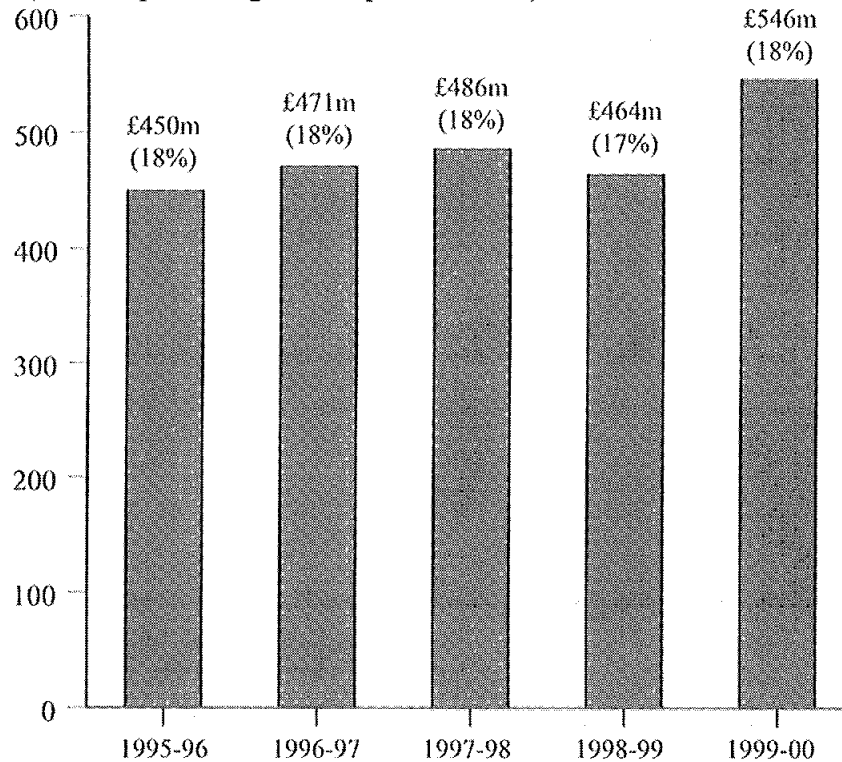
Note on Table

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

2.41 There was an increase of £82 million (18 per cent) in the total retained by casinos as house win. The figures for house win over the last five years were:-

Table 6

HOUSE WIN (Overall percentage of drop in brackets)



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

Numbers of certificates of consent and licence applications

2.42 The following tables show the results of consent applications made to the Board during the period 1 April 1999 to 31 March 2000 and the number and outcome of licence applications.

Table 7

NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1999	3	-	3
New applications received in 1999/2000	15	1	16
TOTAL	18	1	19
Certificates issued	14	1	15
Applications withdrawn	2	-	2
Applications refused	-	-	-
Applications not determined by 31 March 2000	2	-	2
TOTAL	18	1	19

Table 8

NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1999	3	-	3
New applications received in 1999/20	14	1	15
TOTAL	17	1	18
New Licences issued	7	1	8
Applications withdrawn	-	-	-
Applications refused	3	-	3
Applications not determined by 31 March 2000	7	-	7
TOTAL	17	1	18

Table 9

RENEWAL OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1999	1	-	1
Applications received in respect of licences expiring in 1999/2000	109	12	121
TOTAL	110	12	122
Licences renewed	109	12	121
Licences surrendered or allowed to lapse	4	-	4
Applications refused	-	-	-
Applications not determined by 31 March 2000	1	-	1
TOTAL	114	12	126

Table 10

CONTINUANCE OF CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1999	-	-	-
New applications received in 1999/2000	22	6	28
TOTAL			
Applications allowed	21	6	27
Applications withdrawn	-	-	-
Applications refused	-	-	-
Applications not determined by 31 March 2000	1	-	1
TOTAL	22	6	28

Note: During 1990/2000, there were no applications for a certificate of consent to transfer a licence.

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 to 3.4).
- Changes to the industry (3.5).
- Money staked (3.6).
- Linked bingo (3.7).
- Multiple bingo (3.8 to 3.12).
- The industry trade association (3.13).
- Meetings with the industry: Board/Bingo Association Working Group (3.14 and 3.15).
- Use of debit cards (3.16).
- The charging arrangements for bingo (3.17).
- Mixing of S.31 and S.34 gaming machines (3.18).
- Hours of Sunday bingo (3.19).
- Increases in charges and prizes (3.20 and 3.21).
- Meetings with operators (3.22).
- The number of gaming machines in bingo clubs (3.23).
- Attendance at bingo clubs (3.24).
- Employment in the industry (3.25).
- Consent applications (3.26).
- Bingo played under sections 40 and 41 of the Gaming Act 1968 (3.27 and 3.28).

Size and structure of the industry

3.2 The number of bingo clubs holding Board certificates of consent at 31 March 2000 was 769 (see table 11). This represents a decrease of 11 clubs or 1.4 per cent from the figure at 31 March 1999. At 31 March 1995 the number of such clubs was 972: there has thus been a decrease of 21 per cent in the numbers of such clubs over the last five years. Whilst no statistics are available, the Board believes that this reduction has been offset to some extent

by an increase in the average size of the clubs. The rate of closures has reduced recently. Of the 769 certificated clubs, 727 were operating at the end of the year.

3.3 The two largest operators amongst the 769 bingo clubs holding Gaming Board certificates of consent remain Gala Clubs which holds certificates for 154 clubs, of which 151 were operating, and Mecca Bingo Limited (part of the Rank Organisation) which holds certificates for 128 clubs, of which 123 were operating. One other operator held certificates for 40 clubs; one operator held certificates for 25 clubs; two operators held certificates for between 15 and 19 clubs; four operators held certificates for between 10 and 14 clubs; ten operators held certificates for between 5 and 9 clubs; the remaining 273 certificates were held by “singleton” operators or in groups of less than five clubs. Around 90 of the clubs are those in holiday camps, some of which only operate on a seasonal basis.

3.4 The Board objected to the renewal of one bingo club licence during the period of this Report. The outcome was not yet known at the time this Report was prepared.

Table 11

NUMBER OF BINGO CLUBS AT 31 MARCH 2000 (1999 IN BRACKETS)

	England and Wales	Scotland	Total
Holding Board certificates at 31 March 2000	661 (672)	108 (108)	769 (780)
Holding gaming licences at 31 March 2000	638 (565)	105 (107)	743 (772)
Known to be operating at 31 March 2000	624 (647)	103 (104)	727 (751)

Changes to the industry

3.5 There were relatively few changes of ownership in 1999/2000. The Gala Group acquired the Jarglen Group estate of ten bingo clubs in June 1999, and Riva Clubs bought three clubs from the Zettors Group in July 1999. The Gala Group itself changed ownership in March 2000: it was bought by Credit Suisse First Boston Private Equity.

Money staked

3.6 The figures below give the amount of money staked in licensed bingo clubs (including added prize money) over the latest five years. There was an increase of over 3.4 per cent in the latest year, bringing the increase over the last two years to 5.6 per cent. The amount of money staked does not include cash staked on gaming machines.

Table 12

AMOUNT STAKED ON LICENSED BINGO BY YEAR

	Amount staked in £million	Percentage change from previous year
April 1994 to March 1995	844	—
April 1995 to March 1996	906	7.3
April 1996 to March 1997	967	6.7
April 1997 to March 1998	1019	5.4
April 1998 to March 1999	1041	2.1
April 1999 to March 2000	1076	3.4

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

Linked bingo

3.7 Linked bingo is where two or more clubs combine to play a joint game of bingo. The increases in the number of players and revenue which result allow the operators to offer greater prizes. The total number of clubs participating in some form of linked bingo has fallen slightly during the period, decreasing from 633 to 614. Nevertheless, it is clear that linked bingo remains popular.

Multiple bingo

3.8 Multiple bingo, often referred to as the National Game, is played by clubs across the country in accordance with 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.

3.9 The National Bingo Game Association Limited (NBGA) was until recently the only holder of a Board certificate of approval to operate multiple bingo. Its current certificate expires in June 2001. The number of clubs registered to play in its National Games was 554 at 31 March 2000, compared with 573 a year earlier. The weekday games generate a maximum national prize of 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.

3.10 The 1998/99 Report reported that the 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 NBGA but the Board understands that this is being actively considered at present by that Association.

3.11 It was reported last year that other proposals made by NBGA to ease the restrictions on multiple bingo had been put to the Home Office. These included the removal of all limits on prize levels and the frequency of the game, greater flexibility in the prize structure, and the ability to add prize money and to retain part of the stake money in order to generate very large jackpot prizes. Of these changes, the removal of limits on the frequency of games and the ability to add to prize money from the operator's own funds were dropped after further consultation within the industry. The remaining issues are being pursued by way of a Deregulation Order (see para 3.17).

3.12 A second certificate of approval was granted to Linkco Limited, a subsidiary of Rank Group plc, in November 1999 to organize games of multiple bingo for Mecca Bingo Limited, although games had not commenced during the period of this report. This certificate expires on 28 February 2003.

The industry trade association

3.13 In its 1998/99 Report the Board welcomed the merger of the two former trade associations to form the Bingo Association in 1998. As was expected, this has helped considerably the Board's dealings with the industry. The Association is to be commended on achieving consensus on a broad range of issues in what is a diverse industry.

Meetings with the industry: Board/Bingo Association Working Group

3.14 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 four occasions during 1999/2000.

3.15 The first meeting was held on 7 May 1999, when the main items addressed were transparency of charges (see paragraph 3.17), machine records and certificates, the Euro and cheque cashing arrangements. These issues were pursued further at the meeting on 7 September 1999. The meeting held on 11 November 1999 concentrated on the annual "shopping list" items (see paragraphs 3.20 to 3.21 below) and Internet gambling. A further meeting was held on 7 March 2000 when agreement was reached on the arrangements for the introduction of the new transparent charging system. Mechanised cash bingo and Automated Teller Machines (ATM) transactions were also discussed.

Use of debit cards

3.16 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 debit cards. A Code of Conduct for the use of such machines has now been provisionally agreed between the Board and the Association and by the end of the period of this report a machine was being tested in a club.

The charging arrangements for bingo

3.17 The 1998/99 Report stated that the Board had recommended to the Home Office radical changes to the complex bingo charging arrangements, which were difficult for players to understand. These suggested changes consisted of three elements:

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

Progress on achieving the changes has been slow, but ultimately successful. A Statutory Instrument prepared by the Home Office to achieve (i) and (ii) above was laid on 5 April 2000 and came into force on 26 April 2000. An example of the statutory notice ((ii) above) to be displayed showing the cost of entry and charge for each type of game is at Appendix X. The notice is supported by agreements between the Board and the Bingo Association including a revised Code of Practice for Mechanised Cash Bingo which is at Appendix XI. Abolition of the 14 day notice ((iii) above) and the changes to multiple bingo referred to in paragraph 3.11 above are awaiting change by Deregulation Order. The Home Office is proceeding with this but the process involved means that the changes cannot come into force until 2001 at the earliest.

Mixing of S.31 and S.34 gaming machines

3.18 It was reported last year that the Bingo Association had sought a legislative change to allow clubs to deploy simultaneously both (all cash) AWP 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 intends to include this proposal in the Deregulation Order referred to in paragraph 3.17, subject to further discussion.

Hours of Sunday bingo

3.19 In the 1998/99 Report it was reported that the Bingo Association had sought the Board's agreement to a proposal to bring forward from 2.00 p.m. to noon the hours on Sunday during which bingo may be played, and that the Board had indicated that it had no objection to the change. Because of the delays in achieving other changes accorded higher priority by the Bingo Association, this was not pursued further during the period of this report.

Increases in charges and prizes

3.20 The Board held its annual "shopping list" meeting with the industry on levels of charges and prizes on 25 November 1999. The Bingo Association sought an increase in the participation (par) fee limit from £10.00 (+ VAT) to £12.50 (+ VAT) per charging period, the same amount as requested by the industry for the previous three years. This was in the nature of a fall-back position, in case there were further delays in implementing the changes to the charging arrangements referred to in paragraph 3.17. The Association also sought an increase in the prize bingo maximum total take and prize limits from £60 to £120. On weekly added prize money, the Association sought an increase in the limit from £6000 to £6500. No increase was sought for the weekly linked bingo prize money limit.

3.21 The Board considered its response at its meeting in December 1999. In general, it had no difficulties with the Association's requests, but it was concerned that the proposed increase in the prize bingo maximum cumulative take and prize limits to £120 should only apply in the controlled environment of a bingo club. It therefore sought, and obtained, an assurance from BACTA (the trade association for the coin-operated amusement machine industry) that it would not be seeking an equivalent increase in the maximum total take under Section 16 of the Lotteries and Amusements Act which applies to arcades (there is no restriction on the size of the prize that can be offered in arcades). In view of this the Board felt able to recommend the changes to the Home Office. Ministers subsequently agreed the increases: they came into force on 12 June 2000 except for the increased par fee limit, which was overtaken by the change to the charging system referred to in paragraph 3.17.

Meetings with operators

3.22 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 began a series of informal meetings with bingo operators in 1998 on a similar basis to those arranged for casinos. Two meetings were held this year: the first on 2 March 2000, and a second on 16 March 2000. These proved useful and informative for both parties. Similar meetings are planned for the coming year.

The number of gaming machines in bingo clubs

3.23 The Board has again undertaken a count of the numbers of gaming machines in use in bingo clubs (and casinos). The results of this third census were as follows:-

Table 13

NUMBERS AND TYPES OF GAMING MACHINES IN BINGO CLUBS
AT 31 MARCH 2000

AWP (whether all-cash or cash/token)	£250	£500 JACKPOT	TOTAL JACKPOT
17,274	599	60	17,933

Attendance at bingo clubs

3.24 The industry estimates that there are some 3 million active members of bingo clubs.

Employment in the industry

3.25 No definitive figures are available, but industry estimates are that some 21,000 people are employed in the bingo industry.

Consent applications

3.26 The following tables show the results of consent applications made to the Board during the period 1 April 1999 to 31 March 2000 and the number and outcome of subsequent licence applications.

OUTCOME OF BINGO CONSENT AND LICENCE APPLICATIONS
1 APRIL 1999 – 31 MARCH 2000

Table 14

NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1999	2	1	3
New applications received in 1999/2000	13	1	14
TOTAL	15	2	17
Certificates issued	15	2	17
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 2000	0	0	0
TOTAL	15	2	17

Table 15

NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding at			
31 March 1999	11	2	13
New applications made	13	0	13
TOTAL	24	2	26
Licences issued	14	1	15
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 2000	10	1	11
TOTAL	24	2	26

Table 16

TRANSFER CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at			
31 March 1999	1	2	3
New applications received in 1999/2000	40	2	42
TOTAL	41	4	45
Certificates issued	27	4	31
Applications withdrawn	2	0	2
Applications refused	0	0	0
Applications not determined by 31 March 2000	12	0	12
TOTAL	41	4	45

Table 17

TRANSFER OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding at			
31 March 1999	13	4	17
New applications made in 1999/2000	20	3	23
TOTAL	33	7	40
Licences issued	21	2	23
Applications withdrawn	0	1	1
Applications refused	0	0	0
Applications not determined by 31 March 2000	12	4	16
TOTAL	33	7	40

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

3.27 In addition to licensed bingo, unlicensed bingo may be played in certain clubs and institutes and at entertainments not held for private gain and is lawful so long as it complies with sections 40 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.

3.28 The financial limits for both section 40 and 41 bingo are given in Chapter 8 of this report. Last year the Board received representations to increase the limits for section 41 bingo, and after consideration made recommendations for increases in both these and section 40 limits to the Home Office. The Home Office Minister has approved these in principle and it is understood that they are likely to be implemented in Summer 2000.

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 (4.2 and 4.3).
- Applications (4.4).
- Issue of certificates (4.5 to 4.8).
- Introduction of Criminal Records Bureau (4.9).
- Quality of managerial applicants (4.10 and 4.11).
- Revocation of certificates (4.12 to 4.14).
- Interviews (4.15).
- European Court of Human Rights application in section 19 revocation case (4.16).
- Attendance at interviews (4.17).
- Revocation without interview (4.18).
- Reapplication after revocation action (4.19).
- Overseas enquiries (4.20).
- Contravention of section 23(6) of the Gaming Act 1968 (4.21).
- Decisions by outcome and issues by type, 1999/2000 (4.22).

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

4.3 The Board issues certificates of approval as follows:

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

Applications

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

Table 18

APPLICATIONS FOR CERTIFICATES OF APPROVAL 1995/96 TO 1999/2000

	Number of applications dealt with	Number of certificates issued
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
1 April 1995 – 31 March 1996	5,755	5,233

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

Issue of certificates

4.5 It remains the Board's policy to make checks or obtain reports from the police and other authorities on all new 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 87 per cent of all first time applicants for the dealers' (blue) certificate received their certificates within six weeks of receipt of the application by the Board.

4.6 Enquiries are made of overseas employers before the issue of fresh certificates to previously certificated staff returning from working in casinos abroad; police checks are made in tandem with these enquiries to reduce any delays to a minimum. Casino gaming is an international business and it is understandable that staff wish to work in different jurisdictions. However, the Board has particular concerns about certificated staff working in illegal casinos in other countries. The Board insists that all applicants are properly vetted before the issue of any certificate. 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.

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

4.8 A certificate, once issued, remains valid for the employee in respect of the casinos identified on it unless and until it is revoked. The Board has no record of the number of certificate holders actually in employment, as it has no comprehensive records of staff resignations or departures. Also, the wording of section 19 of the 1968 Act causes difficulties in practice when an 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 consistent with its legal advice does not require a new Section 19 certificate for moves of location in the same grade with the same employer.

Introduction of Criminal Records Bureau (CRB)

4.9 The Government is establishing the Criminal Records Bureau to take over responsibility from the police for conducting criminal record checks of individuals and to issue appropriate certificates. When established, the Board will undertake its background checks on applicants resident in England and Wales through the Bureau. Discussions with the CRB are continuing to ensure a smooth transition to the new arrangements, currently planned for summer 2001. The design of the application form for certificates of approval (GB11) will need to be changed to reflect the CRB's requirements.

Quality of managerial applicants

4.10 The standard of first-time applicants for the managers' grey certificate remained high. Where an applicant does not meet the required standard, the application is normally deferred by agreement to allow the applicant to improve his or her knowledge of the Gaming Act 1968 and the regulations made under it. In fact, all applications were granted, 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 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.

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

Revocation of certificates

4.12 Revocation procedures are normally prompted by receipt from the Board's Inspectorate of an adverse report on the certificate holder. Even if the certificate holder has not been dismissed or committed an illegal act, the Board is not prevented from taking revocation action. The test provided for in the Act is the broader one of fitness and propriety to hold the certificate. Where doubts are raised about the fitness of the certificate holder, the case is considered by officials in the Board's Secretariat, who decide what action should be taken. If that decision calls into question the holder's suitability to continue to hold one or more of the Board's certificates, a "minded to revoke" letter is issued. In it, the certificate holder is offered the opportunity to appear before the Board or to make written representations to explain his or her actions. In either situation, the case is then referred to Board members for a decision. Reasons for revocation of certificates in the year ending 31 March 2000 were as follows:

Table 19

REASONS* FOR REVOCATION OF CERTIFICATES 1 APRIL 1999 – 31 MARCH 2000
(PREVIOUS YEAR'S FIGURES IN BRACKETS)

	Certificate Holders
Visiting and gaming in another casino	9 (2)
Socialising with members	8 (13)
Incurring convictions after the issue of a s19 certificate (excluding drug-related convictions)	8 (9)
Involvement with drugs (including drug-related convictions)	6 (8)
Collusion with players	4 (14)
Theft from employers	4 (12)
Accepting gratuities	3 (3)
Drunkenness	2 (2)
Failing to declare convictions in breach of a s.23 (6) of the Gaming Act 1968 (see paragraph 4.20)	2 (2)
Others**	12 (16)
TOTAL	58 (81)

* The principal reason is shown in each case.

** Relates to violent behaviour, attempting to enter another casino in the company of members, colluding in theft from the casino, disposing of a £25 casino chip in contravention of procedures, failure to follow senior management instructions, falsifying petty cash vouchers, neglect of duties, police caution for theft from casino member, police caution for theft of £425 from casino, poor supervision and failing to settle debts, sexual harassment of other members of staff, and theft from a friend.

4.13 The Board is pleased to note that the numbers of revocations for involvement with drugs on or off the casino premises, which rose significantly in 1997/98, have continued to fall and are at a low level. It takes a very serious view of any certificate holder having any involvement with drugs and noted its concern in last year's Report. Illicit drug taking is not only a criminal offence in itself, but also brings into question the ability of certificate holders who may be under the influence of drugs to undertake their duties in a fit and proper manner.

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

Interviews

4.15 During the period 1 April 1999 to 31 March 2000, 110 interviews were held in connection with certificates of approval.

Table 20

INTERVIEWS IN CONNECTION WITH CERTIFICATES OF APPROVAL: 1 APRIL 1999 – 31 MARCH 2000

Type of certificate	Number of interviews	Remarks
Casino executive (white)	5	5 were granted
Gaming manager (grey)	48	48 were granted
Gaming inspector (yellow)	1	This was a re-application after revocation and was granted
Gaming dealer (blue)	17	13 were re-applications after revocation, all of which were granted 4 were new applicants and all were granted
Bingo manager (pink)	31	31 were granted of which 1 was a re-application after revocation
Existing holders of certificates of approval relating to casinos and subject to adverse reports	8	7 had certificates revoked 1 retained his certificate after interview

European Court of Human Rights application in section 19 revocation case

4.16 The 1997/98 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 of his managers 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 under the Human Rights Convention. The application was declared admissible by the Court on 14 September 1999 and the case is proceeding.

Attendance at interviews

4.17 Certain applicants for certificates of approval are invited to interview to discuss their cases with officials or Board members; and all those subject to revocation action are invited to appear before a panel of the Board. Although the Board's invitation to interview letter indicates that interviewees may be accompanied by their (prospective) employer or an advisor, in

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 interviewee, or alternatively submitting a letter of support where they consider it appropriate.

Revocation without interview

4.18 In cases where the Board is considering revocation of certificates, and the holder does not wish to attend for interview or to make written representations, or the Board's recorded delivery letter is returned undelivered by the Post Office, the Board must consider the certificate holder's suitability to hold the Board's certificates on the available information. During the period 51 certificate holders had their certificates revoked without interview, including 9 who made written representations.

Reapplication after revocation action

4.19 Whilst each reapplication 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 the certificate(s). During the year 15 individuals who had previously had their certificates revoked made successful re-applications.

Overseas enquiries

4.20 The Board received 140 enquiries from regulatory authorities in other countries where British staff holding the Board's certificate were seeking employment. These are dealt with by issuing letters of accreditation to the agency, employer or the individual concerned.

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

4.21 A number of applicants failed to disclose a full record of their convictions, even though the application form makes it clear that the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975 authorises the Board to require such disclosure. In all cases of failure to disclose previous convictions, the matter was addressed by the Board directly with the applicant either at interview, where refusal or revocation will have been considered, or as a written warning. The police may also decide to take action although no prosecutions were initiated during the year. It remains a requirement of all applicants to declare all convictions, police cautions and pending prosecutions on all applications.

Decisions by outcome and issues by type, 1999/2000

4.22 The outcome of applications for section 19 certificates, and certificates issued by type, for 1999/2000 were as follows:

Table 21

SECTION 19 CERTIFICATES: DECISIONS BY OUTCOME 1999/2000

	New certificates issued	Existing certificates re-issued	Total certificates issued	First time Applications refused	Applications withdrawn	Revocations*
Casino Executive (white certificate)	8	5	13	0	1	0
Casino Manager (grey certificate)	68	7	75	0	0	3
Casino Supervisor (green certificate)	100	5	105	0	1	2
Casino Inspector (yellow certificate)	1,157	88	1,245	0	62	21
Casino Dealer (blue certificate)	2,482	83	2,565	0	466	32
Bingo Manager (pink certificate)	63	40	103	0	1	0
TOTAL	3,878	228	4,106	0	531	58

A total of 58 individuals had certificates revoked: the number of certificates revoked was 148.

Table 22

SECTION 19 CERTIFICATES: ISSUES BY TYPE 1999/2000

	New applications	Transfers	Promotions	Re-issues	Total certificates issued
Casino Executive (white certificate)	5	0	3	5	13
Casino Manager (grey certificate)	0	21	47	7	75
Casino Supervisor (green certificate)	0	12	88	5	105
Casino Inspector (yellow certificate)	15	695	447	88	1,245
Casino Dealer (blue certificate)	1,881	601	0	83	2,565
Bingo Manager (pink certificate)	43	20	0	40	103
TOTAL	1,944	1,349	585	228	4,106

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:

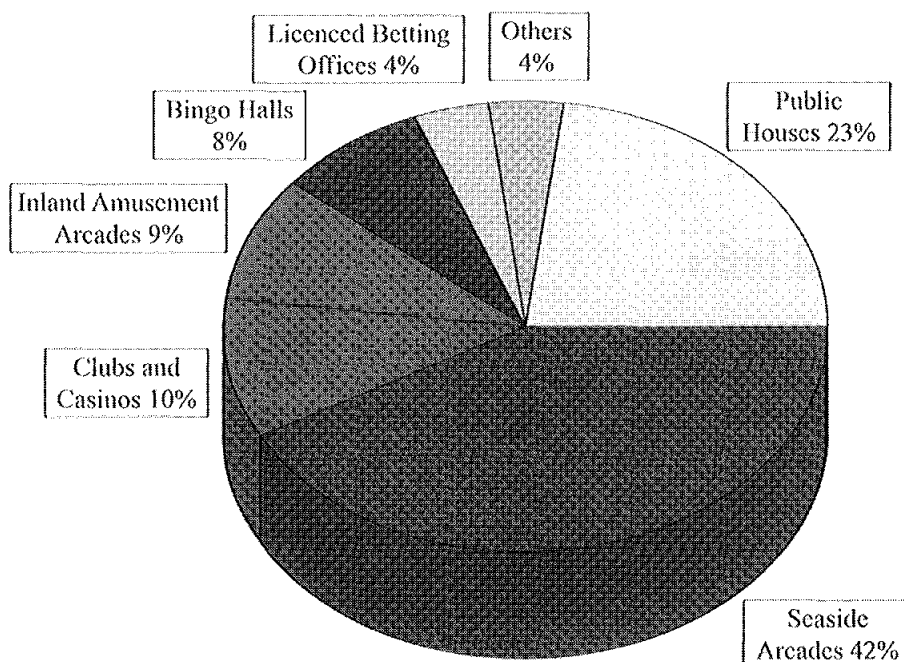
- (i) Club or jackpot machines with maximum prizes of £1,000 in casinos, £500 in bingo clubs and £250 in other clubs and a maximum stake of 50p.
- (ii) “All cash” amusement-with-prizes (AWP) machines in adult environments such as public houses, licensed betting offices, bingo clubs and adult amusement 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 and 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. Therefore the Board does not hold statistics on machine numbers and locations. However, following research in 1996 BACTA (the trade association for the pay-to-play leisure machine industry) estimated that there were around 250,000 gaming machines of one sort or another sited in Great Britain. These included around 32,000 jackpot or club machines and around 218,000 AWP machines, including the all-cash machines. In addition, it was estimated that there were around 10,000 pinball, pusher and crane grab machines, which also qualify as gaming machines under the definition in the 1968 Act. An estimate of the distribution of these machines by location was given in the Board's 1998/99 report and is repeated below:



5.3 The BACTA statistics also estimated the combined annual turnover of AWP's and jackpot machines to be around £7.8 billion in 1996, of which around £6.3 billion was paid out to players in the form of prizes. Nearly 25,000 people were believed to be employed directly by the sector. While no official update is available since that time on either machine numbers or turnover, industry feedback suggests that the figures are still broadly the same.

Proposals for changes to payment methods for machines

5.4 As reported last year, BACTA has been seeking, by way of deregulation, the following changes to the legal controls over payment systems for gaming machines:

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

As also reported last year, the Board had told the Home Office that, with the exception of a possible reservation about the way the last of these worked in practice, it had no objections in principle to the proposals.

5.5 During the last year, the Home Office has continued discussions with BACTA and the Board on the proposals. One difficulty is that the Parliamentary Deregulation Committees have expressed concern in the past about any further piecemeal relaxations of the controls relating to gaming machines. At the time of preparation of this report, the Home Office had indicated that it hopes to conduct a public consultation on the proposals during the forthcoming months.

BACTA/Board links

5.6 The BACTA/Board working group continued to meet during the course of the year. As commented upon by the Board's Chairman in his speech to the BACTA Convention on 9 December 1999, one useful product of this co-operation has been the revised version of the guidelines for machine control, which are much shorter, simpler and easier to apply than the predecessor version. Amongst other matters considered by the group have been machine testing for AWP machines and extending the testing regime to jackpot machines; 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; the Board's study of Internet gambling; deregulation and the possible impact of the Gambling Review; and the challenges that would be faced by the industry if the UK joins the single European currency. Most of these issues are dealt with more fully in later sections of this chapter.

Review of machine control guidelines

5.7 The previous machine control guidelines had developed over the years into a document that was convoluted and difficult to interpret. For some time, there had been a need to review these guidelines and consolidate them into a document that was clear in its intent and easily understood by both the regulator and the industry. Upon request by Board officials, BACTA undertook to review and consolidate all of the machine guidelines into a new document. The task was completed in 1999, following which the Board approved the guidelines in their new layout and agreed to their publication by BACTA. BACTA has confirmed that they will be available free to both members and non-members. The guidelines are also available on the Board's website at www.gbgb.org.uk.

Machine testing

5.8 As reported last year, the working group agreed in principle to the introduction of machine testing for AWP machines in 1996, with a trial testing regime first. Unfortunately, this was considerably hampered by technical problems with the software, but these have now been overcome. Over the last year, considerable effort has been put into providing sound administrative procedures for the effective exchange of testing information between manufacturers and the Board's machines inspectors and these will now be monitored by the working group. The group has also agreed in principle that the testing regime should 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 has been discussing these with a view to identifying whether any steps might be taken to help simplify any transition if it were to occur. BACTA is preparing a comprehensive paper on the issue and the Board envisages that the question will feature significantly in next year's triennial review of gaming machines stakes and prizes.

Gaming machines and children

5.10 In its last two reports the Board has drawn attention to concerns over children playing gaming machines and has explained the resulting impact they had on the Board's recommendations in the 1998 triennial review of gaming machine stakes and prizes. Essentially, the two main issues were children gaining access to "all cash" machines which are intended for adult use only, and more general concerns about whether children should have access to gaming machines at all. The Board believes that the whole subject of gaming machines and children will need to be addressed by the Gambling Review Body. The Board welcomes the Unified Code of Practice which is being drawn up by BACTA and commends their intention to encourage its widespread adoption by the various trade organisations etc. The Code's main provisions will seek to ensure that children do not gain access to "all cash" machines at all and do not gain access to any AWP machines during school hours. The Board considers however that the effectiveness of the Code will depend crucially on the extent to which it is properly implemented by individual operators and to which it is incorporated and enforced as part of licence/registration conditions. Monitoring of the implementation and effectiveness of the Code will be undertaken to assess its results.

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 1999/2000, and their outcome, are shown in the following table:

NEW APPLICATIONS FOR SECTION 27 CERTIFICATES: 1999/2000

	England and Wales	Scotland	Total
New applications outstanding on 31 March 1999	14	0	14
New applications received in 1999/2000	18	2	20
TOTAL	32	2	34
Certificates issued	20	2	22
Applications refused	1	0	1
Applications withdrawn	0	0	0
To be determined, or awaiting payment of fee on 31 March 2000	11	0	11
TOTAL	32	2	34

Renewal of certificates

(1) Renewal of certificates from the original certification programme

5.12 The original certification programme was instituted 30 years ago in 1970, and a large number of certificates will accordingly reach the end of their five year life on 30 September 2000. The renewal procedure began in September 1999 when renewal application forms were sent to the 115 certificate holders. At the end of March 2000, 2 of these had decided not to renew their certificates. A further 43 were still undecided as to whether to apply for renewal. Of the total of 70 applications received, 23 were renewed by 31 March 2000 and 47 remained to be determined or were awaiting payment of the fee.

(2) Renewal of other certificates

5.13 During the year another 137 certificates, issued at various other times since 1970, reached the end of their five year life. The Board was notified that renewal was not being sought for 19 of these. 118 renewals were therefore left to be considered. The outcome of applications made, together with the four renewal applications carried over from 1998/99, is shown in the following table:-

APPLICATIONS FOR THE RENEWAL OF SECTION 27 CERTIFICATES: 1999/2000

	England and Wales	Scotland	Total
Renewal applications outstanding on 31 March 1999	4	0	4
Applications received in respect of certificates expiring during 1999/2000	107	11	118
TOTAL	111	11	122
New certificates required	0	0	0
Certificates renewed	90	8	98
Applications withdrawn	0	0	0
Applications refused	1	0	1
To be determined, or awaiting payment of fee on 31 March 2000	20	3	23
TOTAL	111	11	122

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 1 section 27 certificate was revoked and 1 application to renew a certificate was refused.

Certificates in force

5.16 On 31 March 2000 there were 773 certificates in force, 8 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. 43 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 for lotteries; and proposal to allow "rollovers" (6.12)
- Online lotteries (6.13)
- Internet lotteries (6.14)
- Illegal lotteries, competitions and product promotions (6.15)
- Lottery statistics (6.16 to 6.18)

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 2000 there were 646 registrations with the Board, comprising 2 local authority schemes and 644 societies. This compares with 6 local authority schemes and 634 societies at the end of March 1999. No applications were refused or registrations revoked during the year.

6.3 The number of individual lottery returns received by the Board declined in 1999/2000. Returns were received for 4,321 lotteries promoted by societies and 4 lotteries promoted by local authorities registered with the Board, compared with 27,334 and 8 returns respectively for the preceding 12 month period. However, the very large figure last year was in the main a consequence of the inclusion of a large number of returns for the "Pronto!" on-line lotteries (see paragraph 6.13 below), which conducted over 25,000 separate draws or lotteries while operational. Returns for lotteries other than "Pronto!" were up from 3,786 in 1998/99 to 4,325 in 1999/2000, an increase of 14 %.

6.4 Proceeds raised by societies' lotteries declined from £161m in 1998/99 to £103.5m in 1999/2000, a fall of around 35%. This decline, which may be indicative of some general lottery fatigue on the part of the public, reversed the trend of recent years. Previously lottery receipts had increased from £38m in 1994/95 to over 4 times that level in 1998/99. Of the £103.5m ticket sales in 1999/2000, around £28m (27%) went on prizes, around £27m (26%) on expenses and the remaining £48.5m (47%) to the good causes. It was noticeable that

individual lotteries raising larger amounts (e.g. over £200,000) declined particularly sharply compared with 1998/99. Lotteries promoted by local authorities registered with the Board continue to decline. Only £82,500 worth of tickets were sold in 1999/2000 as compared to £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 2000 there were 6 companies and one individual registered with the Board as external lottery managers, with one other application under consideration. Such registration is necessary before any external person may manage lotteries on behalf of registered societies.

6.7 As noted in last year's report, while the Board's booklet "Lotteries and the Law" sets out some criteria for determining whether an organisation is acting as an external lottery manager, these are not exhaustive and societies are reminded that if in doubt on this matter they should approach the Board's Lotteries Section 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. "Lotteries and the Law" is available on the Board's website at www.gbgb.org.uk.

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 accounts, 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 reported 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 is 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. These 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 advise that independent legal advice is sought before proceeding with proposals. It is stressed that the Board cannot offer a definitive interpretation of the law; that is a matter for the courts.

Lotteries Council

6.11 In February 2000, for the second successive year, the Chairman of the Board addressed the annual conference of the Lotteries Council (the membership of which consists mainly of societies which promote lotteries), held this year in Buxton. His main theme was the forthcoming review of gambling legislation (notably the implications for gaming and lotteries).

Proposals for increases in ticket price, proceeds and prize limits; and proposal to allow “rollovers”

6.12 The Board commented on these proposals in its report for 1998/99. On the former, it reported that following consultation 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 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 should remain at £5m. As regards the Lotteries Council’s request to the Home Office that the proceeds of individual lotteries should be allowed to be “rolled over” from one lottery to the next, to provide higher prizes, the Board stated that whilst it was unlikely to have any major objections of principle, it believed that there would be a need for careful consideration to be given to the detail to ensure, for example, that adequate audit trails could be established, and it considered that if this proposal were to be taken forward in the way that the Council had suggested, primary legislation might be required. In respect of these matters the Home Office has confirmed that allowing rollovers would appear to require the introduction of primary legislation. The Government has made it clear that any major change on gambling questions that requires primary legislation must await the outcome of the Gambling Review. With regard to other increases requested the Home Office said that given the review it would not be right at present to double the amounts as suggested by the Lotteries Council. They have not however ruled out more modest increases and wrote to the Council in May 2000 for any further information the Council thinks might help to make a case for an increase.

On-line lotteries

6.13 As reported last year, following consultation the Government concluded that on-line lotteries needed to be brought under statutory control and that it would legislate when the legislative programme allowed. That remains the position.

Internet lotteries

6.14 As explained in its last report, in November 1998 the Board granted the first application received from a society to run a lottery on the Internet. At present few other societies have followed suit in wishing to utilise the Internet for this purpose. In considering any further applications from societies to run lotteries on the Internet, 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, competitions and product promotions

6.15 The Board's concern about the proliferation of competitions used to promote commercial products, many of which are conducted by means of premium rate telephone lines, has been made clear in the Board's reports for a number of years. The Board remains of the view that such schemes, which seek to exploit loopholes in the current legislation, represent an unfair threat to the legitimate lotteries industry.

Lottery statistics

6.16 The first table below gives details of returns received from 1 April 1999 until 31 March 2000 for lotteries registered with the Board. It shows the proceeds for society and local authority lotteries in returns received by the Lotteries Section.

6.17 The second table shows comparative figures for the total ticket sales on returns received for each year from 1 April 1995 to 31 March 2000 for lotteries in Great Britain for which schemes are registered with the Board.

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

DETAILS OF RETURNS RECEIVED IN THE PERIOD 1 APRIL 1999 TO 31 MARCH 2000 FOR LOTTERIES PROMOTED IN ENGLAND, WALES AND SCOTLAND UNDER SCHEMES REGISTERED WITH THE BOARD

Society Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
England and Wales	4023	94,204,460	24,342,523	25.84	24,926,289	26.46	44,935,646	47.70
Scotland	298	9,301,713	2,586,109	27.80	3,041,587	32.70	3,674,017	39.50
TOTAL	4,321	103,506,172	26,928,632	26.02	27,967,877	27.02	48,609,664	46.96

Local Authority Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
England and Wales	4	82,588	23,778	28.79	28,040	33.95	30,769	37.26
Scotland	0	0	0	0	0	0	0	0
TOTAL	4	82,588	23,778	28.79	28,040	33.95	30,769	37.26

Total All Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
TOTAL	4325	103,588,760	26,952,411	26.02	27,995,916	27.03	48,640,433	46.95

TOTAL TICKET SALES AND NUMBER OF LOTTERIES SHOWN ON RETURNS RECEIVED BETWEEN 1 APRIL 1995 AND 31 MARCH 2000

Society Lotteries

	1995/96		1996/97		1997/98		1998/99		1999/2000	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
England and Wales	73.38	1,716	108.78	2,221	115.73	4,870	144.61	27,154	94.20	4,203
Scotland	5.56	146	6.3	222	8.93	200	16.38	180	9.30	298
TOTAL	78.94	1,862	115.08	2,443	124.66	5,070	160.99	27,334	103.50	4,321

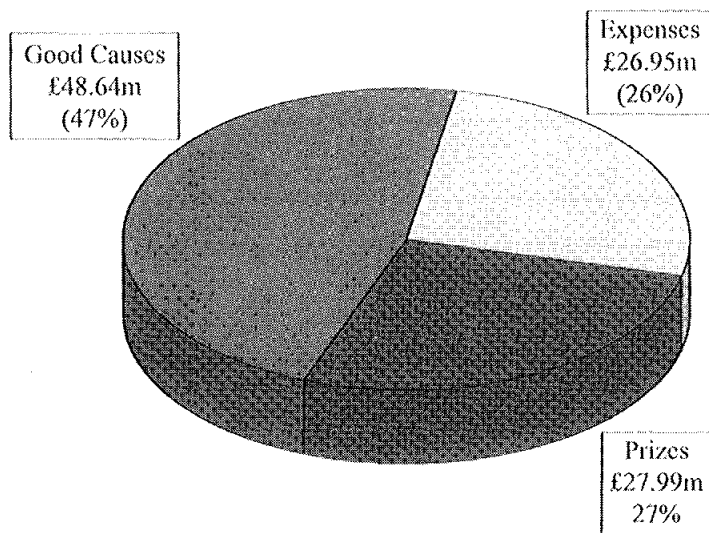
Local Authority Lotteries

	1995/96		1996/97		1997/98		1998/99		1999/2000	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
England and Wales	0.6	47	0.26	18	0.21	11	0.11	8	0.08	4
Scotland	0	0	0	0	0	0	0	0	0	0
TOTAL	0.6	47	0.26	18	0.21	11	0.11	8	0.08	4

Total All Lotteries

	1995/96		1996/97		1997/98		1998/99		1999/2000	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
TOTAL	79.54	1,909	115.34	2,461	124.87	5,081	161.11	27,342	103.58	4,325

PIECHART - LOTTERIES 1999/2000



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 to 7.7)
- Meeting of regulatory authorities (7.8)
- Memorandum of Understanding with ACPO and NCIS (7.9 and 7.10)
- Casino games (7.11)
- Thematic and Major Review inspections (7.12)
- Head Office Inspections (7.13 to 7.16)
- Table supervision trial (7.17 and 7.18)
- Compliance (7.19 and 7.20)
- NCIS Liaison/Intelligence Officer post (7.21)
- Gaming machines (7.22 to 7.24)
- Complaints from the public (7.25)

Inspection visits and other regulatory activities

7.2 During the year the Board's Inspectors made 2169 supervisory visits to casinos and 2328 to bingo clubs. In addition they made 295 inspections of certificated machine suppliers and 6 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 26 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 40 talks to police – including a presentation to the Financial Fraud Investigators Annual Conference – and 42 to gaming licensing and other authorities. Five police training courses were held at regional level, and Inspectors also assisted in the instruction of one gaming course held by the Greater Manchester Police.

7.4 Members of the Inspectorate either attended conferences, undertook enquiries or assisted gaming bodies in the following countries: South Africa, Greece, USA, Channel Islands and the Isle of Man. Visitors to Gaming Board headquarters have included regulators and officials from the USA, Canada, Finland, Sweden, Slovenia, Isle of Man and South Africa.

Inspectorate staffing

7.5 During the year three Area Inspectors and one Senior Inspector left the Board, three having reached retirement age and one for personal reasons. In addition, one Inspector died suddenly while in service. Replacements for all of these posts have been recruited and are fully operational.

7.6 The appointment of an Assistant Machines Inspector, detailed in the previous Annual Report, has proved to be successful and has significantly reduced the pressure on the Board's Specialist Machines Inspector. The incumbent has been allocated specific duties and responsibilities which include the testing of gaming machine compliance software to ensure machines are operating within the Gaming Act and Guidelines, and supervision of the technical aspects of multiple bingo operations.

7.7 The further appointment of an assistant to the Senior Inspector (Operations) with a remit to collate intelligence information and to further improve and add to the Inspectorate intelligence database has also proved to be valuable. The new appointee, who has an intelligence analysis background, has brought relevant, and current, expertise to the Inspectorate which can be used to good effect (see also paragraph 7.21 below).

Meeting of regulatory authorities

7.8 During the year the Chief Inspector facilitated a meeting of representatives from various regulatory bodies including the Jockey Club, the National Lottery Commission, the Financial Services Authority, Stock Exchange and police etc. to discuss the difficult issue of the exchange of information and lawful 'gateways'. Good progress was made towards a better understanding of what gateways currently exist and any restrictions attached thereto.

Memorandum of Understanding (MOU) with ACPO and NCIS

7.9 During the year a formal MOU was agreed between the Inspectorate, the Association of Chief Police Officers (ACPO) and (NCIS) the National Criminal Intelligence Service.

This document is intended to facilitate better understanding and co-operation between the bodies concerned and has already proved effective in bringing to a satisfactory conclusion a case involving an individual holding a certificate of approval issued by the Board.

7.10 Negotiations to extend the MOU to include the Association of Chief Police Officers (Scotland) and the Scottish Drug Enforcement Agency were at an advanced stage at the year end.

Casino games

7.11 As mentioned in Chapter 2, two variations to existing casino games – ‘Punto Banco 2000’ and the provision for a player to play a single box at Blackjack – were introduced during the year and an electronic version of roulette called ‘Touchbet Roulette’ – already operated in the Isle of Man – is intended for introduction in summer 2000. Their effects, from both a player’s and operator’s perspective, will be monitored by the Inspectorate during the coming year.

Thematic and Major Review Inspections

7.12 The use of thematic inspections (where Inspectors concentrate on the inspection of a particular topic of casino operation 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 continued during the year. In addition, and for the first time, a thematic inspection of a bingo operator who operates some 14 clubs in the Inspectorate’s Scottish and Northern Region, which included a visit to the group’s head office, was undertaken. This new type of inspection has proved to be highly effective and has given the Inspectorate a better insight into how operators manage their business interests. Further thematic inspections on a range of topics are planned for the coming year.

Head Office Inspections

7.13 The need for head office inspections of casino operators was discussed in last year’s Annual Report and, with the co-operation of the industry, two such inspections were undertaken during the course of the year. The first, of a major London and provincial operator, was conducted during the latter part of 1999 and provided the inspection team with a valuable insight into the corporate affairs of a major plc. The second inspection, of a provincial operator with a small number of casinos, proved equally valuable.

7.14 No significant issues of concern were identified during either inspection and the Board is grateful for the co-operation and assistance provided by the two operators involved.

7.15 The value of such inspections to both the Inspectorate and industry has been clearly demonstrated and further inspections are planned for the coming year.

7.16 The Inspectorate has been moving towards the introduction of risk analysis with regard to inspections and will be introducing a more formal approach to identifying areas of risk for subsequent inspection.

Table supervision trial

7.17 Following a request from the industry in the Spring of 1999, the Board agreed to a 12-month trial which involved reducing the level of table supervision. In short, the trial enabled casino operators to reduce the 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. Operators taking part agreed at the outset to maintain records of disputes both for tables subject to conventional supervision criteria, and for those tables being used for the trial.

7.18 At year-end the Board was awaiting a report on the outcome of the trial from the industry together with an analysis of table disputes data. The Board will need to be content that gaming continues to be properly and fairly conducted with reduced table supervision in place before considering further industry proposals to allow 'announced' bets and a mix of types of games using the same supervision criteria.

Compliance

7.19 While the Board has continued to be impressed by the effectiveness of the compliance departments employed by the great majority of major operators, it has noted with some concern the apparent willingness of some operators to shy away from dealing appropriately with the unlawful activities of certain of their staff in order to avoid industrial tribunal action or protracted enquiries by police. In addition, the delay in reporting such incidents to the Inspectorate, or indeed the lack of any report at all, has meant that any follow up action against certificate of approval holders has been impaired.

7.20 The Board expects operators to report all incidents involving dishonesty, or any breach of the Act or Guidelines, to the Inspectorate as soon as they come to notice. Further, any in-house investigations of such incidents should always be conducted in accordance with the Police and Criminal Evidence Act, wherever appropriate, and be halted as soon as it becomes obvious that matters of a criminal nature have come to light which need to be referred to the police. The Board deprecates the recent practice adopted by some operators of allowing staff known to have committed criminal acts to resign their positions rather than face disciplinary action by the company.

National Criminal Intelligence Service Liaison/Intelligence Officer post

7.21 The recruitment of a candidate to fill the newly created NCIS Liaison/Intelligence Officer post, to which reference was made in the previous Annual Report, was completed during the period. Based at NCIS, the appointee has been fully integrated into the NCIS organisation and performs the duties of 'Duty Officer' in common with other personnel serving within the Economic Crime Unit. All disclosures made under the money laundering code of conduct agreed with the casino industry are also directed to the postholder in the first instance who then liaises with the Board's Senior Inspector (Operations). Enquiries into the background of certificate of consent and certificate of approval applicants are also passed to the postholder for action at an early stage in the probity enquiry process. To enhance information/intelligence gathering, analysis, storage and dissemination, a database has been established at Board Headquarters to facilitate enquiries in the UK and to assist with enquiries from overseas and other regulatory bodies. This work is to be undertaken by a new inspectorate post of Headquarters Intelligence Officer. The Inspector will have powers of Section 43 of the Gaming Act 1968. The appointment will be effective from 1st September 2000.

Gaming machines

7.22 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 was also given on new developments including betting terminals in Licensed Betting Offices (LBOs), private and society electronic lottery terminals, the 'Touchbet Roulette' unit designed for use in casinos, an AWP bingo/pintable game and on an innovative new concept termed a 'soft terminal' whereby the game software in SWP machines can be changed by means of a remote terminal. This latter development may be extended to AWP's in due course and the Board will accordingly need to give consideration to any necessary safeguards required.

7.23 Specialist assistance and advice was also given 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 at Regional Offices during the course of the year. In total, the Specialist Machines Inspector and his Assistant carried out over 100 site visits.

7.24 The Assistant Machines Inspector, who has dedicated responsibility for gaming machine compliance testing, conducted an evaluation of the system during the year and found certain shortcomings in the delivery of test data from manufacturers. These shortcomings were identified and, with the co-operation and assistance of the trade association BACTA, a more effective system has been implemented. Other work carried out by the Assistant Machines Inspector included the development of an Internet web site for the Board launched in May 2000, the monitoring of Internet sites where gaming facilities are provided, and the provision of technical advice to the Inspectorate on matters relating to multiple bingo games.

Complaints

7.25 Complaints received from members of the public and players in respect of gaming licensed premises and other gaming activities, both lawful and unlawful, receive full enquiry from 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 258 complaints (43 Casino, 132 bingo and 83 'other') were completed. Of these 72 were found to be justified. No complaints were made against any member of the Inspectorate during the year.

8: Registered Clubs

8.1 Under section 10(3) of the Gaming Act 1968, the Board is required to keep under review the extent, character and location of gaming facilities provided in clubs which are registered under Parts II and III of the Act. Part II registration applies only to members' clubs whose main purpose is other than gaming (except that it can include clubs for the playing of bridge or whist) and to miners' welfare institutes. Part III registration allows members' clubs, and proprietary clubs other than licensed gaming clubs, to operate gaming machines. As the process of registration is the responsibility of the local licensing authority, the Board obtains information on the administration of this part of the Act from the licensing authorities themselves. Surveys of authorities are held at three-yearly intervals and, in line with this, a survey was conducted in April 2000 covering registration under Parts II and III of the Act during the period 1 April 1997 – 31 March 2000. Despite reminder action, not all returns were received in time for incorporation in this report. The figures given below are therefore from the returns received that amounted to around 94 per cent of those expected. The figures given are consequently underestimates of the true totals.

Registration under Part II of the Act

8.2 Registration under Part II of the 1968 Gaming Act allows clubs to play equal chance gaming (such as bingo) and to make charges greater than those permitted under section 40 of the Act. Renewal of a registration lasts for one year or, on application, for such higher number of years as the licensing authority sees fit up to a maximum of ten years. The total number of clubs registered under Part II of the 1968 Act at 31 March 2000 was 943 for England and Wales and 156 for Scotland.

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

8.4 The following table sets out particulars of registrations in the period 1 April 1997 to 31 March 2000.

Table 28

REGISTRATIONS UNDER PART II OF THE GAMING ACT 1968
(1 APRIL 1997 TO 31 MARCH 2000)

	England and Wales	Scotland	Total
Initial Applications			
Granted	75	7	82
Refused	7	0	7
Not proceeded with	14	0	14
Not determined by 31 March 2000	0	0	0
TOTAL	96	7	103
Renewal Applications			
Granted	260	128	388
Refused	6	0	6
Not proceeded with	15	0	15
Not determined by 31 March 2000	1	0	1
TOTAL	282	128	410

During this period, 24 registrations were cancelled or relinquished in England and Wales, and 3 in Scotland.

Gaming under sections 40 and 41 of the Act

8.5 The Board does not maintain statistics on gaming under sections 40 (i.e. gaming in clubs or miners' welfare institutes whether or not registered under the Act) and 41 (i.e. gaming at entertainments not held for private gain) of the Act, but it would appear that generally speaking it is low stake gaming, as the Act intended. The daily maximum participation fee under section 40 for playing whist or bridge was increased to £15 on 1 August 1995. For all other games the Home Office has recommended an increase in the maximum charge from 50p to 60p, and, under section 41, the entrance fee/stake limit will increase from £3.00 to £4.00, the total value of prizes from £300 to £400, and the maximum prize at a final entertainment from £600 to £700. These increases are likely to be implemented in Summer 2000.

Registration under Part III of the Gaming Act 1968

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

8.7 The table below shows the disposal of applications made between 1 April 1997 and 31 March 2000.

Table 29

REGISTRATIONS UNDER PART III OF THE GAMING ACT 1968 DURING THE PERIOD 1 APRIL 1997 TO 31 MARCH 2000

	England and Wales	Scotland	Total
Initial Applications			
Granted	1319	55	1374
Refused	28	0	28
Not proceeded with	63	3	66
Not determined by 31 March 2000	4	0	4
TOTAL	1414	58	1472
Renewal Applications			
Granted	4511	729	5240
Refused	15	0	15
Not proceeded with	456	40	496
Not determined by 31 March 2000	157	0	157
TOTAL	5139	769	5908

8.8 During this period 703 registrations were cancelled or relinquished in England and Wales, and 30 in Scotland. The total number of clubs registered under Part III of the 1968 Act at 31 March 2000 in England and Wales was 14329. In Scotland it was 1502.

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 Home Office (A23 to A24).
- Consultation, communication with the industry and confidentiality (A25 to 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 resulting 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 gaming 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: the average number in post full time was 38 during 1999/2000. Inspectorate staff are employed by the Board and numbered 35 during 1999/2000. Specialist legal and accountancy advice is sought from outside consultants as and when required through three year contracts agreed in 1997.

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 three 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 have been 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. 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 recommend refusal, the papers are referred to all five Board members for confirmation. The Board carries out checks of criminal records with the police for applicants where appropriate.

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 interviewing the applicants. In other cases, for example those involving potential revocation of Board certificates or registrations, if written representations are made but no interview is requested, or if no response is received to the letter informing the person that, and the reasons why, the Board is minded to revoke the certificate or registration, the relevant papers are put before all five Board members. If a unanimous view is not obtained on the papers, the case is discussed and decided at the next monthly Board meeting.

A20 Board panels at interviews normally consist of three members, although all five members may be present at major cases involving certificates of consent. The panel makes clear to the applicants or certificate or registration holders the purpose of the interview and the subject matter or areas of concern, though the source of confidential information may need to be protected. The panel establishes with the applicants or certificate or registration holders the facts which are material to the decision and gives them a full opportunity to respond to each issue of concern and to make a statement at the end of the interview. Although the interview is essentially between the panel and the applicants or certificate or registration holders, the latter may be accompanied by advisers, whether legally qualified or otherwise, if they so wish and these advisers may comment on points at issue and are also given an opportunity to make a statement. The decision of a panel may be given at the end of the interview or reserved for consideration and later communication in writing. If there are particular points to be followed up, the applicant will be told what they are. If the decision of a three-member panel is not unanimous, it will be reserved for discussion and decision at the next Board meeting.

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 set by the Home Office. It is required to cover its expenditure, including the costs of its Inspectorate in its regular work of supervision of, and investigation of, matters relating to casinos, bingo clubs, etc, through the fees charged for certificates and licensing. The fees charged also reflect the estimated costs to the police and of supporting licensing justices in relation to their involvement in the control of gaming. It had become apparent in the early 1990's that, whilst overall the income generated by fees broadly matched the corresponding expenditure on regulation, this had been achieved by charging more than the full cost of recovery in respect of gaming and correspondingly less than the full cost in respect of lotteries. Such differential charging arrangements run counter to general Government policy on fees and, as a result, it has been necessary in recent years to adopt different approaches to increases in gaming and lotteries fees in order to attempt to redress this imbalance. In recent years deficits have also arisen on fees for gaming, as well as for lotteries, and steps are being taken to rectify this.

Audits and inspections and other links with the Home Office

A23 The Home Office is the Board's sponsoring Government Department. In that role it produces and agrees with the Board a management statement and financial memorandum setting out the respective responsibilities of the Board and the Home Office and the duties of the Board in handling its finances and grant-in-aid. This was reviewed and revised during 1999/2000. Regular meetings are held between officials of the Board and the Home Office to discuss developments and progress in respect of the Board's work and Home Office policy. The Board produces, and provides to the Home Office for comment, an annual strategic and operational plan.

A24 The National Audit Office audits the Board's accounts. Internal audit of the Board's operations is conducted on its behalf by the Home Office Audit and Assurance Unit. The Board has an audit committee consisting of the five Board members, under the chairmanship of one of their number (Mr 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. Two working groups consisting of Board officials and representatives of the Bingo Association and of BACTA (the trade association for the coin-operated amusement machine industry) respectively continue to meet at intervals and have proved valuable vehicles through which to address and make progress on specific issues of importance and current concern to the respective sides. Board officials also meet with representatives of the British Casino Association (BCA) as necessary to discuss a range of issues. As described in paragraphs 2.7 and 3.22, the Board itself holds informal meetings at intervals with casino and bingo operators.

A26 Whilst, as mentioned in paragraph A21, 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. That policy was revised during 1999/2000 (see paragraphs 2.14 and 2.15). Copies of the memorandum can be obtained from the Board's headquarters at the address in Appendix III or on the Board's website (www.gbgb.org.uk).

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
- The Board's Accounting and Control Guide and Notes for Guidance of new operators regarding the form of submission for operational procedures.
 - BCA and Board agreed Guidelines No.1 - Acceptance of Cheques and Debit Cards.*
 - BCA and Board agreed Guidelines No.2 - Club Activities.*
 - BCA and Board agreed Guidelines No.3 - Competitions in Card Rooms.*

- BCA and Board agreed Guidelines No 4 - Socialising with Members and Gaming in Other Casinos.*
- The Board’s Code of Practice Relating to the Prevention and Detection of Money Laundering in Casinos.

- Bingo
- Board/Bingo Association Mechanised Cash Bingo Code of Conduct.
 - Board/BACTA Code of Practice relating to prize bingo played in amusement arcades.

Gaming Machines – Board/BACTA Guidelines for features on Gaming and Amusement-with-Prizes machines.*

* available on the Board’s website at www.gbgb.org.uk.

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, which was revised in October 1997, is designed to provide a plain guide to the main requirements of lottery law. It can be obtained from the Board’s headquarters at the address in Appendix III or on the Board’s website (www.gbgb.org.uk).

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 As mentioned earlier, the Board’s staff will offer advice to existing or potential certificate, registration and licence holders. The Board’s Inspectorate discuss problems and other relevant issues with licence and certificate holders during their regular monitoring and inspection visits. Minor, isolated and/or inadvertent contraventions of gaming legislation, regulations, approved guidelines or conditions attached to licences/registrations are normally dealt with by verbal or written warnings. All staff will answer telephone enquiries as far as they are able at the time they are received: if they need to obtain further advice first, they will undertake to call back. Replies to written enquiries, other than those relating to particular applications which are handled within the arrangements for such casework, are normally sent within 20 working days. No charge is made for the provision of advice. The Board has however noted 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. No formal complaints were received by the Board during 1999/2000.

Appendix II

SELECTION OF KEY GAMING INDUSTRY AND BOARD STATISTICS:1995/96 1999/2000

	1995/96	1996/97	1997/98	1998/99	1999/2000
CASINOS					
Operating at year end	119	116	115	116	118
Drop (£million)	2,548	2,599	2,720	2,669	3,100
House win as % of drop	18	18	18	17	18
American roulette as % of total drop	61.9	59.8	61.4	62.7	63.0
Applications for certificates of consent or their continuance					
(a) made	14	20	19	15	44
(b) Determined (including withdrawn and fallen applications)	24	18	22	16	44
– of which refused	1*	–	1	–	0
*Revocation subsequently rescinded					
BINGO					
Clubs holding gaming licences at end of year	906	908	818	772	743
Amount staked on bingo: million	906	967	1,019	1,041	1,076
Application for certificates of consent					
(a) made	112	86	83	43	56
(b) determined (including withdrawn)	121	96	54	72	50
– of which refused	0	0	0	-	0
CERTIFICATION OF CASINO AND BINGO EMPLOYEES					
Certificate issued or re-issued	4,233	5,051	3,574	5,056	4,106
Applications refused	6	0	3	2	0
Certificate holders revoked	76	87	73	81	58
GAMING MACHINES					
Jackpot (or club machines) licensed					
Amusement with prizes (AWP) machines licensed		260,000*	250,000*	250,000*	250,000*
Amusement with prizes (AWP) machines licensed					
Certificates to sell, supply and maintain in force at year end	889	817	800	781	773
Certificates refused or revoked	6	2	5	5	2

	1995/96	1996/97	1997/98	1998/99	1999/2000
LOTTERIES					
Society scheme registrations at year end	530	614	614	628	644
Local authority scheme Registrations at year end	21	11	9	6	2
Schemes revoked	–	1	–	–	0
Number of lotteries held under Board registered schemes	1,862	2,461	5,081	27,342	4,325
Total ticket sales (£million)	78.96	115.34	124.87	161.11	103.59
GAMING BOARD					
Grant-in-aid (£million)	3.32	3.36	3.32	3.31	3.45
Staff	77	75	69	73	69
– of which Inspectorate	35	34	35	35	34

*Based on industry estimates.

Appendix III

THE BOARD'S STAFF AND OFFICES

SENIOR STAFF OF THE GAMING BOARD AT 31 MARCH 2000

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 Vacant

THE BOARD'S STAFF AS AT 31 MARCH 2000

	Grade	Staff in Post
Administrative Staff	5	1
	7	1
	SEO	0
	HEO‡	5
	EO	7
	PS	2
	AO*†	15
	AA	2
	Typist	0.5
	Messenger/Paperkeeper	1
	Total	34.5
Inspectorate	Chief Inspector	1
	Deputy Chief Inspector	1
	Senior Inspectors	6
	Inspectors	24
	Specialist Machines Inspector	1
	Assistant Specialist Machines Inspector	1
	Total	34.0
	TOTAL	68.5

* including 4 at regional offices

‡ includes an HEO accountant grade

† includes 1 casual HQ staff

OFFICES OF THE GAMING BOARD

Headquarters	Berkshire House, 168-173 High Holborn, London WC1V 7AA
Telephone No.	020 7306 6200
Fax No.	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

South East Region

Senior Inspector Mr T Adams

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

Tel. No. 020 7306 6218

Fax No. 020 7306 6268

South West Region

Senior Inspector Mr A Carpenter

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

Tel. No. 01454 616687

Fax No. 01454 613090

Midland Region

Senior Inspector R G Nicholson, MBE

Minerva House, Spaniel Row, Nottingham NG1 6EP

Tel. No. 0115 941 9991

Fax No. 0115 948 4587

Northern Region

Senior Inspector Mr G Smale

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

Tel. No. 0161 872 6016

Fax No. 0161 873 8248

Scottish Region

Senior Inspector Mr I Maxwell

Portcullis House, 21 India Street, Glasgow G2 4PZ

Tel. No. 0141 221 5537

Fax No. 0141 221 5494

APPENDIX IV

THE GAMING BOARD FOR GREAT BRITAIN ACCOUNT 1999/2000

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, previously paid directly by the Secretary of State, are now borne on the Board's grant in aid which has been adjusted to compensate for the additional expenditure, and 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 1999/2000 were as follows:

Mr P H Dean CBE (Chairman)	
Mr B P Austin	retired 31.08.99
Mr D Elliott CBE, QPM	
Mr R C Lockwood JP	
Mr D M C E Steen FCA	
Mrs M A G Stevens	from 01.09.99

Fees and Charges

9. Fees received by the Board in respect of certificates and registrations are paid over to the Home Office for appropriation in aid of Class IV, Vote 1 [Class VII, Vote 1 in 1998/99]. 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 2000.

	Gaming		Lotteries		Total	
	1999/2000	1998/1999	1999/2000	1998/1999	1999/2000	1998/1999
	£	£	£	£	£	£
<u>FEE INCOME</u>						
Fees collected by:						
Gaming Board	788,557	804,811	316,478	293,260	1,105,035	1,098,071
Courts (estimated)	<u>2,108,566</u>	<u>2,209,926</u>	-	-	<u>2,108,566</u>	<u>2,209,926</u>
Total Fee Income	<u>2,897,123</u>	<u>3,014,737</u>	<u>316,478</u>	<u>293,260</u>	<u>3,213,601</u>	<u>3,307,997</u>
<u>COSTS</u>						
Incurred by:						
Gaming Board						
Operating Expenditure	3,094,948	3,109,132	337,849	346,949	3,432,797	3,456,081
Board Members	123,388	131,238	7,720	7,725	131,108	138,963
Notional cost of capital	18,210	20,947	987	1,224	19,197	22,171
Notional insurance costs	2,391	2,345	176	169	2,567	2,514
Costs recovered	<u>(83,796)</u>	<u>(111,641)</u>	<u>(2,144)</u>	<u>(2,150)</u>	<u>(85,940)</u>	<u>(113,791)</u>
Gaming Board (net)	<u>3,155,141</u>	<u>3,152,021</u>	<u>344,588</u>	<u>353,917</u>	<u>3,499,729</u>	<u>3,505,938</u>
Estimated costs supplied by Home Office:						
Courts	177,836	173,329	-	-	177,836	173,329
Police Authorities	47,946	46,731	-	-	47,946	46,731
Home Office	<u>37,187</u>	<u>36,245</u>	<u>9,297</u>	<u>9,061</u>	<u>46,484</u>	<u>45,306</u>
Total Expenditure	<u>3,418,110</u>	<u>3,408,326</u>	<u>353,885</u>	<u>362,978</u>	<u>3,771,995</u>	<u>3,771,304</u>
(Deficit) for year	<u>(520,987)</u>	<u>(393,589)</u>	<u>(37,407)</u>	<u>(69,718)</u>	<u>(558,394)</u>	<u>(463,307)</u>

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

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

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

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

The Board has made an analysis of the above under-recovery which is largely attributable to lower than anticipated levels of activity in the industry, resulting in an under-recovery compared with income forecasts. Although a decision has recently been taken to increase fees by around 8.5% for 2000/01, this comes too late to have an effect on the current year's figures.

Charitable Donations

10. No charitable donations were made in the period ended 31 March 2000.

Change to Fixed Assets

11. In the period to 31 March 2000, the only significant change in fixed assets was the disposal of the telephone exchange at Gaming Board headquarters and the acquisition of a new system for £21,830.

Post Balance Sheet Events

12. There were no significant events to report.

Year 2000 Issues

13. During the past 12 months checks have been completed on Gaming Board systems to ensure compliance and no problems were experienced in the changeover to the year 2000.

Compliance with Public Sector Payment Policy

14. The Gaming Board's policy, in line with Government requirements, is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the period to 31 March 2000, 86% (target 95%) of invoices, totalling £1,158,084, were paid within 30 days of receipt. The Board are making efforts to improve the percentage of invoices paid within the 30 day target.

Staff Involvement and Development

15. The Gaming Board obtained accreditation under Investors in People during the year and 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

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

Future Developments

17. As mentioned in the main body of the Annual Report, the Government has established a Gambling Review Body to undertake a wide ranging review of the gambling laws. It is likely that that Body will wish to make recommendations about the future structure of gambling regulation, including the Board. In the meantime, the Gaming Board will continue in its existing role of maintaining effective regulation of the gaming industry and lotteries.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

19 June 2000

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

19 June 2000

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

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

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

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

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

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

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

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 [to be] issued by them.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

19 June 2000

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

I have audited the financial statements on pages 88 to 98. 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 91 and 92.

Respective responsibilities of the Gaming Board for Great Britain and Auditor

As described on page 84, 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 85 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 2000 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

22 June 2000

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

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2000

	<u>Notes</u>	<u>1999/2000</u>		<u>1998/1999</u>	
		£	£	£	£
INCOME					
Grant in aid	2	3,454,240		3,313,234	
Other Income	4	<u>80,450</u>		<u>101,741</u>	
			3,534,690		3,414,975
EXPENDITURE					
Salaries and Wages	5	(2,192,912)		(2,004,308)	
Other Operating Costs	6	(1,317,127)		(1,395,561)	
Depreciation	7	<u>(53,866)</u>		<u>(56,212)</u>	
			<u>(3,563,905)</u>		<u>(3,456,081)</u>
Operating deficit			(29,215)		(41,106)
Fee Income			1,105,035		1,098,071
Interest Receivable			5,490		12,050
Notional Cost of Capital			(19,197)		(22,171)
Loss on Disposal of Fixed Assets			(23,058)		(8,102)
Release from Deferred Government Grant					
Reserve in respect of loss on disposal					
of Fixed Assets	10		<u>23,058</u>		<u>8,102</u>
Surplus for the year before appropriations			1,062,113		1,046,844
Notional cost of capital reversal			19,197		22,171
Appropriations due to the Home Office	3		<u>(1,105,035)</u>		<u>(1,098,071)</u>
Retained deficit for the year			<u>(23,725)</u>		<u>(29,056)</u>
Movement on Income and Expenditure Reserve					
Surplus brought forward	10		177,508		206,195
Retained deficit for the year			(23,725)		(29,056)
Transfer from Revaluation Reserve			<u>240</u>		<u>369</u>
Surplus carried forward			<u>154,023</u>		<u>177,508</u>

All operations are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2000

	<u>Notes</u>	<u>1999/2000</u>	<u>1998/1999</u>
		£	£
Retained deficit for the year		(23,725)	(29,056)
Unrealised (deficit)/surplus on revaluation of assets	10	<u>(500)</u>	<u>740</u>
Total Recognised Losses in the period		<u>(24,225)</u>	<u>(28,316)</u>

The notes on pages 91 to 98 form part of these accounts.

BALANCE SHEET
as at 31 March 2000

	<u>Notes</u>	<u>1999/2000</u>		<u>1998/1999</u>	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	7		135,816		169,722
CURRENT ASSETS					
Debtors and prepayments	8		317,315		265,684
Cash at bank and in hand	12		<u>236,674</u>		<u>447,069</u>
			553,989		712,753
CREDITORS: Amounts falling due within one year	9		<u>(397,614)</u>		<u>(534,761)</u>
NET CURRENT ASSETS			<u>156,375</u>		<u>177,992</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>292,191</u>		<u>347,714</u>
 CAPITAL AND RESERVES					
Reserves	10		138,168		170,206
Income and Expenditure Account			<u>154,023</u>		<u>177,508</u>
			<u>292,191</u>		<u>347,714</u>

The notes on pages 91 to 98 form part of these Accounts.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

19 June 2000

CASH FLOW STATEMENT
for the year ended 31 March 2000

	<u>Notes</u>	<u>1999/2000</u>		<u>1998/1999</u>	
		£	£	£	£
Net Cash Outflow from operating activities	11		(24,354)		(4,415)
Returns on investment and servicing of finance					
Interest received			5,483		11,765
Investing activities					
Payment to acquire tangible fixed assets			<u>(45,626)</u>		<u>(51,009)</u>
Net Cash Outflow before Financing			(64,497)		(43,659)
Financing					
Grant in aid for capital expenditure			45,626		51,009
Fee income received	3		1,193,107		1,161,865
Less: Fees appropriated to Home Office			<u>(1,147,118)</u>		<u>(1,211,777)</u>
			<u>91,615</u>		<u>1,097</u>
(Increase)/Decrease in net debt	12		<u>27,118</u>		<u>(42,562)</u>

The notes on pages 91 to 98 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 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>1999/2000</u>	<u>1998/1999</u>
	£	£
Grant received from Class IV Vote 1 (Section G)	3,446,000	3,308,400
Transfer to Deferred Government Grant Reserve in respect of fixed asset acquisitions	(45,626)	(51,009)
Release of Deferred Government Grant Reserve in respect of depreciation charged	<u>53,866</u>	<u>55,843</u>
	<u>3,454,240</u>	<u>3,313,234</u>

3. **FEE INCOME**

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

	Fee Income Received £	Fee Income Deferred £	Deferred Fee Income Released £	Other Accruals Adjustments £	1999/2000 TOTAL £	1998/99 TOTAL £
Section 19 certificates	335,424	-	-	(18,675)	316,749	378,882
Section 27 certificates	238,110	(11,410)	-	-	226,700	241,255
Certificates of Consent						
- Bingo	52,540	(6,797)	3,288	-	49,031	48,500
- Casino	100,320	(6,270)	10,972	-	105,022	87,438
National Bingo Game	<u>152,000</u>	<u>(162,681)</u>	<u>101,736</u>	<u>-</u>	<u>91,055</u>	<u>48,736</u>
Total Gaming	<u>878,394</u>	<u>(187,158)</u>	<u>115,996</u>	<u>(18,675)</u>	<u>788,557</u>	<u>804,811</u>
Lotteries and Amusements Act	<u>314,713</u>	<u>-</u>	<u>-</u>	<u>1,765</u>	<u>316,478</u>	<u>293,260</u>
Total Lotteries	<u>314,713</u>	<u>-</u>	<u>-</u>	<u>1,765</u>	<u>316,478</u>	<u>293,260</u>
TOTAL FEE INCOME	<u>1,193,107</u>	<u>(187,158)</u>	<u>115,996</u>	<u>(16,910)</u>	<u>1,105,035</u>	<u>1,098,071</u>

4. **OTHER INCOME**

	1999/2000 £	1998/1999 £
Court Costs Awarded	62,176	97,328
Miscellaneous Income	<u>18,274</u>	<u>4,413</u>
	<u>80,450</u>	<u>101,741</u>

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

	Secretariat £	Inspectorate £	Board Members £	Total £
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	<u>103,343</u>	<u>124,137</u>	<u>7,712</u>	<u>235,192</u>
TOTAL	<u>910,086</u>	<u>1,163,279</u>	<u>119,547</u>	<u>2,192,912</u>
1998/99				
Salaries and Wages	719,517	938,978	-	1,658,495
Social Security Costs	55,143	71,492	-	126,635
Other Pension Costs	<u>98,005</u>	<u>121,173</u>	<u>-</u>	<u>219,178</u>
TOTAL	<u>872,665</u>	<u>1,131,643</u>	<u>-</u>	<u>2,004,308</u>

Other pension costs include £227,480 in contributions paid to the Home Office and £7,712 paid as pensions to previous Chairmen of the Gaming Board. For 1999/2000 the rates of superannuation contributions paid are between 12% and 18.5% for permanent staff according to grade.

Remuneration, pensions and other expenses of Board Members, previously paid directly by the Secretary of State (£122,908 for 1998/99), are now borne on the Board's grant in aid and are charged in this account.

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

Secretariat	38	(1998/1999: 37)
Inspectorate	35	(1998/1999: 34)

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:

	Salary including performance pay at 31 March 2000 £k	Real increase in pension at 60 £k	Total accrued pension at 60 at 31 March 2000 £k
Mr T J Kavanagh <i>Secretary to the Board</i>	60 – 65	0 – 2.5	20 – 25
Mr P H Dean CBE <i>Chairman</i>	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. Medical 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>1999/2000</u>	<u>1998/1999</u>
	£	£
Rent and Rates	487,082	548,656
Maintenance	127,939	204,526
Professional and Consultancy Fees	171,694	164,010
Travelling and Subsistence - Gaming Board staff	217,087	206,195
- Board members [see note 5(a)]	11,561	-
Training/Recruitment and Agency Staff	105,412	62,853
Postage and Telephone	54,972	43,335
Office Supplies, Printing and Stationery, Publications	25,755	20,302
Hospitality	3,969	1,704
IT Expenditure	65,787	94,104
Home Office Service Charges	14,233	13,311
Gaming Regulators European Forum	1,819	182
Audit Fee	16,450	15,275
Permanent diminution in value of fixed assets	2,108	484
Miscellaneous and Bank Charges	<u>11,259</u>	<u>20,624</u>
	<u>1,317,127</u>	<u>1,395,561</u>

Of the operating costs, an amount of £436,507 is paid under operating leases and is included in the headings for Rent and Rates, Maintenance, Postage and Telephone, and Office Supplies.

Travel costs for Board members, previously paid directly by the Secretary of State, were £16,055 in 1998/99.

7. **TANGIBLE FIXED ASSETS**

	<u>Computers</u>	<u>Furniture</u>	<u>Office Equipment</u>	<u>Telecoms</u>	<u>Total</u>
	£	£	£	£	£
Cost					
At 31 March 1999	124,513	146,786	83,812	46,212	401,323
Revaluations	(2,470)	(3,550)	(1,687)	(33)	(7,740)
Additions	17,926	3,012	2,858	21,830	45,626
Disposals	<u>(16,867)</u>	<u>(5,222)</u>	<u>(9,471)</u>	<u>(44,955)</u>	<u>(76,515)</u>
At 31 March 2000	<u>123,102</u>	<u>141,026</u>	<u>75,512</u>	<u>23,054</u>	<u>362,694</u>
Depreciation					
At 31 March 1999	65,787	84,379	53,696	27,739	231,601
Revaluations	(1,467)	(2,676)	(966)	(23)	(5,132)
Provided in year	27,585	14,573	9,400	2,308	53,866
Disposals	<u>(13,981)</u>	<u>(3,142)</u>	<u>(9,471)</u>	<u>(26,863)</u>	<u>(53,457)</u>
At 31 March 2000	<u>77,924</u>	<u>93,134</u>	<u>52,659</u>	<u>3,161</u>	<u>226,878</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>
Net Book Value at 31 March 1999	<u>58,726</u>	<u>62,407</u>	<u>30,116</u>	<u>18,473</u>	<u>169,722</u>

In accordance with the accounting policy set out on page 91, fixed assets acquired by the Gaming Board during the period were not revalued at 31 March 2000.

8. **DEBTORS**

	<u>1999/2000</u>	<u>1998/1999</u>
	£	£
Staff Season Ticket Loans and Expense Imprests	38,166	32,763
Bank interest accrued	333	326
Other Debtors	764	-
Fee Income prepaid to Home Office	146,939	104,856
Other Prepayments	<u>131,113</u>	<u>127,739</u>
	<u>317,315</u>	<u>265,684</u>

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

	<u>1999/2000</u>	<u>1998/1999</u>
	£	£
Trade Creditors	10,395	464
Payroll	5,918	8,608
Other Creditors	45,285	26,803
Bank overdraft	108,587	346,100
Accruals	40,271	36,790
Deferred Income	<u>187,158</u>	<u>115,996</u>
	<u>397,614</u>	<u>534,761</u>

The bank overdraft represents unrepresented cheques. There was no actual overdraft on the bank account at 31 March 2000.

10. **RESERVES**

	Income & Expenditure <u>Reserve</u>	Deferred Government Grant <u>Reserve</u>	Revaluation <u>Reserve</u>	<u>TOTAL</u>
	£	£	£	£
At 31 March 1999	177,508	169,466	740	347,714
Deficit for the year	(23,725)	-	-	(23,725)
Revaluation of assets	-	-	(500)	(500)
Transfer in respect of disposed assets	240	-	(240)	-
Grant deferred for additions	-	45,626	-	45,626
Release for depreciation	-	(53,866)	-	(53,866)
Release for disposals	<u>-</u>	<u>(23,058)</u>	<u>-</u>	<u>(23,058)</u>
At 31 March 2000	<u>154,023</u>	<u>138,168</u>	<u>-</u>	<u>292,191</u>

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

	<u>1999/2000</u>	<u>1998/1999</u>
	£	£
Operating Deficit	(29,215)	(41,106)
Depreciation provided in year	53,866	55,843
Additional depreciation provided due to revaluation	-	369
Permanent diminution in value of fixed assets	2,108	484
Release of Deferred Government Grant	(53,866)	(55,843)
(Increase)/Decrease in debtors relating to operating activities	(9,091)	22,141
Increase in creditors relating to operating activities	<u>11,844</u>	<u>13,697</u>
Net cash outflow from operating activities	<u>(24,354)</u>	<u>(4,415)</u>

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

	<u>1998/1999</u>	<u>Cash Flow</u>	<u>1999/2000</u>
	£	£	£
Cash at bank and in hand	447,069	(210,395)	236,674
Bank overdraft [see note 9]	<u>(346,100)</u>	<u>237,513</u>	<u>(108,587)</u>
	<u>100,969</u>	<u>27,118</u>	<u>128,087</u>

13. **COSTS RELATING TO YEAR 2000 COMPLIANCE**

In the year to 31 March 2000, £5,090 was spent on replacing the flexi-time system with a version which was year 2000 compliant.

14. **CAPITAL COMMITMENTS**

There were no capital commitments at 31 March 2000.

15. **COMMITMENTS UNDER OPERATING LEASES**

	1999/2000		1998/1999	
	<u>Land and Buildings</u>	<u>Other</u>	<u>Land and Buildings</u>	<u>Other</u>
	£	£	£	£
Leases expiring:				
< 1 year	2,854	1,585	-	345
2 to 5 years	386,985	1,224	399,518	1,319
> 5 years	<u>23,970</u>	-	<u>23,970</u>	-
Total	<u>413,809</u>	<u>2,809</u>	<u>423,488</u>	<u>1,664</u>

16. RELATED PARTY TRANSACTIONS

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

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

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

17. CONTINGENCIES

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

At 31 March 2000, the Gaming Board anticipates a requirement for legal representation at licence hearings resulting from Casino applications for Certificates of Consent granted during 1999/2000. It is estimated that the costs in relation to these hearings will be in the region of £28,000. The Board seeks to recover these costs from the applicants wherever possible.

18. FINANCIAL TARGETS

No financial targets were set for the Gaming Board for the year ended 31 March 2000.

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

	From 1 April 1999	From 12 June 2000
	£	£
<u>Casino licences*</u>		
Grant	32,830	35,670
Renewal	6,740	7,325
Transfer	7,270	7,900
<u>Bingo licences*</u>		
Grant	2,710	2,940
Renewal	845	920
Transfer	950	1,030
<u>Casino certificate of consent</u>		
New licence	6,270	6,810
Transfer of licence	3,130	3,405
<u>Bingo certificate of consent</u>		
New licence	1,880	2,045
Transfer of licence	625	680
<u>Certificate to organise games of multiple bingo</u>		
Grant	152,000	165,020
Renewal (for 3 years)	146,500	158,875
<u>Registration of club or institute</u>		
Part II	195	210
Renewal of registration	95	105
Part III	105	115
Renewal of registration	62	69
<u>Employees certificate of approval (Section 19)</u>		
Certificate of approval	75	100

	From 1 April 1999	From 12 June 2000
	£	£
<u>Gaming Machines</u>		
Grant of certificate for the sale, supply or maintenance of gaming machines	3,810	4,140
Renewal of certificate for the sale, supply or maintenance of gaming machines	1,520	1,650
<u>Lotteries</u>		
Application for registration of society or local authority lottery scheme	650	710
Renewal of registration of society or local authority lottery scheme (three-yearly)	70	75
Lottery with turnover (total value of tickets or chances sold) of:		
£2,000 or less	Nil	Nil
More than £2,000 to £10,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	75	82
More than £10,000 to £20,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	130	145
More than £20,000 to £50,000	165	180
More than £50,000 to £200,000	325	355
More than £200,000	585	635
Application for certification as a lottery manager under Schedule 2A	2,520	2,735
Inspection of lottery return by member of the public	5	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.

* These new fees were awaiting implementation in Scotland when this report was produced.

Appendix VI

List of areas in which the licensing of clubs for gaming other than bingo is permitted showing the number of licensed clubs operating on 1 April 1999 and 31 March 2000

ENGLAND

	1 April 1999	31 March 2000
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 BOROUGHES, NON-COUNTY BOROUGHES AND URBAN DISTRICTS OF:–

	1 April 1999	31 March 2000
Birkenhead	1	1
Birmingham	5	5
Blackpool	2	2
Bolton	1	1
Bournemouth	2	2
Bradford	2	2
Brighton	2	2
Bristol	4	3
Coventry	2	2
Derby	2	2
Dudley	1	1
Great Yarmouth	2	2
Hove	1	1
Huddersfield	1	1
Kingston upon Hull	1	1
Leeds	4	4
Leicester	2	2
Liverpool	3	3
Luton	2	2
Lytham St Annes	1	1
Manchester	5	5
Margate	2	2
Newcastle upon Tyne	2	2
Northampton	1	1
Nottingham	2	2
Plymouth	2	2
Portsmouth	3	3
Ramsgate	1	1
Reading	2	2

	1 April 1999	31 March 2000
Ryde	–	–
Salford	1	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
Torbay	1	1
Walsall	1	2
Warley	–	–
West Bromwich	–	–
Wolverhampton	1	1

WALES

THE AREAS OF THE FORMER COUNTY BOROUGHS OF:–

	1 April 1999	31 March 2000
Cardiff	3	3
Swansea	1	1

SCOTLAND

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

	1 April 1999	31 March 2000
Aberdeen	2	2
Dundee	1	1
Edinburgh	4	4
Glasgow	5	5
TOTAL:	116	118

Appendix VII

MEMBERSHIP AND TERMS OF REFERENCE OF THE GAMBLING REVIEW BODY

Members

- Sir Alan Budd (Provost of Queen's College Oxford) – Chair
- David Bishop (Former partner in KPMG and past President of the Association of Chartered Certified Accountants)
- Mihir Bose (Author and journalist)
- Peter Dean, CBE (Chairman of the Gaming Board for Great Britain)
- Professor Jeffrey Gray (Experimental and clinical psychologist)
- Sir John Hoddinott QPM (Former Chief Constable of Hampshire)
- Anthony Mackintosh (Chairman, Groucho Club)
- Phillipa Marks (Director, Indepen Consulting Limited)
- Sara Nathan (Journalist)
- Anesta Weekes QC (Barrister)
- Jonathan Wolff (Reader and Head of Department of Philosophy, University College London)

Terms of reference

- Consider the current state of the gambling industry and the ways in which it might change over the next ten years in the light of economic pressures, the growth of e-commerce, technological developments and wider leisure industry and international trends.
- Consider the social impact of gambling and the costs and benefits.
- Consider, and make recommendations for, the kind and extent of regulation appropriate for gambling activities in Great Britain, having regard to:
 - their wider social impact;
 - the need to protect the young and vulnerable from exploitation and to protect all gamblers from unfair practices;
 - the importance of preventing gambling from being carried out in a way which allows crime disorder or public nuisance;

- the need to keep the industry free from infiltration by organised and other serious crime, and from money laundering risks;
 - the desirability of creating an environment in which the commercial opportunities for gambling, including its international competitiveness, maximize the UK's economic welfare; and
 - the implications for the current system of taxation, and the scope for its further development.
- Consider the need for, and, if necessary, recommend new machinery appropriate for carrying out that regulation which achieves a more consistent and streamlined approach than is now possible and which is financed by the gambling industry itself.
 - Consider the availability and effectiveness of treatment programmes for problem gamblers and make recommendations for their future provision, potential costings, and funding.
 - In conducting this review, the Body should not consider changes to the National Lottery. But it will need to look at the impact on the Lottery of any proposed changes, including an assessment of the potential affect on the income to good causes.

Appendix VIII

INTERNET GAMBLING: REPORT TO THE HOME SECRETARY

BY THE GAMING BOARD FOR GREAT BRITAIN

Introduction

1 Although a relatively new phenomenon, the Internet is already having a substantial, even a dramatic, impact on life in Britain, just as in the rest of the developed world. In particular, e-commerce is growing rapidly and all commercial sectors are actively examining the opportunities and threats it brings. The gambling sector is no exception. From a public policy perspective, the potential of the Internet to offer unregulated, unlicensed and low or no tax gambling has been causing concerns to many, and the Board in particular, for some time.

2 The Board has a duty to advise the Home Secretary on developments in gaming. It decided therefore that it should launch a study of Internet gambling with a view to producing this report setting out its findings and recommendations. It circulated a consultation paper (copy at Annex A) amongst the trade associations, problem gambling interests and others with which it deals. A total of 22 responses were received and their views are summarised in Annex B. In the light of those replies, the Board subsequently sent all respondents a letter (Annex C) inviting comments on four specific matters on which it felt it should give them a further opportunity to offer views. The replies received are summarised in Annex D. At the same time, the Board has held discussions with others whom it felt could provide useful input and, in particular, has met with representatives of British companies who have been actively seeking opportunities to offer Internet gaming.

Background

3 Many jurisdictions have been struggling with the implications of Internet gambling and how they should react to it. There are no simple or obvious solutions to the question of what should be done as is evidenced by the wide range of approaches around the world. A number of small jurisdictions (eg in the Caribbean, Gibraltar, Alderney) have embraced the opportunities and have specifically granted Internet gambling licences (often for relatively small fees and with no duty payments because of the employment benefits); some jurisdictions within Australia are also following the path of licensing and regulation but with a more measured approach designed to guarantee propriety etc; a number of European countries now permit their already licensed gambling operators to offer Internet services but to residents only; and the USA is still seeking a way in which it can effectively prevent Internet gambling by its residents, whether offered by operators at home or abroad.

4 In line with all this, an increasing number of Internet sites are offering the means to gamble. Broadly such sites can be characterised as one of two types:

- sites which offer an entry via the Internet to terrestrial gambling. These are often just alternatives to other means of entry such as the post or telephone, using the Internet simply as a communications tool. Examples are football pools entries and credit betting on horseracing and other sports;
- interactive gaming run exclusively on the Internet, in particular sites which offer virtual casino and slot machine gaming and interactive lotteries.

5 Given the nature of the Internet, it is very difficult to get any reliable figures on the current and predicted size of such on-line gambling, of either type, but all commentators agree that the global market is large and growing. Using a range of sources, MMD Ltd (as part of research undertaken for the Betting Office Licensees Association) estimates that Internet gambling as a whole will contribute in 2001 just over £21 billion to global gambling turnover of £638 billion. Of this £21 billion, horserace betting is forecast to make up £2 billion, sports betting £9 billion, on-line casinos £5 billion and lotteries £5 billion. Bear Stearns has suggested that there are in excess of 600 on-line Internet casino sites. The Board has itself commissioned questions on the extent of Internet gambling in Great Britain in a regular, multi-purpose survey conducted by ICM Ltd. This is a small scale survey and its results must be treated with caution. It suggests that perhaps one per cent of British adults gamble on the Internet at some time in each week, mainly on betting and lotteries. As the availability of the Internet grows rapidly, and particularly as its use becomes easier as it becomes accessible through other media such as TVs and mobile telephones, so the amount of Internet gambling is predicted to grow with it.

The legal position in Great Britain

6 British gambling legislation – apart from that setting up the National Lottery – is all over a quarter of a century old and was enacted at a time when the power of the Internet could not have been imagined. Unsurprisingly therefore, that legislation impinges on Internet gambling in ways which were unintended and are erratic. In broad terms, the position, as the Board understands it, is as follows.

- *Betting* Bookmakers have for many years been able to accept telephone bets from clients with credit accounts. There is therefore nothing to prevent them accepting such bets by e-mail. Likewise, football pools have always been able to accept entries by post and can therefore also use e-mail. The reason why bookmakers have been choosing offshore locations for their telephone and Internet betting operations is because taxes are lower and not because such operations would be illegal here.
- As for *casinos, bingo and gaming machines*, such gaming can only take place on licensed and registered premises and, in particular, the persons taking part in the gaming must be on the premises at the time when the gaming takes place. Hence no licence could be obtained by an operator who wished to offer such Internet gaming here and to set up such a site would be illegal. The Board has stated that it would seek to take action against anyone who did so.
- The position with lotteries is more complicated. Tickets for lotteries can be sold almost anywhere other than in the street. They can be sold for instance at

people's homes including over the telephone. But they cannot be sold by means of a machine. The Board's view is that a lottery run entirely by computer via the Internet amounts to selling tickets by means of a machine and it has refused to authorise such lotteries. However, the Board has been approached by lottery managing companies with proposals to use the Internet to run lotteries in much the same way as someone might use the telephone. With these, the Internet is simply used as a means of communication by which one person offers another a lottery ticket and that second person agrees to buy. Two such proposals have been approved.

- There is nothing in the legislation which makes it illegal, or seeks to prevent, British residents gambling on the Internet from their own homes. The position in respect of public places such as Internet cafes is less clear and more difficult.
- Overseas gambling operations are subject to restrictions on the extent to which they can advertise here. In the case of casino and similar gaming, this does not amount to a total ban but prevents advertisements which, to paraphrase, invite the public to subscribe money or to apply for information about facilities for subscribing money. Some Internet casino operators have begun to advertise within these constraints. Added complications arise because the whole question of what constitutes an advertisement on the Internet, and then what can or cannot be done if it is, remains far from clear.

7 Such complexities and inconsistencies in legislation are unsatisfactory, raise difficulties for regulation and regulators and puzzle and perplex the licensed British gambling industry. It is not surprising that, with the ban on sites here, British operators are considering legitimate opportunities abroad to establish Internet casinos which would then take bets from anywhere including Great Britain. Stanley's, one of the country's leading casino and bookmaking companies, and William Hill, another leading bookmaker, already have such operations and others are actively pursuing their own plans. Following an approach from the British Casino Association, the Board has indicated that it is prepared to discuss a Code of Practice with such operators which aims to provide assurance that nothing is done which breaches British law and which will provide adequate protection to those British residents who choose to play on those sites.

8 In the light of all this, the Board has been considering what are the policy options for dealing with Internet gambling in the future. It analyses these below. Much of what is said relates mainly to casino style gaming in particular, and to a lesser extent bingo, gaming machines and lotteries, as these are the areas for which the Board has direct responsibility and knowledge.

Option (i): Retain the status quo

9 A case could be made for this. It might be argued, for instance, that, so far, British residents do not seem to be seeking to make extensive use of offshore gambling alternatives and there is little to suggest that those who are doing so are having any problems which raise real issues of concern. Further, the other options are difficult and will require primary legislation.

10 However the Board does not believe that this remains a sustainable long-term option and is not aware of anyone who seriously suggests it is. As shown above, the current legislation is inconsistent in its application, for instance by permitting some types of Internet gambling sites to be established here but not others and by permitting residents here to game on Internet casinos abroad whilst preventing British licensed operators establishing sites here. The global Internet gambling market already appears substantial and few doubt that it will grow, perhaps massively. The British population has a propensity to gamble and is likely to be keen to utilise opportunities provided by the Internet. While British operators continue to be forbidden to establish sites here, those who game will turn to offshore sites with resulting losses of revenue and tax. There will be no means of ensuring that such sites are being operated properly and fairly, with adequate protection for players. In short, there is the prospect of proliferation of uncontrolled, unregulated and untaxed gaming by people in their homes here. That is clearly not desirable.

11 The question is whether the need for action is urgent and this was one of the matters on which the Board invited further comment in its letter of 26 January 2000 (Annex C). Industry respondents argued strongly that it is. The gist of their argument can be summarised as follows. Gambling on the Internet is developing rapidly. British companies are being denied unnecessarily an opportunity to share in this growing market. Instead, British gamblers are being driven to use offshore operators with no guarantees or proper protection. If the market develops and matures without British involvement, it will be too late to recover and make an impact. Inevitably, British companies will look for overseas opportunities themselves (and, as indicated above, this is starting to happen) and once established abroad they will not return later. In short, there is a need to act quickly if a valuable commercial opportunity is not to be missed for ever. Such a missed opportunity would conflict with the Government's stated aim of making Britain a leader in e-commerce. Apart from the industry, Gamcare (the national problem gambling charity) also believes there to be some urgency as they have started to receive one or two calls from people who say they have developed an Internet gambling problem.

12 Whilst the Board acknowledges the strength of such arguments, it does not presently believe they are so overwhelming as to suggest that the Government needs to act in advance of obtaining the views of the recently established Gambling Review Body. There are some difficult issues to be resolved, as discussed later in this paper, and these need proper consideration. It is also noteworthy that few major jurisdictions appear to believe that there is a pressing need to act rapidly. Most are adopting a measured approach. Many of the jurisdictions specifically granting Internet gambling licences are small and typically motivated by the belief that such licences will provide a boost in difficult economic circumstances. Nonetheless, the Board suggests that the Review Body should give the subject appropriate priority in its deliberations.

Option (ii): Introduce measures to prevent offshore Internet gambling

13 One of the long-standing social policy objectives of legislation has been to prevent the proliferation of commercial gambling and particularly extensive gambling on credit. Measures to prevent offshore Internet gambling by British residents would be consistent with

that approach. But it can be argued that this objective need no longer be strictly applied and has in any case already been weakened by the advent of the National Lottery, with its widespread television coverage and estimated regular participation by around 70 per cent of the adult population, and telephone credit betting.

14 Superficially, the simplest way to attempt to prevent such gambling would be by making it illegal for persons to gamble on the Internet, including from their own homes. But the Board does not believe such legislation would be either desirable or enforceable. It would be unlikely to command widespread acceptance or support and could only be enforced by time consuming and unattractive investigations in which enforcement authorities would have to gain access to homes.

15 Thus the Board believes that the only way to implement this option would be somehow to prevent access to overseas gambling sites. This in turn does not seem practicable whilst those offering offshore gambling are not in breach of any British law. Hence, a first step would need to be a law, if indeed it could be drafted, making it illegal for offshore gambling sites to accept bets from Britain.

16 However enforcement would again be a problem. As British courts would have no jurisdiction over the sites themselves where there was no British connection, enforcement could only be through those here who facilitate access to the gambling. The two commonly suggested methods are to require Internet service providers to block sites and banks to refuse to recognise sites for payment purposes. But, based on its discussions with those who have knowledge and experience of such matters, the Board believes that these methods are likely to be unworkable or at best only partially successful.

17 Blocking gambling sites would be difficult because of their large numbers and flexibility and because many are legitimate and acceptable informational sites. The Internet Service Providers Association has told the Board that, whilst a block can be put on Internet web addresses, it is easy for the operator to move to a new address, often in a way in which it is not even apparent to the customer that they have done so. It is true that there has been some success with the system of blocking access to pornographic sites, particularly involving child pornography, under the scheme operated by the Internet Watch Foundation, but there are important considerations which do not apply to gambling. The scheme relies mainly on reports from those who come across such sites. There is general abhorrence of child pornography and it is illegal in the great majority of countries: hence all parties (individuals, service providers and authorities both at home and abroad) are happy to cooperate to try to eradicate it. Even so, nobody claims the scheme succeeds in eliminating all offending sites. In contrast, Internet gambling operations will generally be legal in the country in which they are sited, will often be run by legitimate commercial organisations and are unlikely to raise the same levels of opposition amongst individuals. Furthermore offending sites are unlikely to be as easily identifiable, because many sites with references to gambling are informational. Any scheme to block Internet gambling sites is likely therefore to be unwieldy, costly and only partially effective.

18 The Association for Payment Clearing Services has told the Board that it is not easy to identify the exact nature of accounts to which credit card payments are to be made and therefore those which are gambling sites. Further, banks here would find it extremely difficult, if not impossible, to refuse to honour payments to overseas accounts which had been properly

established within those countries and related to trading operations which were legitimate there. Often, gambling sites require money to be deposited before play and the purposes of the deposit may not be obvious to the banks. In some cases, the deposits may be set up in such a way that they can be used for more than one purpose.

19 Whatever the exact position in respect of the possibilities of preventing access to offshore Internet gambling sites – and this will doubtless change over time as technology develops – the Board on the basis of its current knowledge does not believe that attempts at prohibition are either sensible or likely to be successful. Past experience suggests that where there is a substantial market for a good or a service which cannot be met legitimately, illegal supply will occur instead. This will be so particularly where the general population feels there to be little wrong with the activity. In any case, it would make little sense for legislation to prevent offshore gambling without also addressing the inherent inconsistencies in the laws relating to domestic Internet sites, in particular the contrast between betting which is permitted and gaming which is not.

20 In summary, the Board does not support this option in itself. As explained later, a variant could be considered as an adjunct to option (iii) although the Board does not find that attractive either.

Option (iii): Legislate to permit, regulate and tax

21 This is the Board's preferred option. It was also supported by nearly all respondents to the Board's consultation paper. It seems clear that there is likely to be a substantial, and possibly massive, market for Internet gambling, both domestically and worldwide. Even if thought desirable, it does not seem that it would be feasible to prevent British residents accessing the supply of such gambling. It seems better therefore to permit sites offering such gambling to be established in Great Britain. That would allow proper regulation and control and allow British operations the chance to share in the opportunities available.

22 Under this option, legislation would be needed to permit the certification/licensing of Internet casinos (and other gaming operations) based in Britain. The Board would then, as it does for conventional casinos, take responsibility for ensuring that all those granted a certificate are, and remain, fit and proper and have the financial wherewithal to operate the gaming. This is familiar territory for the Board and it does not envisage that it will present it with any special problems.

23 Less familiar to the Board will be the need both to test the software on the site to ensure that the gaming is fairly conducted (and therefore that players are not misled or cheated in any way) and to ensure a proper audit trail for all monies which flow through the site (in order to guarantee protection for stakes and winnings and to monitor any suspicious activity which might suggest attempts at money laundering). There are already commercial organisations elsewhere with the relevant expertise to conduct such testing and the Board would need to buy in this expertise. There would be resource costs but they could be recovered through fees paid by the certificated operators. One suggestion is that, once certificated, sites could carry a Board stamp of approval. Alternatively, and perhaps better, all certificated sites might be listed on a Board "portal" web site, which would give access to them and would

avoid fraudulent use of the stamp of approval. In either case, the Board would need to monitor certificated sites to ensure that they continued to meet required standards.

24 If this option is to be pursued, there are a range of related issues which would need resolution and the Board's views on these are as follows.

- (a) The Board believes that certificated sites should not in principle be prevented from offering gaming to those resident abroad and therefore should not, as in some jurisdictions, be required to limit gaming just to domestic residents. The market is a global one and there do not seem to be any strong reasons why British operations should be denied access to it. However, the Board does believe that such sites should not take bets from those jurisdictions which have clear bans on gambling generally or indeed clear limits or controls on Internet gambling which restrict access.
- (b) Because of concerns about under age and problem gambling and the need for audit trails, players should be required to be registered before gambling and should be subject to similar controls on credit as those which apply to traditional, land-based casinos. In Britain, players can use debit, but not credit, cards for gaming. The Board believes this is a sensible distinction. But if credit cards were to be permitted on the grounds that they are used commonly for Internet gambling throughout the world, then the Board believes operators should be required to impose relatively modest, daily spending limits on their customers who use them. Sites should also have effective means of denying access to children and young persons.
- (c) Sites should contain warnings about the dangers of excessive gambling and provide advice and guidance for those who may have a problem, including details of where to get help and support. This is particularly important as it has been suggested that those with addictive tendencies may be particularly vulnerable as a result of the opportunities to gamble on the Internet privately at home.
- (d) Any controls which apply to land-based gaming, in terms of such things as the way the games are played and stake and prize limits, should as far as possible be applied similarly to Internet gaming. Likewise controls on advertising should also be similar for the two types of gaming. Hence, whilst it would be possible for players to access their registered accounts at, say, an Internet café, that café would not be able actively to promote gambling sites to non-players as that would breach the advertising controls.
- (e) Taxation is a matter for the Treasury but it would be counter-productive if the regime was such that it encouraged operators and players to resort to off-shore alternatives in preference to setting up operations in this country.

25 The Board, and many in the industry, believe that if domestically run and regulated Internet gambling sites were available, they would be very attractive to British gamblers, who would then have no wish or need to resort to off-shore alternatives. Nonetheless, it would be possible to introduce legislation (similar to that for lotteries) which both permitted domestic Internet gambling and made illegal any provision from overseas. Hence, as is the general approach for other gambling legislation, the law would make all Internet gambling illegal

except that for which specific provision is made in the legislation. The legislation could then make sites legal only if based here and certificated by the Board. An alternative would be to maintain, and extend, the ban on advertising overseas sites. Enforcement of either sort of measure would be subject to the difficulties discussed under option (ii) above, and it would not be possible to prevent British residents accessing and gambling on overseas sites if they wished. But such a law would make the operation here of overseas sites more risky and difficult, for example because gambling debts would be unenforceable or advertising would be refused by British publications. Nevertheless, given what is said earlier about the global nature of the market and access to it by British companies, the Board does not consider attempts to prevent access by overseas sites to British players to be sensible or equitable and believes they should only be pursued if it was decided to limit British sites such that they could offer gaming only to residents here.

Conclusion

26 The Board considers that a structured and coherent legislative system is needed which permits controlled and regulated Internet gambling sites in Britain. It acknowledges that there are a range of tricky and complex matters which need to be addressed in establishing the form of that legislation. Legislative change is unlikely to be simple or straightforward. The Board believes that the whole subject of Internet gambling and what changes are needed to accommodate it are matters to which the Gambling Review Body should give particular attention.

27 The Board itself will continue to keep under review developments in Internet gambling, both domestically and internationally, and will advise the Home Office and the Gambling Review Body of any significant further issues that arise. British companies, including both those already certificated by the Board for gaming and others, regularly approach the Board for advice and guidance on what can and cannot be done under current legislation. The Board will continue to respond as helpfully and positively as it can within its limited resources, in a manner which seeks to ensure that there are no breaches of British law whilst not preventing such companies benefiting from legitimate opportunities to offer Internet gambling.

GAMING BOARD STUDY ON INTERNET GAMBLING

Introduction

1 One of the Gaming Board's duties is to advise the Home Secretary on developments in gaming and lotteries so that the law can respond to change. The world-wide growth of gambling on the Internet is an issue which has been arousing great interest and causing concern amongst all involved in the gambling industries, whether governments, regulators, trade associations, operators or those organisations which deal with problem gamblers. The Board has decided that it should launch a study of the issue and then provide advice to the Home Secretary during the first half of next year. It will welcome the comments and views of interested parties, and this note is being provided as background to an invitation to contribute to the Board's deliberations.

Internet gambling sites

2 As the Board said in its most recent Annual Report, a large number of sites on the Internet contain references to gaming and gambling. Most of these are simply informative, giving details of such things as gambling opportunities and companies, or the results of races and lotteries. But an increasing number offer the means to gamble. These can be divided into two kinds:

- sites which offer an entry via the Internet to terrestrial gambling. These are often just alternatives to other means of entry such as the post or telephone, using the Internet simply as a communications tool. Examples are football pools entries and credit betting on horseracing;
- interactive gaming run exclusively on the Internet, in particular sites which offer virtual casino and slot machine gaming and interactive lotteries.

It is this last category, and in particular the ability of British citizens to gain access from their homes to unregulated, unlicensed and untaxed or low tax gaming, which is the particular focus of the Board's study, but any contribution on any areas of concern over Internet gambling would be welcomed.

Current legal position in Great Britain

3 Almost all relevant British gambling legislation pre-dates the Internet. Nobody had such a powerful communications system in mind when that legislation was being enacted. Consequently, the existing law impinges on Internet gambling in ways unintended and unforeseen.

4 The Board's understanding of the legal position in each sector is broadly as follows.

- *Betting* Bookmakers have for many years been able to accept telephone bets from clients with credit accounts. There is therefore nothing to prevent them accepting such bets by e-mail. Likewise, football pools have always been able to accept entries by post and could therefore also use e-mail. The reason why bookmakers have been looking at offshore locations for their telephone and Internet betting operations is because taxes are lower and not because such operations would be illegal here.
- As for *casinos, bingo and effectively gaming machines*, such gaming can only take place on licensed and registered premises and, in particular, the persons taking part in the gaming must be on the premises at the time when the gaming takes place. Hence no licence could be obtained by an operator who wished to offer such Internet gaming here and to set up such a site would be illegal. The Board has made it clear that it would seek to take action against anyone who did so.
- The position with *lotteries* is more complicated. Tickets for lotteries can be sold almost anywhere other than in the street. They can be sold for instance at people's homes including over the telephone. But, and this is crucial, they cannot be sold by means of a machine. The Board's view is that a lottery run entirely by computer via the Internet amounts to selling tickets by means of a machine and it has refused to authorise such lotteries. However, and this is where the complication arises, the Board has been approached by lottery managing companies with proposals to use the Internet to run lotteries in much the same way as someone might use the telephone. With these, the Internet is simply used as a means of communication by which one person offers another a lottery ticket and that second person agrees to buy. Two such proposals have been approved but neither was yet operating at the time this note was produced.

5 There is one final point on the law. Although for instance it is illegal for someone here to set up Internet sites offering casino or bingo gaming, it is not illegal for a person resident here to take part in Internet gaming. Hence there is nothing unlawful in someone in Britain gaming on a site situated elsewhere in the world. And therein lies the nub of the problem. Casino or bingo gaming cannot be set up on the Internet in this country but residents here can play if it is offered elsewhere in the world. As mentioned earlier this is occurring increasingly.

Options for future regulation in Great Britain

6 It seems to the Board that there are three main policy options as regards the regulation of Internet gambling in Great Britain:

- retain the status quo
- encourage measures to prevent offshore Internet gambling in Great Britain
- legislate to permit regulated, and taxed, Internet gambling in Great Britain.

7 *Retain the status quo* The main arguments for this approach are, first, that the limited evidence so far available does not suggest any great use of Internet gambling

opportunities in this country; and secondly that both the other two options are hard to implement. But the Board's preliminary view is that doing nothing will not remain a sustainable option for very long. The risk of proliferation of uncontrolled, unregulated and untaxed gambling on the Internet represents an obvious threat to this country's systems and values. And it does not seem desirable that respectable British gaming companies are prevented from setting up Internet gaming sites in Britain, while British Internet users have lawful access to overseas sites which might be wholly unregulated.

8 *Prevention* This approach could be justified on the grounds that there is a long standing social policy objective to prevent the proliferation of hard gambling in the home, particularly where it involves credit. Suggested methods include (a) placing the onus on Internet service providers to block access to offshore gaming sites and (b) because credit cards are commonly used for Internet gambling payments, asking the banks to refuse to recognise such sites for payment purposes. But there seem to be major practical and jurisdictional difficulties with prevention. For instance, offending sites have to be identified before they can be blocked and the number and flexibility of such sites may make this almost impossible. The notion of making gambling by persons in their own home illegal is not attractive and may not be enforceable. On the other hand, if such gambling remains legal, it is difficult, if not impossible, to expect service providers to block activities which are not outlawed either in the operator's or the gambler's countries. Equally, it would be difficult to expect the banks to control or limit credit card use in respect of transactions which are, in all other respects, entirely legitimate.

8 *Legislate to permit, regulate and tax* This route too is not without its difficulties and would raise issues about proliferation and consequential increases in problem gambling. Already it has been suggested that the Internet attracts a high proportion of people with addictive tendencies and that the combination of the Internet and gambling is potentially explosive. But, the advantages of such legislation are that it would allow any safeguards (such as a bar on credit and limits on losses, measures being considered in some countries) believed to be necessary and would protect the Government's gambling revenues. The option does however give rise to a set of consequential issues such as:

- the implications for the laws on terrestrial gambling. For example, if Internet casinos were to be allowed to accept credit cards, should the ban on their use in land-based casinos be lifted?
- any tax regime would need to minimise the incentive for operators and players to resort to off-shore alternatives.
- if Internet gambling is allowed, can it be offered in public places such as Internet cafés; and, if not, how do you stop it?
- how are age restrictions to be enforced?
- should Internet gambling operators, if permitted to establish sites in Britain, be restricted to British resident players (following the practice in some European countries) or allowed to offer their services world-wide (as is happening in Australia)?

Conclusion

9 The Board would welcome comments on the desirability, feasibility and costs of the options listed and any other observations which respondents might wish to make. Replies should be sent to the Board by 17 December 1999 at the latest.

**INTERNET STUDY RESPONSES TO BOARD LETTER
OF 1ST NOVEMBER 1999**

BACTA, Bacta House, Regents Wharf, All Saints St, London N1

- The Internet is part of a technical revolution, in an embryonic stage of development.
- Current legislation is inadequate and imprecise. Internet gambling is an international issue, yet there is little international legislation.
- Problems of Internet gambling are:
 - (i) Possibilities of under age gambling, and/or excessive play.
 - (ii) Potential credit card fraud.
 - (iii) Lack of guarantee that the gaming will be fairly conducted.
- Retaining the Status Quo would be without merit.
- No evidence that prevention will eradicate or control Internet gaming. It would be impossible to have any preventative legislation which will be effective to block activities.
- Supports legislation to permit regulated access. Any regulation has to recognise that it seeks to regulate a communication tool.

BASS Leisure Retail, Cape Hill, P O Box 27, Birmingham

- The status quo is unsustainable in anything other than the short term.
- Prevention of Internet Gambling is not feasible.
- Legislation to permit, regulate and tax Internet Gambling, whilst complex, is the most attractive way forward.

Betting Office Licensees Association Ltd, 3a Lower James Street, London W1R 3PN

- The Government should move to legislate Internet gambling to enable British bookmakers to compete with off-shore challenge.

Bingo Association, 5th Floor, Goldsmith House, 137 Regent Street, London W1

- Maintaining the status quo, and effectively doing nothing is no longer an option.
- If things are left as they are there is a danger of Internet Gaming taking a sizeable chunk out of existing UK gambling business.
- Prevention is not a viable option. It does not remove the presence of Internet gambling activities – which would remain a competitive threat.
- An outright prohibition would be financially costly in terms of lost revenue to

business and government, and monitoring activities. It is also technologically difficult.

- Legislation is the only route available to the Gaming Board. Assuming the correct regulatory framework is in place and the operator can satisfy all regulatory requirements it would be feasible to offer gaming services online.
- Legislation could include a suitable tax regime, denying access to gaming sites in public places, enforcing age restrictions, identifying and screening compulsive gamblers, ensuring fairness of gaming over the Internet and security of transaction.
- The consultation process needs to be progressed as quickly as possible because of the fast-changing nature of the Internet and the technology involved.

Brewers & Licensed Retailers Association, 42 Portman Square, London W1H 0BB

- It is not feasible to maintain the status quo.
- It is not feasible to prevent Internet gambling.
- Legislation to Permit, Regulate and Tax is the way forward.
- Legislation should seek to certify gambling web sites.

British Casinos Association (BCA)

- The BCA response will be incorporated in its reply to the Secretary's subsequent letter of 27 January 2000.

British Horseracing Board, 42 Portman Square, London W1H 0EN

- The most appropriate outcome would be to "Legislate to permit, regulate and tax". It would have to be practical and enforceable.

Business in Sport & Leisure Ltd, 17a Chartfield Avenue, Putney, London SW15

- It should be possible for the Government to develop a British Standard or Kite Mark for gaming operators on the Internet.
- If the Government does not react then a 'Barlow Clowes' type of accident could be waiting to happen.

Camelot PLC, 20 Cockspur Street, London SW1Y 5BL

- Gambling on the Internet is no different from any other forms of gambling, and should therefore be treated in the same way.
- Greater clarity is needed so the UK regulatory system can be robust enough to respond to global competition.
- They do not believe that retaining the status quo is a realistic option. We have already seen encroachment and conflict due to unclear regulation.

- Prevention is only a short-term solution.
- Fully endorses legislation to permit regulated, and taxed, Internet Gambling in Great Britain.

Cardiff University, Centre for Professional Legal Studies, PO Box 294, Cardiff CF1 3GX

- The Board is best to go with the option of regulation.
- Regulation offers the virtual guarantee that the games will be honest.

Gala Clubs Bingo, New Castle House, Castle Boulevard, Nottingham, NG7 1FT

- Keeping the status quo is impossible because:
 - (i) the Internet is not going to go away
 - (ii) online gambling is not a passing fad
 - (iii) The Gaming Board must be seen to protect UK gamblers from unregulated operators
 - (iv) It is unfair on the regulated British Gaming Industry
- Banning online gambling is virtually impossible. The Gaming Board must consider:
 - (i) Getting complex gaming and Internet legislation through Parliament
 - (ii) Understanding how gaming sites will physically be stopped from having contact with UK citizens
 - (iii) Will people be prosecuted for attempting to play foreign sites? Who will police that?
- Strict regulated online gambling offers both responsible gambling for customers as well as new revenues for both the gaming industry and the government.

GAMCARE, Suite 1 Catherine House, 25–27 Catherine Place, London SW1E 6DU

- Retaining the status quo will lead to increasing difficulties.
- Prevention would be impossible to achieve, though we need safeguards people must be able to make an informed choice for themselves.
- We should move to legislate to permit, regulate and tax Internet gambling.
- All gaming sites must operate responsibly, messages about excessive play etc. Problem gambling will increase and must be catered for.
- If allowed, British sites will need to be more attractive than others.
- Internet sites also offer entry to terrestrial gambling, which also needs tight regulation maintained.

Horseshoe Betting Levy Board, 52 Grosvenor Gardens, London SW1W 0AU

- Decided not to make a submission on the subject of Internet Gambling.

Jeffrey Green Russell, Solicitors, 56 New Bond Street, London W1Y 0SX

- Some clients would welcome a regulatory regime.
- Some clients thrive on the vagaries and complexities of the status quo.
- All would condemn any attempt to prohibit the use of the Internet for gambling.

KPMG, PO Box 485, 1 Puddle Dock, London EC4V 3PD

- Supports legalisation and regulation of Internet gambling sites.
- Sees the Gaming Board as being the licensing body and regulator for internet gambling for Britain.

National Lottery Commission, 2 Monck Street, London SW1P 2BQ

- Legislation is needed to safeguard against excess, under-age play and overseas play.

Nottingham Trent University, Burton Street, Nottingham, NG1 4BN

- Legislation will not control the technology.
- The pragmatic approach is the most realistic.

Plymouth University, Drake Circus, Plymouth, Devon, PL4 8AA

- Legislation seems the best option.
- Gambling revenues and taxes shouldn't go to other countries while Britain bears the social costs.
- Would prefer a prevention policy if sustainable.
- Shouldn't be rushed into legalising internet gambling, we should be cautious.

Professor David Miers

- Regulation offers the virtual guarantee that the games will be honest.
- It is better to be inside a regulated arrangement than to endeavour to counter every move made by offshore providers.

RAL Ltd, Silbury Court, 368 Silbury Boulevard, Milton Keynes MK9 2AF

- Maintaining the status quo would ignore the breath taking growth of the information super highway.
- Prevention, as the USA are trying to do, would prove impossible.
- We must accept progress and ensure the UK provides a regulated and controlled gaming facility.

Neville Topham, Professor, Ty Celyn, Llangoed, Angelsey, LL58 8NR

- Attempts to prohibit Internet gambling would be futile and counter-productive.
- UK firms should be allowed to compete in the global market.
- Firms should be licensed by Board, have insurance and bonds.
- The Board should investigate the BSI model.

Working Men's Club & Institute Union Ltd, Club House, 251/256 Upper Street, London N1 1RY

- Favour the level playing field approach to internet gambling, i.e. legislation
- Gambling within Britain should be subject to social law & tax arrangements.

(Addressees list attached)

Our Ref: 52/55/36

26 January 2000

Dear

BOARD STUDY OF GAMING ON THE INTERNET

The Board received around 20 responses from the industry and others to its invitation to contribute to this study. Yours was one of those. Almost all respondents agreed that the only feasible and sensible option is to establish a system in this country which permits, regulates and controls access to Internet gaming.

The Board is now considering what exactly it should say to government on the issue in the light of those responses. In analysing them however, the Board has identified a number of specific matters on which it felt it should give respondents a further opportunity to offer comment.

- (i) The Board expressed its view in its consultation document that the current law prohibited the establishment of Internet gaming sites in Great Britain. Nobody questioned this in the responses. Is it therefore universally accepted that primary legislation is needed? If any respondents have received legal opinions on this issue, which they would be willing to disclose to the Board, we should be interested to see them.
- (ii) Many of the respondents emphasised the need to act urgently, with some saying that action could not afford even to await the recently announced general gambling review. But little was said to justify the need for urgency. There was little evidence that Internet gaming was affecting current terrestrial operations or that large numbers of people were gambling on the Internet. Any comments made were more in the nature of concern at lost opportunities and a desire to be in the vanguard of what respondents believed would be an important future market. These considerations are not insignificant, but taking a public policy perspective, it is noteworthy that few major jurisdictions seem to consider there to be a need to act rapidly. Most are adopting a measured approach. Are there any convincing arguments that this issue must be addressed ahead of or as a priority by the gambling review body?
- (iii) In a similar vein, assuming that the arguments for permitting Internet gambling are accepted by the government, there remains a question of whether British operators should be restricted to offering gaming to British residents. A good case for having such a restriction can be made in terms of better regulation and control and avoiding

clashes with other jurisdictions which are opposed to such gambling or which will seek to claim rights to tax revenue. What are the counter arguments?

- (iv) The tone of the responses was such that it appeared that respondents generally believed nothing could be done in advance of legislative change. The Board wondered whether this is a correct interpretation of respondents' views. Are there any steps which it and the industry should be considering which would either allow the industry to take some advantage now of the opportunities the Internet offers or which would help the industry prepare better on the assumption that Internet gaming will in due course be permitted? Any suggestions would be welcomed.

If you do wish to offer any further comments on these points, perhaps you could let us have them by 18 February.

Yours sincerely

T KAVANAGH

Secretary to the Gaming Board

ADDRESSEES OF INTERNET LETTER SENT 26 JANUARY 2000

Julien Rychlik, Chief Executive, BACTA, BACTA House, Regents Wharf, All Saints Street, London N1

Tom Kelly, Director General, Betting Office Licensees Association Ltd, 3a Lower James Street, London W1R 3PN

Sir Peter Fry, Chairman, Bingo Association, 5th floor, Goldsmith House, 137 Regent Street, London W1

Paul Talboys, Chief Executive, National Bingo Game Association, Lexham House, 75 High Street North, Dunstable, Beds

Eleanor MacOrnish, Executive Assistant Retail, Brewers & Licensed Retailers Association, 42 Portman Square, London W1H 0BB

Brian Lemon, General Secretary, British Casino Association, 29 Castle Street, Reading, Berks RG1 7SB

Tristram Ricketts, British Horseracing Board, 42 Portman Square, London W1H 0EN

Bridgid Simmons, Business in Sport & Leisure Ltd, 17a Chartfield Avenue, Putney, London SW15

Richard Brown, Director Government Relations, Camelot plc, 20 Cockspur Street, London SW1Y 5BL

Prof David Myers LL.M. D.Jur, Cardiff University, Centre for Professional Legal Studies, PO Box 294, Cardiff CF1 3UX

John Kelly, Chief Executive, Gala Bingo Clubs, New Castle House, Castle Boulevard, Nottingham NG7 1FT

Paul Bellringer OBE, Gamcare, Suite 1, Catherine House, 25-27 Catherine Place, Westminster, London SW1E 6DU

Rodney Brack, Chief Executive, Horserace Betting Levy Board, 52 Grosvenor Gardens, London SW1W 0AU

Tony Coles, Jeffrey Green Russell, Solicitors, 56 New Bond Street, London W1Y 0SX

Steve Donoughue, Gambling Industries Consultant, KPMG, PO Box 485, 1 Puddle Dock, London EC4V 3PD

Mark Harris, Chief Executive, National Lottery Commission, 2 Monck Street, London SW1P 2BQ

Dr Mark Griffiths, Head of Psychology, Nottingham Trent University, Burton Street,
Nottingham NG1 4BN

Dr Sue Fisher, Plymouth University, Drake Circus, Plymouth, Devon PL4 8AA

Nick Harding, Managing Director, RAL Ltd, Silbury Court, 368 Silbury Boulevard, Milton
Keynes MK9 2AF

Professor Neville Topham, Ty Celyn, Llangoed, Anglesey, LL58 8NR

Kevin Smyth, General Secretary, Working Men's Club & Institute Union Ltd, Club House,
251/256 Upper Street, London N1 1RY

**INTERNET STUDY RESPONSES TO BOARD'S SECOND LETTER
OF 26TH JANUARY 2000**

BACTA, Bacta House, Regents Wharf, All Saints St, London N1

- (i) Legislation – primary legislation will be required to effectively control the establishment of Internet gaming sites in GB.
- (ii) Urgency – BACTA continue to support the view that this matter be dealt with urgently.
- (iii) Jurisdiction – legal advisers are considering the question of how extra-terrestrial gaming can be controlled.
- (iv) Preparation – the speed at which the Internet is growing is a matter of concern. BACTA sub-committee is considering this issue.

BASS Leisure Retail, Cape Hill, PO Box 27, Birmingham

- (i) Legislation – BLR is not in possession of any legal opinions regarding the current law prohibiting the establishment of Internet gaming sites in GB.
- (ii) Urgency – given the rapid growth forecast it is envisaged that Internet gambling will be well established within 3 years (with or without regulation). It would be desirable to put regulation in place in advance of this.
- (iii) No comments.
- (iv) Preparation – are endeavouring to formulate proposals but not yet able to provide suggestions.

Betting Office Licensees Association Limited, 3a Lower James Street, London, W1R 3PN

- (i) Legislation – it must be questionable whether gaming on the Internet is captured by current legislation.
- (ii) Urgency – In betting, the urgency is a taxation matter: if there is not a reduction in duty then a large proportion of UK betting turnover will go off-shore.
- (iii) Permitting play overseas – BOLA research shows there is a huge global gambling market, some of which could be attracted to the UK by our well-regulated and highly regarded industry.
- (iv) Non-regulatory steps – in advance of legislation the matter of taxation is capable of being addressed.

Bingo Association, 5th Floor, Goldsmith House, 137 Regent Street, London, W1

- (i) Prohibition on Internet Gaming Sites in GB – commercial gaming on Internet would require primary legislation to make it a feasible proposition.

- (ii) Urgency of Action – Internet development is proceeding an incredible pace therefore action should be urgent.
- (iii) Arguments for Permitting Play from Overseas – British regulation would be held in high enough regard for it to satisfy worldwide criteria.
- (iv) Non-regulatory Steps – Operators can be planning their strategy and product offerings in anticipation of changes in legislation.

Bingo, The National Game, Lexham House, 75 High Street North, Dunstable, Beds

- (i) Legislation – primary legislation would be required for UK
- (ii) Urgency – the need for enabling action is overwhelming. The rate of investment into on-line gaming is growing daily.
- (iii) It is in the interests of Government and industry to use the British gaming industry's well known reputation for being well regulated to its advantage.
- (iv) The pressure to establish operations offshore is increasing rapidly and it seems there will be a move in this direction in the absence of positive enabling legislation in the UK.

Brewers & Licensed Retailers Association, 42 Portman Square, London, W1H 0BB

- (i) Rapid growth is forecast for online gaming. It is important for careful consideration to be given to the legislative framework surrounding Internet gaming.
- (ii) The boundaries of the law may be tested very soon and force legislative change.

British Casino Association (BCA), 29 Castle Street, Reading, Berks RG1 7SB

- (i) Legislation – it would be preferable not to assume legislation, and suggest this might be achievable through a Code of Practice or Guidelines.
- (ii) Urgency – it will be to everyone's loss if we do not move quickly.
- (iii) Restrictions – any restriction should simply require UK operators to exclude players from jurisdictions which outlaw play from within their jurisdictions.
- (iv) Actions before legislative changes – there must be avenues of interpretation which could free-off the current inhibitions.

British Horseracing Board, 42 Portman Square, London W1H 0EN

- (i) Racing would not view favourably a prohibition on foreign punters betting on British Horseracing.
- (ii) Taking action should be a priority considering the accelerating pace of technological change.

Business in Sport & Leisure Ltd, 17a Chartfield Avenue, Putney, London, SW15

- (i) Legislation – primary legislation would be needed for the establishment of Internet gaming sites in Great Britain.
- (ii) Urgency – BISL believes that if no action is taken to control Internet gaming now, it will be too late once the industry is showing a real downturn.
- (iii) British operators and residents – restricting British Operators to offering gaming to only British residents would be to drive operators offshore.
- (iv) BISL believes that a ‘British Kite Mark’ is the best way forward with operators then showing a ‘seal of approval’ from the British Government on their website.

Camelot PLC, 20 Cockspur Street, London SW1Y 5BL

- (i) Legal Framework for Regulation – Camelot would adhere to the Gaming Board’s analysis concerning current law.
- (ii) Urgency – should be for anticipatory steps in regulation and legislation. Rapid rises in Internet usage must be met with appropriate forms of regulation.
- (iii) Residence restrictions – Camelot would not support the complete restriction of British Operators offering gaming to British residents. It should be a matter of negotiation with the relevant local jurisdictions.
- (iv) Action prior to legislative changes – suggest a kite marking of regulated Internet sites would suggest a route that could be undertaken prior to legislative changes.

Cardiff University, Centre for Professional Legal Studies, PO Box 294, Cardiff CF1 3GX

- (i) Legislation – primary legislation amending the Gaming Act will be required. Or a deregulation order is an alternative.
- (ii) Action – favours the measured approach.
- (iii) Jurisdiction – is unaware of persuasive regulatory arguments for extending Internet gaming opportunities beyond the jurisdiction.
- (iv) Preparation – Prior to legislative change it would be useful for both the industry and the Board to identify specific issues with which any regulation will have to deal, and which will have implications for terrestrial access.

Gala Clubs Bingo, New Castle House, Castle Boulevard, Nottingham, NG7 1FT

- (i) Legislation – Gala do not have a contrary legal opinion to the need for primary legislation.
- (ii) Urgency – Consumer protection, UK industry reputation and tax are three key areas that need to be dealt with urgently.

- (iii) Restricting access to UK only – Limiting UK gambling website access to UK residents only, is contrary to the principles of e-commerce and serves only to stop other global consumers benefiting from the protection that a UK regulated site would offer.
- (iv) Steps the industry could take now – The Gaming Board has consulted UK gaming operators: this has been welcomed.

GAMCARE, Suite 1 Catherine House, 25-27 Catherine Place, London SW1E 6DU

- (i) Legislation – Primary legislation is needed.
- (ii) Urgency – there is some urgency in view of the very rapid growth of Internet gambling site, and the fact that a growing number of UK companies are developing online services.
- (iii) Overseas restriction – no comment – covered in original submission.
- (iv) Steps the industry could take now – the industry would be well advised to ensure the sites they are opening conform to best practice.

Horserace Betting Levy Board, 52 Grosvenor Gardens, London SW1W 0AU

- (i) Legislation – legislation will be needed to enable Internet gaming sites in GB.
- (ii) There is no case for urging Government’s action prior to the imminent review of gambling legislation.
- (iii) A well regulated Internet industry should have good export potential and it will be in the country’s interests to make it available to overseas based players.

Jeffrey Green Russell, Solicitors, 56 New Bond Street, London W1Y 0SX

- (i) Does not think it appropriate to respond.

Ladbroke Casinos, 71 Queensway, London, W2 4QH

- (i) Urgency – Unless the UK Gaming Board can move rapidly, events will completely overtake it.
- (ii) Restrictions – There is no reason why British operators should be restricted to offering gaming to British residents. To try and block out the rest of the world would be very difficult.

London Clubs International, 10 Brick Street, London W1Y 8HQ

- (i) The speed of development of Internet technologies is exponential and “real” business will be marginalised unless they complete and become enabled.
- (ii) Currently, we have an opportunity for regulators to develop effective control structures with operators whilst the Internet is in its infancy.

National Lottery Commission, 2 Monck Street, London, SW1P 2BQ

- (i) Prohibition on Internet Gaming Sites in GB – do not feel they are best placed to advise on this point.
- (ii) Urgency of Action – the commission would welcome action sooner rather than later.
- (iii) Arguments for Permitting Play from Overseas – UK revenue should increase though downsides would have to be weighed against this.
- (iv) Non-regulatory Steps – No steps spring to mind.

RAL Ltd, Silbury Court, 368 Silbury Boulevard, Milton Keynes MK9 2AF

- (i) There is a real need to move quickly on this issue.
- (ii) It would be difficult to exclude players who are not British residents from using UK based gaming websites and would not make sense.
- (iii) It is fundamentally important that we obtain legislative change in order to establish proper UK licensing of Internet gaming websites.

Topham Neville, Professor, Ty Celyn, Llangoed, Angelsey, LL58 8NR

- (i) Legislation – has limited knowledge of the law.
- (ii) A measured approach is more prudent for the Board. The problem is that the Board's knowledge of what is possible and probable in a fast-moving sector is not as good as that of the operators who have invested a lot of time and effort.
- (iii) Cannot see any argument for prohibiting an industry from exporting its products, especially in a global market place.
- (iv) It would be sensible for the Board to encourage and facilitate some self-regulation by having talks with the industry and British Standards Institute on the introduction of a kite mark.

Working Men's Club & Institute Union Ltd, Club House, 251/256 Upper Street, London N1 1RY

Feel unable to comment.

Appendix IX

GAMING BOARD POLICY STATEMENT ON DEMAND FOR CASINO GAMING

1. Under the 1968 Act, the Board may give advice on demand to the licensing authority. In addition the Board, as may others, may object to the grant of a licence if it believes demand is already adequately met. This note outlines the policy to which the Board works when considering its advice to licensing authorities and whether to object on grounds of demand. To aid its consideration and to prepare the advice, the Board conducts a monthly census of players at specific times at each casino during the first full weekend of the month. The times have been chosen as representing the busiest periods in most casinos.

2. The policy, set out below, provides guidance to Board officials, but each individual case is treated on its merits and there will be exceptions to the general rule. For example, applications in respect of upper market casinos in London, which by offering personal high quality service and privacy necessarily operate with what would be regarded in other areas of the market as substantial amounts of spare capacity, raise particular issues.

3. As a general rule:

- (i) the Board will not normally expect to object if there is no casino or only one casino in the area or, where appropriate, adjoining areas. The Board's assumption is that each area has sufficient demand for at least one casino. It also considers that its census figures alone may not provide an adequate basis on which to lodge a formal objection if there is just a single casino.
- (ii) in other cases, the Board will not usually object if its census figures show peak time usage at more than 50% of capacity, measured by reference to the Board's traditional multipliers. Experience suggests that the introduction of an additional casino in cases of usage at such levels does not in fact give rise to any regulatory concerns. In cases where peak time usage is 50% or less, the Board will give active consideration to an objection on the grounds that, at these levels, there could be a real risk that additional supply might threaten successful regulation.
- (iii) The Board believes that there should, as far as possible, be equality of treatment between new applicants and existing licensees, whilst not unduly restricting the latter's flexibility. If an existing casino seeks a relatively modest expansion of facilities (either on the same site or by relocating to another site), the Board will provide advice on demand based on the census figures for the licensing authority but is unlikely to object. However, if the proposed expansion is substantial either in one year or over a period of years, and in particular if it is of a degree equivalent to an additional casino, the Board regard the case as falling within (ii) above.

The decision whether to grant a licence is of course for the licensing authority to make in the light of all the evidence submitted by the applicants, and any objectors, and the advice offered by the Board.

Appendix X

EXAMPLE OF STATUTORY NOTICE FOR BINGO CHARGES

Daytime	Cost per Ticket or game (pence)	Maximum Charge by the Club (pence)
Lunchtime Session		
Main Session		
National Game		
Tea Time Session		
Evening		
Early Double		
Main Session		
National Game		
Late Session		
All Day		
Parti Bingo		
Parti Bingo		
Parti Bingo		

- Please Note:**
1. All or part of any of the charges shown above may be waived at the discretion of the proprietor.
 2. All prize money is subject to 10% Government Duty.

This Notice effective from

Sig 1

Sig 2

FOR OFFICE USE ONLY

This Notice withdrawn on:

Sig 1

Sig 2

Appendix XI

CODE OF PRACTICE: MECHANISED CASH BINGO

An important variation to the basic game of cash bingo played on bingo tickets is the game of Mechanised Cash Bingo. The playing of this game is subject to this Code of Practice, as follows:—

1.1 This code shall have effect from 26 April 2000 and shall apply to the form of cash bingo known as mechanised cash bingo, which is played on or at fixed installations (including fixed installations with hand-held playing boards) using electronic and mechanical apparatus, with or without sound equipment, any part of which is used in playing the game.

1.2 a) A charge for playing mechanised cash bingo shall be a charge which comes within the control of Section 14 of the Gaming Act 1968 and shall be displayed to customers at the main book selling point, as part of the notice detailing the charges for all other games.

b) Any game for which a game price exceeding 50 p. is made shall be played for a full house.

1.3 Mechanised cash bingo shall not be a substitute for ticket or book bingo and shall be played only before or after the main game(s) of book bingo, or during an interval in such games. It shall not be the only cash bingo game played in any session, a session being the period before 5 p.m and the period after 5 p.m.

1.4 The equipment used shall conform to the following design standard:

a) In installations separated from the main seating area playing positions on boards or screens shall be at not less than 40.5cm centres.

b) The playing boards or screens shall display and have in play not less than 15 numbers per board and no fewer than 75 numbers shall be used in a game.

c) There shall be located at each playing position, and clearly visible, a visual indicator activated as confirmation of payment for each game.

d) The number of positions in play in any one game of mechanised cash bingo shall not exceed such a number as may be agreed between The Bingo Association and The Gaming Board from time to time.

1.5 In all games of mechanised cash bingo it shall remain the responsibility of the player to cover or otherwise physically monitor the numbers called and the onus shall remain on the winning player to stop the game and make a claim.

1.6 Operators shall be bound to ensure:

- a) No other game is played on the same unit simultaneously with a game of mechanised cash bingo.
- b) Participants in mechanised cash bingo play only on mechanised cash bingo or prize bingo units and the sale of chances in mechanised cash bingo is made only at this equipment.
- c) The number of players and the prize money payable in each game is published before the game is completed.
- d) Rules of play for mechanised cash bingo are displayed in the area(s) used for playing the game. The rules for mechanised cash bingo shall effectively include the fact that prepayment and the activation of the visual indicator at the player's position are prerequisites of a winning claim.
- e) The start and finish of each series of mechanised cash bingo games and any change to a game other than mechanised cash bingo is clearly announced.

1.7 Where the calculation of participation fees, duty and prize money results in a prize that includes a decimal of a penny, the prize may be rounded up to the nearest 1p. In this limited case the Gaming Board for Great Britain will not require that the amounts by which prizes are rounded up shall be aggregated for the purpose of sub-section 8 of section 20 of the Gaming Act 1968.

- 1.8 a) Where the equipment includes a facility for players to make advance payment for more than one game, operators shall ensure that any credit due to a player may be recovered by that player from the operator at the end of any game of mechanised cash bingo.
- b) Where facilities are included for advance payment for more than one game, operators shall provide on the equipment a facility for a player to pay for and play a single game, and where necessary to receive the appropriate change from the operator.

1.9 Records of the number of games played, players participation fees, prize money paid and in the case of games for prizes of £50 or above a record of the winning members name and membership number shall be retained on the bingo club premises for examination by Gaming Board Inspectors for a minimum of two years.

1.10 a) (i) The requirement for a daily test of mechanised cash bingo equipment is considered unnecessary where the operator can show that the equipment installed incorporates the facility to automatically initiate an "end to end" test from each play position whenever a coin is inserted for play, and also satisfies the other requirements in the "List of Standards for Testing MCB Equipment" set out in Paragraph 1.11. The only system element at each play position which is not tested by the "end to end" test is the "claim button" (where fitted), which should be subject to a manual test not less than once per week.

NOTE An "end to end" test is an automatic test initiated by the insertion of a coin at any play position which causes an electronic message to be sent from the local

player control board to the central controller to indicate that credit has been detected. This in turn initiates a return message from the central controller to the play position to light the valid stake indicator. Thus all system components – from coin mechanism to central controller to stake indicator light, are tested each time a coin is inserted.

- (ii) To show that the equipment satisfies the criteria of 1.10 (a) (i) above, the operator must obtain written confirmation from the equipment supplier that the equipment meets or exceeds the criteria and this confirmation must be available for inspection by Gaming Board Inspectors.
- b) For equipment which does not satisfy the criteria set out in 1.10 (a) (i) above, operators must:
 - (i) Check the operation and accuracy of the mechanised cash bingo equipment, either by physically cross-checking at least once per session or by means of a slot by slot test (including the “claim button”) before the commencement of the first session of the day.
 - (ii) Display on the Members’ Noticeboard the serial numbers of all mechanised cash bingo playing positions.
- c) Evidence of the foregoing tests must be retained on the premises for examination by Gaming Board Inspectors for a period of four months.

1.11 LIST OF STANDARDS FOR TESTING MCB EQUIPMENT

June 1999

Operators must comply with section 1.10 (b) if the equipment does not satisfy the following checklist of seven points:

1. Does the equipment employ a bi-directional “end to end” communications protocol between local player controller boards and the central controller equipment?

It is important that a coin being detected at the player position cannot illuminate the valid stake indicator unless communication with the central controller can be guaranteed. This may lead to a situation where a fault condition may allow a player to believe they are in a game when, in fact, they are not.

Safe answer: YES

2. Are there any circumstances where the player valid stake indicator could illuminate without the central controller being aware of it?

This is important for the same reasons as (1) above.

Safe answer: NO

3. Is it possible for any player position to take part in a game of MCB without the central controller being aware of this?

MCB equipment usually allows “programming” of player positions to allow for the expansion of positions etc. It is important that only those positions which are programmed are allowed into a game of MCB, and follows that those left unprogrammed are barred from playing.

Safe answer: NO

4. Does the central controller ensure that all money staked is electronically accounted for and that such control equipment will ensure safe records are kept in the event of mains failure or equipment malfunction?

This is important to prevent fraudulent use of the equipment, masked by apparent equipment failure.

Safe answer: YES

5. Does the central controller ensure adequate audit trails are kept electronically and are available in printed form for all money staked, prize paid, parfees, tax, number of games played, number of players per game etc, and that such electronic audit records are stored safely?

This is required for basic audit trails.

Safe answer: YES

6. If a coin mechanism is jammed in a closed position, is this reported to the operator immediately?

This provides the operator with a means of quickly dealing with the problem.

Safe answer: YES

7. Is the player valid stake indicator of a very high reliability type?

This is important to ensure that non-illumination of the valid stake indicator is due to non insertion of stake, or a faulty microswitch, and NOT due to an indicator failure.

Safe answer: YES

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