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**Report of the  
GAMING BOARD FOR  
GREAT BRITAIN  
1997-98**

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LONDON: The Stationery Office



**REPORT OF THE GAMING BOARD  
FOR  
GREAT BRITAIN 1997-98**

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H.C. 443 (1984-85)

MEMBERS OF THE GAMING BOARD FOR GREAT BRITAIN IN 1997-98

LADY S LITTLER, Chairman

MR B AUSTIN

MR D ELLIOTT CBE, QPM

MR W B KIRKPATRICK OBE

MR R C LOCKWOOD JP from 1.1.98

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Secretary

Mr T J Kavanagh

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## ANNUAL REPORT OF THE GAMING BOARD FOR GREAT BRITAIN

To:

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

and

Her Majesty's Secretary of State for Scotland

In pursuance of Section 50 of the Gaming Act 1968 I have the honour to present the twenty-ninth report of the Gaming Board for Great Britain covering the period 1 April 1997 to 31 March 1998. This is my sixth and last report as Chairman and I should like to make some closing comments.

The competitive scene in gambling has been transformed by the introduction of the National Lottery in November 1994 and the passage of the Deregulation and Contracting Out Act 1994 which enables Parliament to amend primary legislation by deregulation orders after consideration of necessary safeguards.

As described in the annual reports the Gaming Board is playing a full part in the consideration of regulatory change and has contributed positively to the various consultation exercises. It discusses issues with the trade associations and others concerned and provides policy and technical advice to the Home Office. In doing so, it tests proposals against the three principles of gaming regulation (that gaming is crime free and conducted honestly and in accordance with regulation; that players are treated fairly; and that children and the vulnerable are protected). It welcomes sensible modernization while supporting the main elements of the Gaming Act 1968 including the certification and licensing arrangements and the maintenance of club status for casinos and bingo halls. The Board encourages Government and its industries to be mindful of the needs of problem gamblers.

The gambling industry is becoming increasingly international. The Board has maintained and strengthened its contacts with regulators in foreign jurisdictions.

The Board and its work have become more transparent. Agreed guidelines to its various industries have been updated and this work is continuing. The Board has introduced white certificates for casino executives, updated the criteria for other certificates and warns new certificate holders about the types of behaviour which might lead to revocation. It continues to improve the Annual Report as a document of record about its policies.

The Board is having to cope with reductions in its grant-in-aid and is making significant efficiency savings. It has transferred Inspectorate resources to the South East region where they are most needed and is strengthening its IT and gaming machine capability. The Board considers that the savings made have not so far threatened the effectiveness of regulation though this is being closely monitored.

Turnover in the Board's industries has grown and the pace of change in gaming technology and in industry organisation is quickening. The Board's industries are increasingly dependent on gaming machines for their

profitability and are experiencing greater concentration of ownership. Some of the traditional assumptions of the Gaming and Lotteries Acts are being questioned: for instance that demand for gambling must not be stimulated; that casinos, bingo, lotteries and gaming machines are separate industries with self-contained regulatory systems; and that all kinds of lotteries and amusements-with-prizes machines are soft forms of gambling acceptable for under 18s.

Unlicensed gaming on the Internet offers a potential threat to terrestrial regulatory systems. The Board has helped to develop a Gaming Regulators European Forum (GREF) position statement which is described in this year's Report.

I believe that the regulatory system for gaming and lotteries in Great Britain still works effectively and should continue to do so for some time to come provided that sensible changes and modernisation can continue under the Deregulation and Contracting Out Act procedures and that Government expenditure cuts and any changes in the taxation of gaming do not threaten good regulation. However it is desirable that a widespread review of gambling legislation should be undertaken before the next election.

I am grateful to my colleagues on the Board, our Secretary, the Chief Inspector and all the Board's staff (past and present) for their invaluable work and support in the last six years. We can be proud that the British regulatory system for gaming and the Board itself are highly respected at home and abroad. I wish my successor, Mr Peter Dean, every success.

LADY S LITTLER  
Chairman





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# 1 : Introduction and General

## Introduction

1.1 This is the twenty-ninth Annual Report of the Gaming Board for Great Britain since it was established by the Gaming Act 1968. The Board is the regulatory body for casinos, bingo clubs, gaming machines and the larger society and all local authority lotteries in Great Britain. The general format of the Report is the same as that in recent years. This chapter concentrates on the main developments during the year and the issues of most current interest or concern to the Board. Chapter 2 gives an overview of the Board's responsibilities and how it carries these out. Chapters 3 to 8 report on each of the main areas of Board work: casino gaming; licensed bingo; certification of employees; gaming machines; lotteries; and Inspectorate, operational issues and enforcement.

## Size of the Industry

1.2 The industry which the Board regulates is a very substantial one. Figures produced by Professor Neville Topham and Mr Steve Donoughue of the Centre for the Study of Gambling and Commercial Gaming at the University of Salford indicate that the gross gaming yield (ie the amount retained by operators after the payment of winnings but before deduction of the costs of the operations) of all betting and gaming in the United Kingdom in 1996 amounted to £6.8 billion. Almost £2.5 billion or over one-third of this was contributed by the gaming industries and lotteries for which the Board has regulatory responsibility whilst a further one-third came from the National Lottery and the remainder from horserace and other betting.

1.3 There were 115 casinos open in Great Britain at 31 March 1998, more than in any other European country with the exception of France. London has 21 casinos, which is unique for a capital city anywhere in the world. Drop (ie money exchanged for chips) was £2.7 billion in 1997/98: operators retained about 18 per cent of this at £486 million. Around 11,700 staff were employed by British casinos in 1997 and nearly 12 million separate visits to casinos were made by members and their guests.

1.4 Great Britain has just under 800 commercial bingo clubs currently operating with total stakes amounting to over £1 billion in the year to March 1998. These clubs have some 3 million active members, with a daily attendance of about 250,000 members and guests, and employ an estimated 24,000 people.

1.5 Over 250,000 gaming machines are sited around the country in a large number of different locations. It is estimated that about £7.8 billion a year is fed into these machines with around £1.5 billion retained by suppliers and site owners. Direct employment is estimated at nearly 25,000 people.

1.6 The larger society and all local authority lottery schemes which the Board regulates had combined total ticket sales of £125 million in 1997/98.

1.7 The Board is aware that substantial efforts have been made by the trade associations and others to improve the statistical and financial information available about their industries and supports them. Such improved information allows improved decision making on such

matters as proposals for changes to legislation and regulations. A selection of key industry and Board statistics is given at Appendix I and more detailed information is given in individual chapters relating to each industry.

## The need for regulation

1.8 As the Board has repeatedly emphasised, gambling is an activity in which the only product which changes hands is money and as a consequence, if not properly controlled, is susceptible to criminal activity, fraud and dishonesty. The events of the 1960s in this country, when a measure intended to provide a relatively small relaxation in the controls surrounding gaming resulted in an uncontrolled proliferation of casinos and other gaming with attendant malpractices and criminal involvement, are illustrative of the problems which can occur.

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

1.10 All developed countries therefore regulate gambling, on both criminal and social policy grounds, with the three common objectives described in chapter 2 of ensuring that gambling is crime-free and conducted honestly and in accordance with regulation; that players are treated fairly; and that children and the vulnerable are protected. In Great Britain, this regulation has been successfully achieved for gaming through the 1968 Gaming Act and for society and local authority lotteries through the 1976 Lotteries and Amusements Act.

## Removal of Certain Restrictions on Casinos and Bingo Clubs

1.11 As reported last year and following extensive consultation, Parliamentary Orders under the 1994 Deregulation and Contracting Out Act were approved by Parliament in March 1997 and came into effect in April 1997 which eased some of the restrictions which applied to casino and bingo gaming. These Orders:-

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

1.12 None of the changes has caused any regulatory problems for the Board. Indeed, as far as bingo advertising is concerned, the removal of the previous plethora of rules and regulations has simplified the Board's work to some extent. There were some initial practical

problems in introducing debit card payments, mainly for bingo and caused largely by the interaction of the legislation with the card issuers' own rules, but those were successfully resolved. The Board understands that payment by debit cards is becoming increasingly common in casinos.

## Outstanding Proposals on Further Derestriction Relating to Casinos and Bingo Clubs

1.13 At the time of the General Election in May 1997, the previous (Conservative) Government was still considering a number of other proposals for easing further restrictions. The new (Labour) Government had its own policy priorities and a heavy proposed legislative programme, much of which related to areas for which the Home Office is responsible. There has therefore inevitably been some delay in the new Government's consideration of its approach to the outstanding proposals.

1.14 As far as casinos are concerned, Mr George Howarth, the Minister responsible for gambling policy, has indicated that the Home Office hopes to take forward those proposals which would:-

- (i) allow members of a casino to have access to gaming facilities in other casinos within the same group without having to apply as now separately at each casino at which the person wishes to game.
- (ii) remove the requirement for applications in person for casino club membership, thus allowing postal applications.
- (iii) ease the advertising restrictions to permit notices giving factual information about casinos – name, address, telephone numbers and limited details about the facilities available – in newspapers, magazines and similar publications. (Broadcast advertising would remain prohibited and notices would not be permitted on billboards or in mailslots or in publications which are wholly or mainly designed to promote the casino.)

The Home Office will be undertaking a further round of public consultation on a draft Order before it is laid before Parliament.

1.15 The Home Office is continuing to consider whether it would be appropriate to allow casinos to have high stake, high prize slot machines and, if so, in what number. It also has yet to announce whether it will be taking forward the proposal to add a substantial number of new "permitted areas" to the current list of areas where casinos can be located (see Appendix VI). Such additions would have substantial resource implications for the Board, for which no provision is available, and, in a number of cases, there is significant opposition in the location to the proposals.

1.16 In respect of bingo, proposals remained outstanding at the time of the General Election to replace the current system limiting the amounts operators may charge by one based on the percentage of the players' money which may be retained; to remove the restrictions on the frequency and prizes in multiple bingo (generally known as the National Game); and to extend the duration of bingo licences from 1 year to 3 years. The last of these is currently under

consideration between the Home Office, the Board and the industry but there are certain practical difficulties (see paragraph 4.14). Proposals to ease, but not remove, the frequency and prize restrictions on multiple bingo have been supported by the Board and are under consideration by the Home Office (see paragraph 4.10).

1.17 The Board has also been giving further consideration to the question of what the longer-term arrangements for the system for controlling bingo charges should be. The present system of controls on charges was originally designed to prevent the industry from making excessive profits in what could be, as a result of the application of the demand criterion in the 1968 Act, a monopoly situation and to set up a structure which kept bingo as a relatively “soft” form of gambling. It has however resulted in a relatively complicated set of charging arrangements which are difficult for players and others to understand. The Board has been seeking for some time the industry’s agreement that more transparent charges notices should be provided for players in bingo clubs and a trial of such notices began on 1 April 1998. The Board has further concluded that, as long as (a) a formal system backed by regulation of transparency of charges for the customers can be established, (b) the Board’s regulatory functions can be guaranteed through a clear audit trail and (c) it can be satisfied that the “soft” or social nature of bingo is not threatened, there is probably no need to retain the present statutory controls over charges. The Board is satisfied that competition for customers’ leisure spending will ensure that charges do not become excessive. It has raised the matter with the Home Office who agreed that discussions with the bingo industry can start with a view ultimately to abolishing the statutory arrangements, thereby leaving charges to market forces. More is said on this, and the Board’s reasoning, in paragraphs 4.15 to 4.18.

## Derestriction of Gaming Machines

1.18 As described in previous Reports, changes were made under the 1994 Deregulation and Contracting Out Act which permitted from June 1996 the use of new “all-cash” payout amusement-with-prizes gaming machines in essentially adult environments such as licensed betting offices, public houses, bingo clubs or amusement arcades in which entrance to the arcade or to the part with the machines is limited to over 18s. Generally, introduction of the new machines has gone smoothly but the Board does have concerns that numbers of these machines are appearing in inappropriate environments and that in other cases the controls are not working to prevent access by children. Hence, machines intended for use in adult environments are being sited in unsupervised public areas of railway stations, in motorway service areas and in cafes etc. Recent research reported in paragraph 1.31 below indicates that children are playing the machines in public houses. The Board is particularly concerned about these developments as the industry is pressing for a considerable increase in the maximum permitted prize for such machines (currently £10) in the 1998 triennial review of gaming machine stakes and prizes (see paragraph 6.9).

1.19 Little further progress has been made on the proposal, reported last year, that would have allowed non-broadcast advertising of amusement-with-prizes gaming machines inside premises. Instead, BACTA have approached the Board and the Home Office with a proposal to use the Deregulation and Contracting Out Act process to modernise the payment systems permitted in gaming machines. The Association would like to be able to manufacture and site machines which only accept £1, and in future £2, coins; to use note acceptors in machines; to use electronic and other non-monetary methods of playing machines; and to let players re-play winnings in the machine’s bank without the need for the machine to pay out first. The Board has indicated that it

is content in principle with the first three of these, subject to comments it will wish to make on the detail of the proposals when available, but that it has reservations about the fourth.

## Review of Gambling Legislation

1.20 In last year's Report, the Board said that it considered that a need was developing for a thorough review of all the gambling and lotteries legislation by an independent review body. The Board had concerns at the way in which the Deregulation Act process was being used in a rather piecemeal way to make what amounted to an extensive range of amendments to the legislation. Similar concerns had been expressed by the Deregulation Committees of both Houses of Parliament which commented on the complexity of the present law, the piecemeal attempts at amendment and the need for simplification and consolidation.

1.21 The Board continues to believe that it would be desirable to set a general review in train. There currently remain many pressures for change (both for deregulation and for greater restrictions) in the present gambling laws. The success of the National Lottery continues to challenge the conceptual basis on which gambling and lotteries are regulated in Great Britain and has disturbed the competitive balance between the various industries. Rapid technological developments such as the Internet are occurring for which existing legislation is not appropriate. Concerns about problem gambling and addiction, particularly amongst young people, are growing as gambling opportunities increase. There is a need to consider in the light of the long passage of time that the current Acts have been in place whether the current policy now lacks some cohesion.

1.22 The Board has discussed its views with Mr Howarth who has pointed out that the Government has a heavy legislative programme and it would not be desirable for it to start a review, thus raising expectations, without any real prospect that legislation would follow within a reasonable time. There is also the burden which would fall on the Home Office in conducting such a review. The Board understands and sympathises with the Government's desire not to arouse false hopes. However, whilst the Board would not want to suggest that there is any imminent threat to the objectives of gambling legislation (that gambling should be crime free, fairly and properly conducted and offer some protection to children and the vulnerable), it would be concerned if the Review were not started within the next year or two. That would give it time to report during the lifetime of the present Parliament and allow the political parties to decide whether they wanted to propose legislation for the next Parliament.

1.23 In the meantime and as indicated in earlier paragraphs, there are a substantial number of measures already in the queue to be taken forward by the Deregulation Act route, starting with the proposals on advertising and membership of casinos. It is likely to take some considerable time to progress these. In view of this, the Board feels that there is little to be gained currently by considering further proposals and adding those to the queue. The Board does not therefore intend to consider any new proposals for the time being, unless specifically asked to do so by the Home Office. It understands that the Home Office, for its part, will not ask the Board to examine any fresh proposal unless it seems to be particularly deserving.

## On-line Lotteries

1.24 As reported last year, the Chairman of the Board wrote to Mr Howarth registering the Board's concern about the prospect of frequent on-line lotteries in public houses and other

premises. The first such game was launched on behalf of a number of charities by Interlotto, a Board certificated lottery managing company, on 27 November 1997. Called 'Pronto!', it has many of the features of the bi-weekly National Lottery draw but is run on a much more frequent basis and with smaller prizes. During the early months of its operation, over 70 draws per day were being held with customers in individual premises able to gamble on as many as they should wish.

1.25 On 13 November 1997, Mr Howarth announced that the Government proposed to introduce legislation to restrict the frequency of lottery draws in the light of this development. The Home Office published a consultation document and a draft Bill setting out its proposals on 7 January. In it the Home Office said that the Government does not seek to ban on-line lottery schemes but wishes to prevent repetitive, frequent on-line lottery games in pubs and other places in Great Britain. It added that the introduction of such lottery games raises serious social policy and regulatory issues, which require reconsideration of the present law. Under the provisions in the draft Bill, on-line lottery schemes would be limited to one draw a day in any particular premises.

1.26 The Board responded to the consultation document welcoming the Government's proposals to act and the manner in which it intended doing so. Whilst the Board acknowledges that 'Pronto!', at least so far, has not been adopted as widely or as successfully as was originally thought likely, it remains firmly of the view that public houses and other public premises are not appropriate venues, and were never intended by Parliament, to be used for large-scale, harder gambling of this type. It is a basic assumption of the gambling legislation that such gambling should only take place in premises licensed for that purpose such as casinos or betting shops and where strict controls can be maintained to prevent those under 18 being present and taking part. Even if 'Pronto!' proves ultimately unsuccessful, the Board believes that others will try to introduce alternative games in such premises in due course. It agrees with the Home Office that the matter needs to be considered by Parliament. At the time this Report was being prepared, the Government was still considering the way forward following the consultation process.

## Problem Gambling and Gambling by Children

1.27 As mentioned earlier, some individuals can become addicted to gambling and it can cause others financial and other problems even if they are not addicted. A small minority of people, "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 to a large degree, the extent, and potential adverse consequences, of problem gambling have been controlled in the past in this country by the restrictive regime historically applied to gambling generally and to gaming in particular, concerns have increasingly been raised recently about the potentially adverse consequences which may arise from relaxations in those regulatory regimes. Apart from the National Lottery, and in particular its scratchcard games, other relaxations, both already made and in prospect, including those mentioned elsewhere in this Report, are raising worries amongst some.

1.28 The Board has said in recent years that it would like to see greater public understanding of the effects of increased gambling opportunities of particular kinds and that, as problem gambling concerns all sectors of the industry, a co-ordinated approach to research and action should be promoted. The Board therefore welcomed the establishment in April



1997 of GAMCARE (the National Association for Gambling Care, Educational Resources and Training). This is a registered charity which aims to improve the understanding of the social impact of gambling, to promote a responsible approach to gambling and to address the needs of those adversely affected by a gambling dependency. Examples of the ways in which it approaches its aims are the operation of a national helpline for problem gamblers and their families and the provision of social education, problem prevention and information programmes, training courses and workshops. GAMCARE will shortly be organising a large-scale nationwide survey of the incidence of gambling and problem gambling, which the Board believes will be helpful in aiding understanding of the issues.

1.29 GAMCARE was officially launched at the end of October 1997. The launch was attended, amongst others, by representatives of the Government, including at ministerial level Lords Williams and Donoughue, of many sectors of the gambling industry and of the Board. The Chairman of the Board is one of GAMCARE's vice-presidents. As the Board believes that the gambling industry itself needs to take a proactive stance towards the question of problem gambling, it was pleased that many sectors of the industry had contributed to GAMCARE's costs. The Board understands that currently around 60% of funding is provided in this way and it hopes that such funding will continue to be forthcoming. It is important that those donating the money should not seek to pressure GAMCARE in the way it carries out its work.

1.30 The Board mentioned in last year's Report that it welcomed the proactive stance taken by the British Casino Association in issuing a position statement on problem gambling and providing notices in casinos and a leaflet indicating where people with problems can get help. That leaflet has been recently updated. Although the Board has no regulatory responsibility for betting, it was pleased to learn in the course of the triennial review that the Betting Offices Licencees Association has produced a similar leaflet which has been made available in its members' betting shops.

1.31 Gambling by children is a matter which raises particular issues and concerns. At the end of February 1998, the results were published of a major independent study on "Gambling and Problem Gambling among Young People in England and Wales", commissioned by the Office of the National Lottery and conducted by Dr Sue Fisher, Director of the Centre for Research into the Social Impact of Gambling at the University of Plymouth. Amongst the wide range of findings from the sample of 9,774 12-15 year olds drawn from 114 schools in England and Wales, the Board would highlight the following:

- 75% of the young people surveyed had gambled on fruit machines at some time in their lives, 47% had gambled on National Lottery scratchcards and 40% had gambled on the National Lottery draw.
- 19% of the young people had spent their own money on fruit machines and 46% of these had spent £2 or more on them, during the week prior to the survey.
- 13% of the young people had spent their own money on the National Lottery in the week prior to the survey, of whom about one-quarter had spent £2 or more. Of the 13%, 5% had spent their money on the National Lottery draw, 4% on scratchcards and 4% on both.
- almost half of the children who had spent their own money on the National Lottery during the week prior to the survey reported underage purchases.

- 5% of the young people scored as problem gamblers, consisting of 3% who had a problem with fruit machines only, 1% a problem with National Lottery scratchcards and 1% with both.

Extrapolating such figures to the 2.6 million 12 to 15 year olds in England and Wales as a whole would suggest that 1.9 million had gambled on fruit machines at some time, 100,000 had a problem with fruit machine gambling and 200,000 had played a pub fruit machine in the last week.

1.32 The Board commented two years ago on the different minimum ages applicable to different types of gambling (for instance 18 and over for casinos, betting and cash bingo but 16 for lotteries, including scratchcards). It said then that it believed there should be a single legal minimum age of 18. This would ensure that there is no confusion in people's minds about what is the appropriate minimum age and it would reduce significantly inadvertent underage sales to those aged 14 or 15 on the grounds that they appear older. The Board repeats its recommendation in the light of this latest research. It further believes that consideration should be given in the review for which it has called to whether it is appropriate that children should be able to play amusement with prizes gaming machines, for which there is currently no statutory minimum age limit. The Board's view is reinforced by the House of Lords decision in the HB Leisure case which is described in paragraphs 6.13 to 6.14.

## Internet Gambling

1.33 Last year's Report mentioned the concerns, amongst Governments, regulators and commercial gambling organisations around the world, about the potential for the proliferation of uncontrolled and unregulated gambling opportunities on the Internet. By this means, large scale and hard gambling activities could become available in people's homes with no proper control over such matters as gambling on credit or by children and other young persons. The potential also arises for criminal involvement in organising the gambling and for its use for money laundering and other criminal purposes.

1.34 The Board receives enquiries from time to time from persons interested in setting up Internet casino type gaming and lotteries in Great Britain. The Board points out that such gaming can only be conducted on licensed premises and that players have to be present on the premises when gaming. It is therefore clear that no licence could be granted to an Internet casino and that it would be illegal to operate one from within Great Britain. The position with lotteries is more complicated. Lottery tickets cannot be sold to the public by means of machines and therefore a fully automated lottery ticket selling operation on the Internet would not be permitted. But the Board has also been approached with proposals under which the Internet is merely used, rather like a telephone, as a means of communication connecting the buyers and sellers of tickets. The Board is still considering such schemes.

1.35 The principal concerns over Internet gambling arise from the potential for residents of one country to be able to participate in gambling opportunities being offered from offshore locations elsewhere in the world and which are subject to little or no regulatory or other controls. Although there are large numbers of sites apparently offering Internet gambling, so far, in Great Britain at least there is little evidence of any major take up of such opportunities. The major gambling countries around the world are however considering their responses. These have been described as falling into three broad categories.

1.36 First, the United States is seeking to ban Internet gambling by making it an offence to offer, or take part in, such gambling. Legislation to effect this is currently under consideration. Secondly, the Australian and New Zealand regulatory authorities have developed model legislation under which any of them could legalise, regulate and tax (under reciprocal arrangements) Internet gambling offered from their territories and make it available to players around the world. The Queensland Government has recently passed into law what is believed to be the first such Act, based on this model, to permit Internet gambling. Thirdly, some countries of Europe are permitting their gambling operators to offer their products on the Internet but only to residents of their own countries by controlling who is able to play through such means as social security numbers and resident bank accounts.

1.37 As reported last year, the Gaming Regulators European Forum (GREF), which is currently chaired by the Chairman of the Board, established an Internet Gaming Working Party to assess the threat such gambling presents to control and regulation in Europe, to consider the actions being taken by countries to control the threat and to consider whether there is any further action which GREF, or individual members, should be taking to respond to the threat. Over the last year, the working group has produced a position statement on gambling on the Internet which was agreed by experts from 15 countries at the annual full GREF meeting in May 1998 in Helsinki. A copy of that statement is at Appendix II. It emphasises the view of GREF that it is a matter for individual Governments whether or not they want to legalise Internet gambling on their territories. But, if they do, they should respect other countries' desire to prevent it and should not offer their Internet gambling opportunities to those countries. The statement also suggests outline proposed regulatory structures: for instance, it suggests that licensed Internet gambling operators need to be present in the territory concerned and should be subject to the same strict controls on probity as terrestrial operators and it lists a number of other points that will need to be considered.

## Board Resources

1.38 Like many organisations in the public sector, the Board is facing a squeeze on its budget. Over the four years to 1999/2000, the Board is expected to absorb a cumulative cut in real terms of over 10% in its grant-in-aid from the Home Office and needs therefore to find savings of £750,000 over that period. This follows a period in which the Board has absorbed a considerable amount of additional work and costs without extra resources. The Board has instituted a number of efficiency savings over recent years and is currently examining its methods of operation to see what further scope it has for cutting activities to meet the reducing grant without putting the effectiveness of regulation at risk. Board members were grateful that Mr Howarth emphasised to them when they met that he would want to be warned as early as possible if the Board felt that the impact of the cuts was such as seriously to threaten its ability to keep gaming and lotteries crime-free, fair and honest. The Board will be monitoring the effects of the cuts and will notify the Minister if significant concerns develop.

1.39 In previous years, the Board has made it clear that it considered that the resources available to its Inspectorate in London and in respect of its work on gaming machines were inadequate. In the light of these concerns the Board, following a review, has reallocated two Inspectorate posts from the North of England to allow it to add one post to the Inspectorate in the South East of England and to create an Assistant Machines Specialist post.

## **2 : The Organisation and Work of the Board**

### **Introduction**

2.1 This chapter, which is now included each year in the Annual Report, gives an overview of the Board's responsibilities and how it carries these out. It has proved a useful summary of the Board's work which can for instance be copied to press and other enquirers seeking information on the role of the Board. It is being repeated in essentially the same format as previous years, with any necessary revisions to bring the material up to date. It is a brief summary and should not be regarded as a substitute for reading the relevant legislation and caselaw.

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

### **Why gaming is regulated and the objectives of regulation**

2.3 Gambling is an activity in which the only product which changes hands is money. All commercial gambling is therefore cash generating and cash circulating and as such is susceptible to criminal involvement (for example through money laundering) and can be addictive to individuals. Excessive gambling can cause misery to individuals and their families. As a consequence, gambling is regulated in all developed countries and, whilst the nature of the regulatory system varies from one country to another, the Board believes that the following objectives are common to them all:

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

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

### **The legislative framework in Great Britain**

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

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

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

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

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

## The Board's functions and objectives

2.9 The purposes for which the Board has its statutory functions under the 1968 and 1976 Acts can be summarised as follows:

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

2.10 In pursuit of these purposes the Board:

(i) in respect of gaming,

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

(ii) in respect of lotteries,

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

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

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

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

## The Board: its composition and staffing

2.12 The Board consists of a part-time Chairman and four other part-time members. The full list of Board members appears at the beginning of this Report. Lady Trethowan retired at the end of 1997, after six years as a Board member. The Board wishes to express its appreciation of her valuable contribution to its work, which will be greatly missed. Lady Trethowan was replaced by Mr Robert Lockwood, who had been Chairman of the Betting and Gaming Licensing Committee of the Enfield Petty Sessions Area for the previous five years. He is currently also Chief Executive of the London Red Cross and previously held posts of Local Authority Chief Executive and Director in the East End of London. On 6 May 1998, the Home Secretary announced that Mr Peter Dean would succeed Lady Littler as Chairman of the Board when her term expired at the end of June 1998. Mr Dean is also the Investment Ombudsman and was formerly a Deputy Chairman of the Monopolies and Mergers Commission. He is a non-Executive Director of Associated British Ports Holdings plc and has a legal background.

2.13 All members of the Board share the collective responsibility for the Board's decisions and are expected to acquaint themselves with the full range of the Board's responsibilities and interests. However, traditionally some members are appointed for their special experience or skills. Moreover successive Chairmen have found it helpful to ask particular members from time to time to take a special interest in particular areas of the Board's work, external or internal. As at April 1998, members' main special interests were as follows:-

Lady Littler: all aspects of the casino industry; problems of gambling addiction; gambling on the Internet and Board representative on international regulatory bodies.

Mr Austin: all aspects of the gaming machine industry; advises on the Board's Strategic and Operational Plan and the Investors in People initiative; and matters of corporate governance and the financial viability of gaming companies.

Mr Elliott: all aspects of the Inspectorate's work, including advice on policies, procedures, etc, chairing selection and promotion boards and investigation of any disciplinary enquiries or complaints.

Mr Kirkpatrick: all aspects of the gaming and lotteries industries in Scotland as well as the lotteries industry more generally; Chairman of the Board's Audit Committee; the Board's internal accountancy and audit arrangements; and matters of corporate governance and the financial viability of gaming companies.

Mr Lockwood all aspects of the bingo industry and of society lotteries and the charitable sector; and point of contact with the Magistrates Association.

2.14 The Board is served by secretariat staff and its Inspectorate. Secretariat staff are civil servants seconded from the Home Office: the average number in post full time was 39 during 1997/98. Inspectorate staff are employed by the Board and numbered 35 during 1997/98. Specialist legal and accountancy advice is sought from outside firms as and when required through three year contracts agreed in 1997.

2.15 The Board's Inspectorate is arranged into five regions covering: South East England; South West England and South Wales; North of England and North Wales; Midlands; and Scotland and North East England. The individual regions are responsible for inspecting and monitoring certificate and licence holders in their regions and for dealing in the first instance with any problems or difficulties that arise. Their work is supervised and co-ordinated by the Chief Inspector and his Deputy at Board headquarters in London. The Specialist Machines Inspector is also located in London. More detail on the work of the Inspectorate is given in chapter 8. Secretariat staff are all located at the Board headquarters and are organised into separate sections covering casino gaming, bingo, certification of gaming employees, gaming machines, lotteries, management services and finance. Address and telephone and fax numbers of the Board's headquarters and regional offices, together with the names of senior staff, are given in Appendix III.

2.16 The total cost of the Board's operations, including the salaries and other expenses of the Board members, amounted to £3.45 million in 1997/98. The Board is required to cover its expenditure through the fees charged for certification and licensing (see paragraphs 2.30 to 2.32 below).



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

2.18 Government departments and agencies have been committed to carrying forward plans to become Investors in People since 1994. Investors in People is the National Standard, and regarded as a benchmark of best practice, for effective investment in the training and development of people in order to achieve organisational goals. To build on that commitment, a White Paper, published in July 1996, set out the target that by the year 2000 all civil servants will be employed in organisations recognised as Investors in People. The Board fully supports the Government's initiative and has embarked on its own programme to obtain Investors in People status. In early 1998, it produced an Action Plan and separate training and development strategies with a view to achieving that status by the year 2000.

## The Board's procedures

2.19 As described in paragraph 2.10, the Board determines applications made to it for certificates of consent needed by casino and bingo licensees, for certificates relating to the sale, supply and maintenance of gaming machines, and for certificates of approval for gaming employees. In each case, it can either grant or refuse the application and it subsequently has powers of revocation if concerns arise about the activities and behaviour of the certificate holders. Although the precise tests in the Act vary to some extent between categories with the criteria for revocation being more stringent than the criteria for the refusal of a new certificate, they are generally ones which examine whether, in the Board's opinion, the applicant is fit and proper and is likely to be capable of and diligent in undertaking the responsibilities concerned. The Board can also object to the grant or renewal of the gaming licences granted by licensing justices in respect of casinos and bingo clubs and it advises the justices on the demand for new facilities.

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

2.21 All decisions relating to casino certificates of consent are taken by a panel consisting of three or more Board members (except that the Chairman has delegated powers to grant certificates in certain technical or straightforward cases). In addition, any decision to refuse or revoke a certificate or registration or to object to a licence is also taken by a panel of Board members. Otherwise, Board staff have delegated authority to grant certificates or registrations. Usually this is done on the basis of information provided on the relevant application forms or

in other supporting documentary evidence. However, applicants for the Board's casino executive certificate of approval who are new to the industry are first interviewed by a panel consisting of a Board member and the Chief Inspector or his Deputy whilst re-applicants for certificates of approval after revocation and first-time applicants for certificates to act as casino or bingo managers are usually interviewed either by the Board's Inspectorate or by a panel consisting of a Senior Inspector and a senior Board official. If these panels recommend refusal, the papers are referred to all five Board members for confirmation. The Board carries out checks of criminal records with the police for applicants where appropriate.

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

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

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

## Performance by the Board of its functions

2.25 The first priority of the Board is the efficient and effective performance of its statutory

functions described in paragraph 2.9 above. These include important elements which are not susceptible to measurement since they either involve the Board's investigative and policing role or relate to the structure and standard of regulation in the industry. Examples over the last year and described in more detail elsewhere in this Report include: extensive advice to and consultation with the Home Office on a range of deregulatory issues affecting all areas of the Board's work; work on the charging arrangements and transparency of charges for bingo; consideration of proposals for legislation on on-line lotteries and of the legality of Internet lotteries; Inspectorate reviews of best practice; and various consultations and meetings with industry trade associations, including through working groups, and operators to discuss matters of interest and concern.

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

Table 1

PERFORMANCE TARGETS: 1997/98

Section	Target	% Achieved (previous year's figures in brackets)
<b>Casino Section</b>		
determination of certificate of consent applications	within 4 months of receipt	77 (67)
<b>Bingo Section</b>		
determination of certificate of consent applications	within 8 weeks of receipt	87 (84)
<b>Certification Section</b>		
issue of certificates of approval to first time applicants	within 6 weeks of receipt	79 (95)
<b>Machines Section</b>		
determination of applications for new certificates	within 3 months	63 (52)
processing of renewal applications	before expiry date	88 (69)
<b>Lotteries Section</b>		
determination of applications to register lottery schemes	within 6 weeks	76 (74)

2.27 It can be seen that in most sections a high proportion of cases were completed within the targets set. Relatively few casino certificate of consent applications are received each year. Some of these take longer than the four month target because more complex investigation is required and other cases can be delayed whilst further documentation or information is awaited from applicants. The lower performance of Certification Section is a result of prolonged staff shortages throughout the year and changes in personnel with consequential

lower levels of experience. Machines section targets have been affected by delays in the receipt of further information requested from applicants and other organisations. The impact on Lotteries Section of the increase in the number of returns received (106 per cent in the latest year) and the increasing complexity of applications for registration submitted by societies has hindered any major improvement in performance targets for registration. The Board is mindful of the need to resolve applications, in particular some certificate of consent applications, within a reasonable time and may, after giving due notice to the applicant, proceed to a decision on the available information if it considers that the applicants are delaying matters unreasonably.

2.28 The Board is committed to the Government's policy on the prompt payment of bills. The Board therefore aims to pay all bills within 30 days of receipt of the invoice other than in cases where it needs to raise specific problems or queries. The Board met this target during 1997/98: all bills were paid within 30 days other than a few in which there were difficulties over faults in equipment or other queries with the goods supplied.

2.29 The Inspectorate's work and its visiting and inspection programme are described in Chapter 8.

## Fee levels

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

2.31 Having considered the anticipated levels of applications for certificates and licences for 1998/99 alongside the grant-in-aid which the Home Office will make available to the Board, it was apparent that an increase in gaming fees was needed, primarily to cover a deficit in gaming revenue due to a reduction in the number of new bingo licences and associated certificate of consent applications. Gaming fees have therefore increased by 2.5% from 1 April 1998 and are given in Appendix IV. This is only the second increase in the last five years, the previous one being by only 2%.

2.32 Lotteries fees have been increased by 5 per cent from 1 April 1998. Whilst this will help reduce the deficit in income from such fees, there will still be a shortfall of about £115,000 in 1998/99. Ministers have agreed that this deficit can be financed from public funds but have asked the Board to take steps to eliminate it over the next few years. Taken with the new fees structure introduced in May 1994, lotteries fees have increased on average by about 23 per cent since April 1992. The current levels of lotteries fees are also set out in Appendix IV.

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

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

2.34 Internal audit of the Board's work is conducted on its behalf by Home Office Internal Audit. Following completion of the first five year review programme and an assessment of the Board's audit needs, the Board and Internal Audit adopted a new service level agreement covering the period up to 1998/99. The revised arrangements differ from the previous ones in that, instead of reviewing a particular section (e.g. casino and bingo section) in its entirety each year, the annual audit instead reviews one or more major aspects of the Board's work across all sections of the Board. The 1997/98 audit therefore examined various management systems within the Board's Inspectorate, and carried out a follow-up report on corporate planning.

2.35 The National Audit Office completed the audit of the Board's accounts for 1997/98 in May 1998. The audited accounts are given in Appendix V.

2.36 A previous Internal Audit report on corporate planning had identified the need for an audit committee at the Board. It was decided that the Board members would form the committee, under the chairmanship of one of their members (Mr Kirkpatrick). The committee met three times in 1997/98 to consider Internal Audit and National Audit Office reports.

## Consultation and communication with the industry

2.37 The Board considers that a proper distance should be maintained between a regulatory body and individual licensees and certificate holders in the regulated industry. However, the Board has regular discussions with trade associations about matters of common concern and the Chairman regularly speaks at annual meetings of associations. Two working groups consisting of Board officials and representatives of the bingo industry trade associations (the Bingo Association of Great Britain (BAGB) and the British Bingo Operators' Association (BBOA)) and of BACTA (the trade association for the coin-operated amusement machine industry) respectively 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 met with representatives of the British Casino Association (BCA) on a number of occasions to discuss in particular developments with and arrangements for implementing the Government's deregulation proposals. A working group consisting of Board officials and representatives of the National Bingo Game Association (NBGA) also met during the year. As described in paragraph 3.8, the Board itself holds informal meetings at intervals with casino operators and it intends to establish similar arrangements in respect of bingo operators (see paragraph 4.23).

2.38 Whilst, as mentioned in paragraph 2.24, the Board promulgates its views and advice on policy matters and the reasons for them, it regards its dealings and interviews with individual operators, companies and individuals, including compliance failures, as confidential except to the extent that particular action is required e.g. with the licensing

justices or the police and prosecuting authorities. Points of general concern may be raised subsequently with trade associations.

## Guidance to operators

2.39 The Board provides all applicants for its certificates or registrations with forms and accompanying notes of guidance detailing the information which it requires to determine those applications. These application forms are designed to be as clear and helpful as possible and revised and more comprehensive versions were introduced in January 1994. Whilst the forms have been subject to some criticism as overly intrusive, they enable the Board to be provided at an early stage of any applications with more of the information needed for its statutory duties and so reduce the need for follow-up enquiries. The Board wishes to emphasise that gaming and lotteries are activities in which the scope for fraud and other dishonesty are high. Those seeking to operate or benefit from such activities must therefore expect to be properly and thoroughly investigated.

2.40 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. As described in paragraph 3.16, the Board published with that advice for the first time this year the policy to which it works when considering whether to object to a casino licence on demand grounds: a copy of that policy statement is at Appendix VII. Copies of the memorandum itself can be obtained from the Board's headquarters at the address in Appendix III.

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

2.42 As reported last year, the Board and the BCA agreed and promulgated at the end of April 1997 revised and updated guidelines relating to the acceptance of cheques and debit cards in casinos and to competitions in card rooms and new guidelines relating to socialising with members and visits to and gaming in other casinos. Copies were given at Appendices VII to IX of that Report. The remaining guideline, dealing with club activities, was revised and agreed during the course of the year and issued to all BCA members on 1 January 1998. A copy of this is at Appendix VIII. The Board also promulgated a revised version of its Code of Practice on the prevention and detection of money laundering in casinos. Work continued on a draft revised and updated version of the Board's Accounting Guide which it will shortly be formally presenting to the BCA. The Board/BACTA working group continued its review of the guidelines relating to gaming machines.

2.43 The main guidelines now in operation are:

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

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

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

2.45 The Board's staff are expected to act professionally, courteously and, so far as is consistent with performance of their regulatory duties, helpfully. They will identify themselves by name at any time. Members of the Board's Inspectorate have powers of entry

to premises licensed under the Gaming Act: they carry warrant cards which they will show on request when entering licensed or any other premises.

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

2.47 Complaints concerning the actions or advice of the Board's staff are rare. Where problems do arise, the Board expects that in most cases the matter will be capable of resolution by further discussion between the complainant and the person concerned or an immediate superior. Where this does not resolve the matter and the complainant wishes to lodge a formal complaint, that should be sent in writing to either the Chief Inspector, in the case of Inspectorate staff, or the Secretary to the Board, in the case of other staff, at the headquarters address given in Appendix III. The Secretary or Chief Inspector will arrange for an investigation and reply. If the complainant remains dissatisfied or if the investigation identifies a matter which might require further action, the case will be referred to a member of the Board for consideration. The complaints system cannot however be used as a means of attempting to appeal against the merits of decisions taken by the Board itself to refuse or revoke a certificate or registration.

## International activities

2.48 During the year, the Board continued its contacts with regulators and others concerned with gaming throughout the world. The Board considers such contacts to be essential in producing a basis for the exchange of views and information in what is becoming an increasingly international industry. The Chairman, Secretary and Chief Inspector of the Board attended the ninth annual meeting of the Gaming Regulators European Forum in San Sebastian in Spain in May 1997. Representatives of 16 countries were present. The Board's Chairman is the current Chairman of GREF and the Board's Secretary remains one of its two Joint Secretaries.

2.49 The Chairman, Secretary and Chief Inspector also attended the Annual Conference of the International Association of Gaming Attorneys/Regulators in London in October 1997. This annual conference includes a separate day for regulators only. The Board's Chairman moderated a session on that day entitled "The Associated Person – Who is it that controls and influences the casino business" and the Secretary is a member of the organising committee for



the day. The Secretary and Chief Inspector attended the World Gaming Congress and Expo in Las Vegas, also in October, where the Secretary spoke at a seminar on “Regulation in the 21st Century – a Global Perspective” and the Chief Inspector at one on “Obtaining gaming licences around the world”.

2.50 During the year, the Inspectorate also had a large number of contacts with overseas regulatory bodies. These are described in paragraph 8.7.

## 3 : Casino Gaming

### Number of licensed casinos

3.1 There were 118 clubs in Great Britain licensed for gaming under Part II of the Gaming Act 1968 at 31 March 1997 of which 116 were trading at that date. At that time six casinos held concurrent licences (it was erroneously reported that seven casinos held concurrent licences at 31 March 1997 in the 1996/97 annual report). All apart from one of these casinos disposed of their original licences during 1997/98. The casino still holding concurrent licences from 1995/96 at 31 March 1997 (noted in the 1996/97 annual report) was one of these, having allowed its original licence to lapse during 1997/98.

3.2 Eleven new licences were granted in respect of altered, enlarged or substitute premises during 1997/98. Ten licences were surrendered or allowed to lapse although two of the licences surrendered were not in relation to a new licence being taken up. Therefore at 31 March 1998 there were nine casinos with concurrent licences of which one had been held over since 1996/97.

3.3 In addition to the eleven new licences referred to in the preceding paragraph, three new licences were granted for completely new casino premises, namely the North Rotunda Casino in Glasgow, the Ladbroke Sporting Club in London and the Grosvenor Casino in Salford. None of these premises was operational at 31 March 1998. Consequently, there were 119 licensed clubs at 31 March 1998 of which 115 were trading. The distribution of individual operating casinos by location is given in Appendix VI.

### Structure of casino ownership

3.4 Casino ownership in Great Britain can be split into three broad categories (the numbers given below are as at 31 March 1998);

- a) the three listed Plcs – Rank, Stakis and Stanley Leisure who mainly operate provincial casinos and account for 68 provincial and 5 London casinos
- b) the three listed Plcs which only operate London casinos – Capital Corporation, Ladbroke and London Clubs International who account for 14 London casinos
- c) the remaining 16 companies or partnerships, none of whom own more than 5 casinos, who operate the remaining 26 provincial (one of which is a card club only) and 2 London casinos

3.5 The Rank Group Plc, via its subsidiary Grosvenor Casinos, owned 30 operating clubs as at 31 March 1998 with the casino in George Street Manchester having reopened after refurbishment but the casino in Northampton Lane, Swansea having ceased to trade in March 1998. The Stanley Leisure Organisation owned 23 operational casinos with the acquisition of casinos in Walsall and Derby and the closure of a casino in Coventry. The Stakis group continued to operate 20 casinos at 31 March 1998. Eight further licence-holding companies owned between seven and two casinos including Capital Corporation Plc which acquired the Cromwell Mint casino during the year bringing the total number of casinos operated by the group to three. Eleven remaining clubs were owned by single licence holders – a reduction of two since 31 March 1997.

3.6 A take-over bid by London Clubs International Plc for Capital Corporation Plc made in February 1997 was referred to the Monopolies and Mergers Commission by the Department of Trade on 7 April 1997. The Monopolies and Mergers Commission report, published on 5 August 1997, found that the proposed merger might be expected to operate against the public interest and recommended that it should be prohibited, a view with which the Director General of Fair Trading agreed. The President of the Board of Trade, Mrs Margaret Beckett, accepted the conclusions of the Monopolies and Mergers Commission and decided not to permit the proposed acquisition by London Clubs International Plc.

## Objection to Gaming Licence

3.7 As noted at paragraph 3.5 of the Board Annual report for 1996/97, on 14 April 1997 the licensing justices at Walsall Magistrates Court decided to refuse to renew the gaming licence for the Royal Casino in Walsall following objections lodged by the Board under paragraphs 20(1)(b) and (c) of Schedule 2 to the Gaming Act 1968. An appeal against the decision was lodged by the licence holding company (Hazelman Limited), which enabled the casino to remain open, but at the same time the company shareholders looked to sell the business and agreement was subsequently reached with the Stanley Organisation. Given the change of ownership, the Board did not contest the appeal which was heard on 17 October 1997 and the Stanley Organisation took over the operation of the casino on the same day.

## Meetings with casino operators

3.8 The Board continued its programme of informal meetings with casino operators to discuss various regulatory and other issues. The directors of Kings Casino (Yarmouth) Limited in Great Yarmouth attended a meeting held in July 1997 and the directors of Rainbow Casino Limited from Birmingham were seen in September 1997. In March 1998 the Board met with directors of Les Coupiers Casino Limited of Cardiff. These meetings are valued by the Board as they provide an opportunity to discuss various particular and general issues with long standing casino operators outside the formal certificate of consent interview structure. Those attending can also use the occasion to air any areas of concern directly with Board members. The Board considers that this helps to minimise misunderstandings or potential difficulties in the fulfilment of its regulatory function.

## Applications for certificates of consent and their continuance

3.9 The Board received 19 applications for certificates of consent or their continuance during 1997/98, one less than in 1996/97. There were 12 applications for new certificates, three for certificates to transfer licences and four continuance applications.

3.10 Nine of the applications for new certificates of consent were occasioned by applicants wishing either to move their casinos to substitute premises or to make major alterations to or to extend existing premises and one was submitted in respect of existing premises in order to press a case for additional tables at the casino with the licensing authority. The two remaining applications were in respect of proposed new casinos. Nine of the applications were granted during the year all within the four month target and one was withdrawn by the applicant a month after submission. Two applications remained under consideration at the year end, both of which had been with the Board for less than a month at that point in time.

3.11 All three of the transfer applications received were of a relatively technical nature and two were granted within the four month target. The remaining one application still under consideration at 31 March 1998 had been with the Board just over two months.

3.12 Three of the four applications received for continuance of certificates of consent were approved within the year. One took five months to process with the other two being within the four month target. One application was still outstanding at the year end and had been with the Board for just over two months.

3.13 At 31 March 1997 seven applications were outstanding of which six were for new certificates and one was for continuance of an existing certificate. These were all resolved during 1997/98 with three being granted within the 4 month target. The other four took between six and nine months to resolve with one of these (for a new casino licence) being refused.

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

3.15 Board officials have noted an increasing 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. The four month target for processing casino consent cases is designed to allow the Board to make all necessary enquiries and to give due and careful consideration to all the various aspects of a particular application. Whilst every endeavour is made to ensure that applications are dealt with as speedily as possible and strict monitoring on the progress of cases is undertaken by Board officials, it is not possible in some cases to meet the target. It is therefore 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

3.16 Paragraph 18 of Schedule 2 to the Gaming Act 1968 states that the licensing authority may refuse to grant a licence where it is not shown to their satisfaction that existing casino/gaming facilities are insufficient to meet the demand for such gaming. The Board for its part, as are others, is empowered to object to the grant of a licence if it believes that demand is already adequately met. During the course of the year, the Board reviewed the policy to which it works when considering whether to object on demand grounds. In the belief that it would be helpful to licensing authorities amongst others, the Board decided to publish that policy for the first time, as an Annex to its annual memorandum of advice to such authorities. A copy of that policy statement is at Appendix VII.

3.17 Whether or not the Board decides to object, and where increases in the provision of gaming facilities are being sought by existing or prospective casino operations, the Board is entitled to, and will, provide advice to the licensing authority on the demand for gaming facilities in the area to assist their decision on whether extra facilities should be allowed. Specific demand advice was provided on 19 occasions during the reporting year.

3.18 There is no specific provision in the Gaming Act 1968 for Justices and Licensing

Boards to limit the number of tables in a casino. There may, however, be occasions when licensing authorities are minded to grant new licences to existing licence holders to facilitate a transfer of a club to larger premises, or the enlargement of existing premises, but are not persuaded of the current need for additional tables and would not wish to see additional facilities introduced without further reference to the licensing authority. Similarly, an application for a licence for a new casino might propose a gaming area much larger than is, in the opinion of the licensing authority, justified by proven demand. In the Board's view the options available to licensing authorities in these circumstances are either to limit the size of the gaming area (as they are empowered by paragraph 25 of Schedule 2 to the Act to do) or to accept any undertakings as to table numbers that applicants for licences for new or enlarged premises may be prepared to offer. Either option can provide a method of preventing subsequent uncontrolled increases in gaming facilities. Examples that occurred during the year where such undertakings were given included the applications for substitute premises for the Grosvenor Casino in Newcastle and the Rendezvous Casino in London and on new licence applications to effect alterations to existing premises for the Grosvenor Victoria Casino in London and Aspinall's Casino in London.

3.19 An application submitted by an independent company for a new casino to be situated in the North Rotunda building in Glasgow was heard by the Glasgow Licensing Board in June 1997. Two previous applications had been made by the company in respect of the same premises heard in October 1995 and March 1996. The Board had lodged objections at both these hearings on grounds of demand and the Licensing Board had decided to refuse the applications after hearing the evidence produced. At the June 1997 hearing however the Board decided not to lodge objections as the figures then produced indicated that demand in Glasgow had increased over the previous year and there were regular occasions on which the city's casinos were very busy. There was an objection from a trade operator. At the conclusion of the hearing the Licensing Board decided to grant the application accepting an undertaking on table numbers from the applicant.

3.20 An application for a new licence was submitted to the West Central Licensing Committee in London by a subsidiary of the Ladbroke Group and was heard by the Committee during August 1997. On assessing the demand in London the Board considered that, whilst the facilities available in London as a whole were sufficient to meet demand, there was some pressure at the low stake end of the market. As it was proposed to aim the casino at the lower sector, the Board decided not to lodge objections. There was one trade objector at the hearing but after hearing all the evidence the Committee decided to grant the licence, accepting the offered undertaking on table numbers and staking limits.

3.21 An application for a new licence for the Ritz Casino in Piccadilly, London was lodged in July 1997 by a new private company (the Ritz Hotel Casino Limited) who planned to take over the premises when London Clubs International relocate the business to 50 St James in July 1998. The Board was an objector on grounds of demand at the hearing which took place over a number of non consecutive days during November and December 1997. There were also two trade objectors. The Board advocate at the hearing in his closing speech made submissions about the role of demand and the way in which the Board believed licensing authorities should exercise their residual discretion in licence application cases. The South Westminster Justices delivered their decision to refuse the application on 19 December 1997 and awarded the Board its costs. An appeal against that decision was heard by the Southwark Crown Court in May 1998. At that appeal the applicants accepted that demand for the facilities

in question could not be demonstrated in the terms required by the Act but sought to persuade the Court to use its residual discretion to grant. The Court allowed the appeal on 10 June 1998. The Board received its costs of the case.

3.22 Grosvenor Casinos Limited, a subsidiary of the Rank Group, made an application for a new casino in Salford which was heard by the Salford Licensing Committee during October 1997. The Board lodged objections on grounds of demand producing specific demand advice that included figures for Manchester as well as Salford. There was also one trade objector at the hearing. After considering all the evidence before it the Committee decided to refuse the application. However Grosvenor Casinos decided to lodge a second application for the same premises and this was heard in February 1998. Again the Board lodged objections on grounds of demand as did the trade objector. There were several features which differentiated the second application from the first; the main ones being that undertakings were offered by Grosvenor to reduce the number of tables at their existing Manchester casinos and improved plans for a no-smoking area on the gaming floor at the new premises. The Chairman of the licensing committee delivered the decision to grant the application saying that, whilst they were satisfied that on the evidence presented the existing facilities available in Manchester and Salford were sufficient to satisfy the demand for gaming, they had decided to exercise their residual discretion subject to agreed revised undertakings suggested by the Board. As the Board's objection on grounds of demand had been upheld, it sought, and was granted, its costs.

3.23 An application for a new casino licence in Great Yarmouth was submitted in December 1997 by Castelic Limited, a potential new entrant to the casino industry. The application was heard by the Great Yarmouth Licensing Committee during March 1998 and the Board was an objector at the hearing on grounds of demand. Objection was also made by the two existing licence holders in the area and a number of local residents. After consideration the Committee decided to refuse the application. All the objectors were awarded costs. The applicants have appealed and a date for hearing the appeal is awaited.

## Section 32 direction for the siting of amusement-with-prizes machines

3.24 At the application for renewal of the licence for the Grosvenor Casino at 15-16 High Street in Swansea, a request was made for a direction under section 32 of the Gaming Act 1968 to allow 24 amusement-with-prizes machines in place of the six section 31 (club or jackpot) machines. The Board drew attention to the advice given in its annual memorandum of advice to licensing authorities on the subject but otherwise left the matter as one for the court. The request was granted. This is the first time such a direction has been given in respect of a casino. A similar application has also been made in respect of the Grosvenor Casino in Southampton but the renewal hearing due to be heard on the 20 January 1998 was adjourned until 21 April 1998 during which time the Section 32 direction application was withdrawn.

## British Casino Association Annual General Meeting

3.25 The Annual General Meeting of the British Casino Association was held on 12 November 1997. The Chairman and other Board members attended the lunch following the meeting along with senior Board officials. Mr George Howarth, the Home Office minister with responsibility for gambling matters, spoke at the lunch.

## The Board's Accounting and Control Guidance for Casinos

3.26 Work has continued on the preparation of this revised guide for casino operators. More is said on this in paragraph 8.8 to 8.9.

### Deregulation of casino gaming

3.27 As noted in last years report some deregulatory measures relating to casinos were introduced during April 1997, namely the extension of permitted alcohol licensing hours in casinos in England and Wales to 3.00am in London and 2.00am elsewhere, the reduction of the waiting period before new members may take part in gaming from 48 hours to 24 hours, the acceptance of debit card payments (but not credit cards) in casinos and the extension of permitted Sunday opening hours in Scotland to bring them into line with the arrangements in England and Wales. The Board is not aware of any problems or difficulties arising from the changes and understands that the measures have proved generally helpful to the industry, with the introduction of debit cards being particularly successful. As explained in paragraph 1.13, progress on other proposed changes has been delayed following the change of Government in May 1997.

### Gaming duty increase

3.28 In the budget announcement on 17 March 1998 it was stated that there would be increases in Gaming Duty. The thresholds for certain levels of duty for casinos were adjusted and the top level of duty increased from 33.3% to 40% with effect from 1 April 1998. The casino industry has reacted strongly against the increases particularly those operating in the London market. In seeking to accommodate the increased duty levels the Board is concerned that casino operators should not compromise regulatory compliance and security and will be monitoring the situation.

### Revisions to guidelines

3.29 As reported last year, the Board and the BCA agreed and promulgated at the end of April 1997 revised and updated guidelines relating to the acceptance of cheques and debit cards and to competitions in card rooms and new guidelines relating to socialising with members and visits to other casinos. Copies were given at Appendices VII to IX of the 1996/97 Report. The remaining guideline, dealing with Club Activities, was revised and agreed during the course of the year and issued to all BCA members on 1 January 1998. A copy of this is at Appendix VIII.

### Involvement of Board certificated companies in gaming overseas

3.30 In the 1995/96 Annual Report the Board published its views on certificated companies who have also developed their gaming businesses overseas. The statement is repeated here as the Board is concerned that companies operating casinos within Great Britain should be mindful of the Board's expectations in this regard. 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 these jurisdictions may have less restrictive regulatory requirements.
- b) In order to ensure that the standing, reputation and continued suitability of British operators are not adversely affected, competent and professional management operations and procedures will be maintained and in particular that these are sufficient to prevent criminal activity, fraud or money laundering by employees or players.
- c) In cases where licensees enter into contracts with other organisations, such licensees are fully aware of the control and ownership of their partners, and satisfy themselves that their partners are not involved in or associated with criminal activity. Licensees are also advised to ensure that any contractual obligations can be cancelled in the event of a partner being found unsuitable.

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

## Club, Jackpot and AWP machines in casinos

3.31 The Board has been conscious for some time that no definitive figures are available for the numbers of machines in use in casinos (and bingo clubs). It has therefore decided to collect this information and publish it in its Annual Reports. The results of the first census show that there were 612 jackpot machines operated in casinos in Great Britain as at 31 March 1998 and one casino operated 24 AWP machines.

## Employment within casinos

3.32 The British Casino Association say that in 1997 there were 11,720 staff working in the casino industry in Great Britain compared with 11,493 in 1996. Of these 7,365 were directly involved in the conduct of gaming (ie croupiers, inspectors and casino managers) and 4,355 were non gaming staff dealing with ancillary activities such as restaurant, bar and security work.

## Casino Attendance

3.33 The figures on casino attendances for the last five years are given below. There were 11,651,341 visits to casinos in Great Britain in 1997/98, 3 per cent more than in 1996/97.



Table 2

CASINO ATTENDANCE BY REGION: Number of Visits

	1993/94	1994/95	1995/96	1996/97	1997/98
Scotland	1,108,252	1,010,901	979,886	1,107,415	1,258,339
North	3,025,773	3,039,431	2,967,547	3,000,346	3,109,131
Midland & Wales	2,068,119	2,017,967	2,113,930	2,187,576	2,214,941
South	2,144,985	2,115,362	2,108,210	2,206,214	2,236,694
<b>SUB-TOTAL</b>	<b>8,347,129</b>	<b>8,183,661</b>	<b>8,169,573</b>	<b>8,501,551</b>	<b>8,819,105</b>
London	2,626,177	2,786,136	2,783,266	2,813,420	2,832,236
<b>GREAT BRITAIN TOTAL</b>	<b>10,973,306</b>	<b>10,969,797</b>	<b>10,952,839</b>	<b>11,314,971</b>	<b>11,651,341</b>

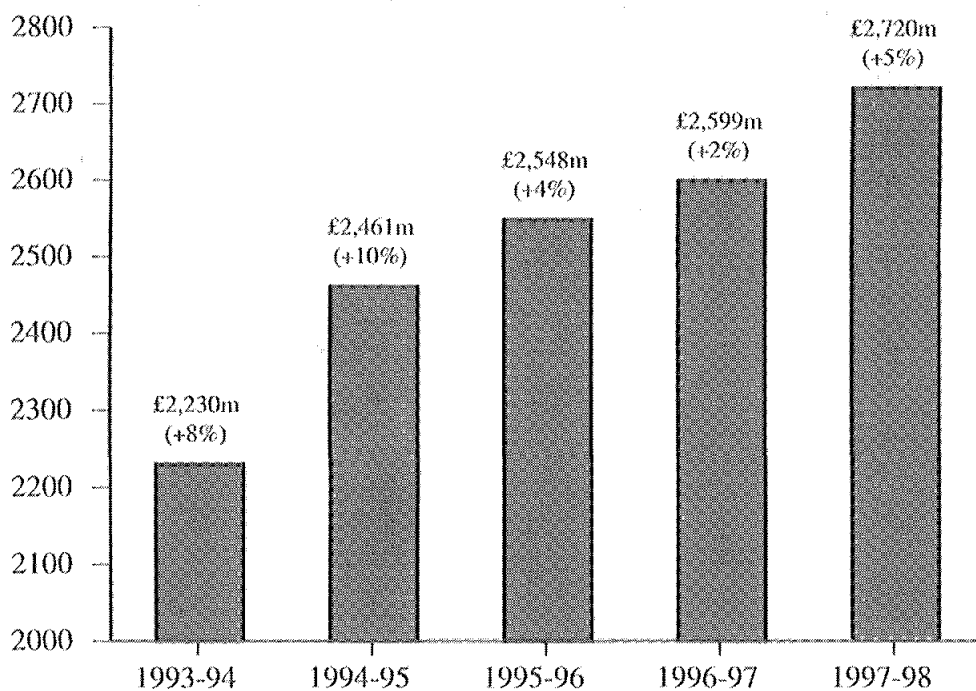
### Financial Performance

3.34 The total drop (money exchanged for chips) in casinos in Great Britain during the financial year 1997/98 was £2,720 million, an increase of £121 million on the 1996/97 figures.

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

Table 3

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

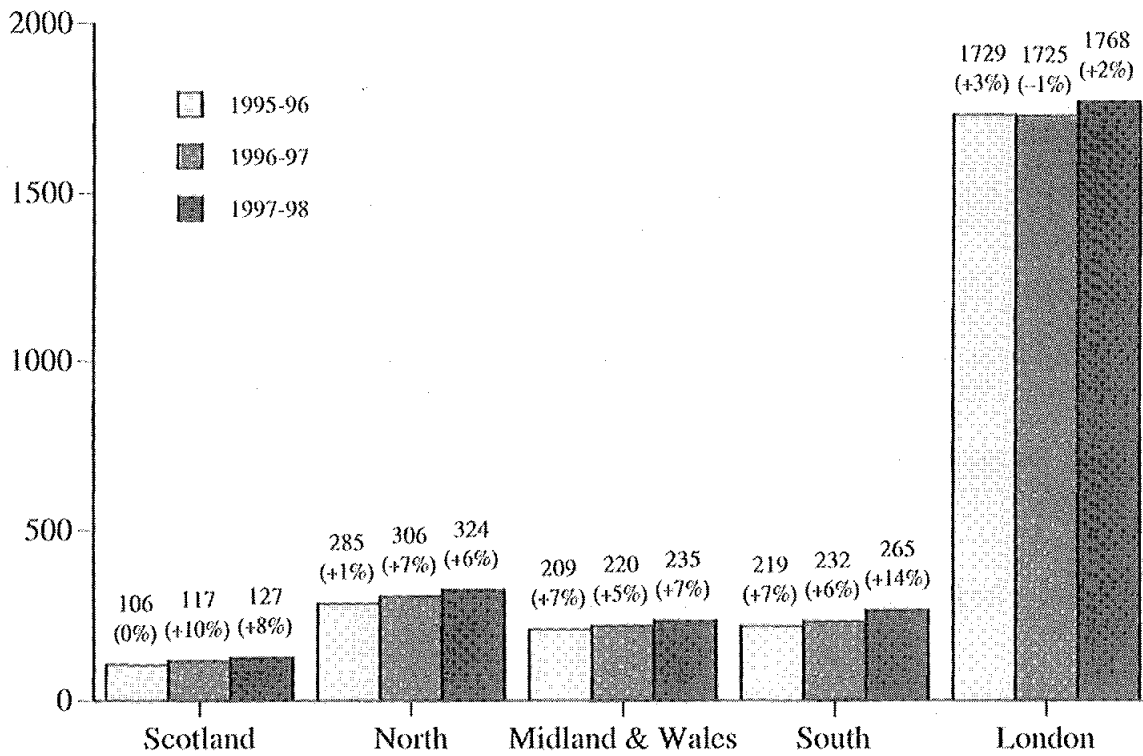


Note on Table 3 – Percentage figures are correct to the nearest whole percentage.

3.35 The drop in London casinos showed an increase of £43 million for the year, while that for the provinces increased by £77 million. Approximately 65 per cent of the total drop produced by all the casinos in Great Britain occurred in the London casinos. The drop figures by region for the last three years were:-

Table 4

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



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

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

Table 5

PERCENTAGE DISTRIBUTION OF DROP BY GAMES

	1993/94	1994/95	1995/96	1996/97	1997/98
American Roulette	68.4	66.1	61.9	59.8	61.4
Punto Banco including Baccarat	12.9	14.5	13.5	16.7	17.6
Blackjack	17.6	17.5	16.7	16.3	13.9
Casino Stud Poker	-	0.7	6.8	6.3	6.2
Craps	1.0	1.0	0.9	0.9	0.9
Super Pan 9	-	0.1	0.1	0.1	0.0

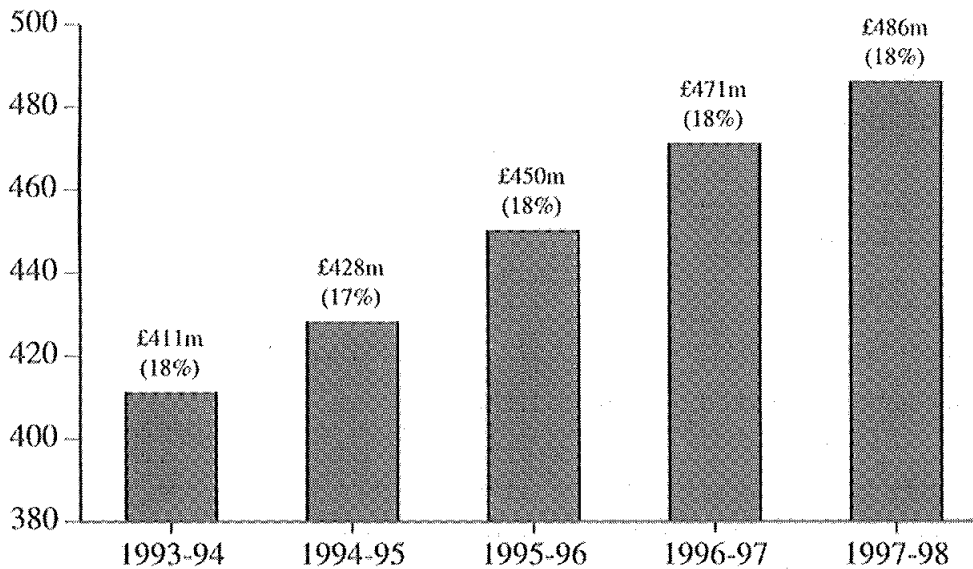
Notes on Table 5

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

3.37 There was an increase of £15 million (3.1 per cent) in the total retained by casinos as house win. The figures for house win over the last five years were:-

Table 6

HOUSE WIN: Overall (percentage of drop in brackets)



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

## Numbers of certificates of consent and licence applications

3.38 The following tables show the results of consent applications made to the Board during the period 1 April 1997 to 31 March 1998 and the number and outcome of licence applications.

Table 7

### NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1997	5	1	6
New applications received in 1997/98	11	1	12
<b>TOTAL</b>	<b>16</b>	<b>2</b>	<b>18</b>
Certificates issued	12	2	14
Applications withdrawn	1	-	1
Applications refused	1	-	1
Applications not determined by 31 March 1998	2	-	2
<b>TOTAL</b>	<b>16</b>	<b>2</b>	<b>18</b>

Table 8

### NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1997	2*	1	3
New applications received in 1997/98	15	2	17
<b>TOTAL</b>	<b>17</b>	<b>3</b>	<b>20</b>
New Licences issued	11	3	14
Applications withdrawn	-	-	-
Applications refused	4#	-	4#
Applications not determined by 31 March 1998	2	-	2
<b>TOTAL</b>	<b>17</b>	<b>3</b>	<b>20</b>

\* One less than shown in the 1996/97 Annual Report – an application received after 31 March 1997 had been included in error.

# Of these one application was disallowed on a technical issue

Table 9

## CERTIFICATES OF CONSENT TO TRANSFER A LICENCE

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1997	-	-	-
New applications received in 1997/98	3	-	3
<b>TOTAL</b>	<b>3</b>	<b>-</b>	<b>3</b>
Certificates issued	2	-	2
Applications withdrawn or fallen	-	-	-
Applications refused	-	-	-
Applications not determined by 31 March 1998	1	-	1
<b>TOTAL</b>	<b>3</b>	<b>-</b>	<b>3</b>

Table 10

## TRANSFER OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1997	-	-	-
New applications received in 1997/98	2	-	2
<b>TOTAL</b>	<b>2</b>	<b>-</b>	<b>2</b>
Licences issued	2	-	2
Applications withdrawn	-	-	-
Applications refused	-	-	-
Applications not determined by 31 March 1998	-	-	-
<b>TOTAL</b>	<b>2</b>	<b>-</b>	<b>2</b>

Table 11

## RENEWAL OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1997	1	-	1
Applications received in respect of licences expiring in 1997/98	109	10	119
<b>TOTAL</b>	<b>110</b>	<b>10</b>	<b>120</b>
Licences renewed	106	10	116
Licences surrendered or allowed to lapse	8	2	10
Applications refused	-	-	-
Applications not determined by 31 March 1998	1	-	1
<b>TOTAL</b>	<b>115</b>	<b>12</b>	<b>127</b>

Table 12

## CONTINUANCE OF CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding on 31 March 1997	1	-	1
New applications received in 1997/98	4	-	4
<b>TOTAL</b>	<b>5</b>	<b>-</b>	<b>5</b>
Applications allowed	4	-	4
Applications withdrawn	-	-	-
Applications fell	-	-	-
Applications refused	-	-	-
Applications not determined by 31 March 1998	1	-	1
<b>TOTAL</b>	<b>5</b>	<b>-</b>	<b>5</b>

## 4: Licensed bingo

### Size of the industry

4.1 The number of clubs holding Board certificates at 31 March 1998 was 845 (see table 13). This represents a decrease of 97 clubs or 10 per cent from the figure at 31 March 1997. At 31 March 1993 the number of such clubs was 972: there has thus been a decrease of 13 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 to some extent offset by an increase in the average size of the clubs.

4.2 The two largest operators amongst the 845 bingo clubs holding Gaming Board certificates of consent are Mecca Bingo Limited (formerly known as Top Rank and part of the Rank Organisation) which holds certificates for 150 clubs, of which 131 were operating, and Gala Clubs which holds certificates for 133 clubs, of which 128 were operating. One other operator held certificates for between 30 and 40 clubs; one operator held certificates for between 20 and 29 clubs; 4 operators held certificates for between 15 and 19 clubs; 3 operators held certificates for between 10 and 14 clubs; 10 operators held certificates for between 5 and 9 clubs; the remaining 326 certificates were held by "singleton" operators or in groups of less than five clubs. Around 100 of the clubs are those in holiday camps which may only operate on a seasonal basis.

4.3 The Board did not object to the issue of any bingo club licence during the period of this Report. For the first time in some years, however, it objected to a renewal on the grounds that the licence holder was not fit and proper. The case remained outstanding at 31 March 1998.

Table 13

#### NUMBER OF BINGO CLUBS 1998 (1997 IN BRACKETS)

	England and Wales	Scotland	Total
Holding Board certificates at 31 March 1998	729 (812)	116 (130)	845 (942)
Holding gaming licences at 31 March 1998	707 (783)	111 (125)	818 (908)
Known to be operating at 31 March 1998	677 (739)	105 (111)	782 (850)

### Changes to the industry

4.4 The past year has seen some of the larger leisure groups disposing of their bingo clubs. Gala Leisure Limited and Gala Leisure (1991) Limited, previously owned by Bass, were the subject of a management buyout on 13 December 1997 and are now owned by Cangard

Limited. There are currently 128 Gala Clubs operating. On 18 December 1997 Vardon plc sold its 100% shareholding in Vardon Bingo Limited to Spicegold Limited: 19 clubs were involved. The bingo division of First Leisure Corporation has also been the subject of a management buyout; the purchasing company is Intercede 1289. 27 bingo clubs were affected. All of this may indicate the difficulty of making a sufficient return on investment in bingo but the management buyouts, involving in some cases very large injections of venture capital, indicate that there is a confidence that, with "hands-on" and experienced management, the industry has a promising future.

## The financial trend

4.5 The figures below give the amount of money staked in licensed bingo clubs (including added prize money) over the latest five years and show a continuation of the upward trend. There was an increase of over 5 per cent in the latest year, bringing the increase over the last two years to 12.1 per cent. The amount of money staked, which does not include cash staked on gaming machines on which bingo clubs increasingly rely, now exceeds £1 billion per year.

Table 14

### AMOUNT STAKED ON LICENSED BINGO BY YEAR

	Amount staked in £million	Percentage change from previous year
September 1992 to August 1993	787	10.1
September 1993 to August 1994	811	3.0
September 1994 to August 1995	886	9.2
April 1994 to March 1995	844	-
April 1995 to March 1996	906	7.3
April 1996 to March 1997	967	6.7
April 1997 to March 1998	1,019	5.4

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

## Linked bingo

4.6 Linked bingo is where two or more clubs combine to play a joint game of bingo. The increases in the number of players and revenue which result allow the operators to offer greater prizes. The total number of clubs participating in some form of linked bingo has fallen during the period, decreasing from 686 to 647. It seems that improvements in technology which permit easier linking have not ended the generally downward trend of the last few years, but linked bingo clearly remains popular.



## The National Game

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

4.8 The National Bingo Game Association Limited (NBGA) are the only holders of a Board certificate of approval to operate multiple bingo. The current certificate expires in June 1998. The number of clubs registered to play in the National Bingo Game was 594 at 31 March 1998, compared with 632 a year earlier.

4.9 The game consists of a single game each day and two on Saturday, the maximum permitted by regulation, in which all participating clubs play to a single set of computer generated numbers. The large number of participating clubs allows for the payment of very large prizes. Generally, the daily national prize is of the order of £90 – 100,000, with additional regional and local prizes, but the 'Supanova' game was played on two occasions in the year to end March 1998 with a national prize of £250,000. The maximum single prize permitted by regulation is £250,000.

4.10 During the year, the NBGA sought the Board's support for increases in both the game frequency and the maximum prize limits for the National Game. The Board subsequently recommended to the Home Office that the frequency limits should be increased to three games per day, and that the maximum monetary prize be increased to £500,000. At the time of writing, these recommendations remained under consideration by Ministers.

## Meetings with the industry trade associations: Board/Bingo Industry Working Group

4.11 Comprising representatives of both the Bingo Association of Great Britain (BAGB) and the British Bingo Operators Association (BBOA), the Board/Bingo Industry Working Group continues to provide a useful forum for discussions between the Board and the industry. It met on three occasions during 1997/98.

4.12 The first meeting was held on Tuesday 12 August 1997, when the following were the main items addressed:

- i) hours and charges (PAR fees);
- ii) linked bingo;
- iii) Added Prize Money;
- iv) multiple bingo;
- v) three year licensing;
- vi) the 24 hour membership waiting rule;
- vii) combining s.31 (club or jackpot) and s. 34 (amusement with prizes) machines in bingo clubs, and
- viii) use of debit cards.

The Working Group met again on Monday 17 November 1997 in advance of the annual "shopping list" meeting (see paragraphs 4.20 and 4.21 below), where substantially the same items were discussed. A further meeting was held on Wednesday 25 February. It is these meetings, where ideas and views can be exchanged without commitment on either side, which have led to formal agreement between the Board and industry on a range of operational and deregulation issues, some of which are discussed further below.

## Deregulation of Bingo: Advertising and the use of debit cards

4.13 Last year's report made mention of the Parliamentary Orders to remove all restrictions on the advertising of bingo and permitting the use of debit cards to pay for bingo gaming. The changes came into force on 19 April 1997. The ability to advertise bingo had been sought by the industry for many years, and the changes, permitting all forms of advertising without restriction, were well received. The Board understands that most operators who advertise are using local media, newspapers and local radio, although there has been some limited television advertising. The changes have raised no regulatory issues for the Board: indeed the removal of the previous plethora of rules and regulations has simplified its work in this area. There were some initial difficulties with the introduction of debit card payments for gaming in bingo clubs. These were caused largely by the interaction of the legislation and the card issuers commercial rules. It took some months for these to be resolved, but suitable arrangements are now in place.

## Three Year Licences

4.14 In September 1997 the BBOA wrote to the Board proposing the formation of a working group to consider the topic of three year licences. This was discussed in the Board/industry working group and a meeting was subsequently held with representatives from the industry, Board and Home Office. There are a range of items which need to be addressed before the change could be made. These primarily relate to alterations and events occurring during the period of the licence; and the question of fees and finance. The associations are considering their stance on these issues and the sub-group will meet again when additional information becomes available.

## The charging arrangements for bingo

4.15 As reported previously, the Board has for some time been keen to see changes to the current participation (PAR) fee system, which limits the amounts operators may charge, by replacing it with a more transparent system which would make it clearer to players what charges are made by the club. The Board has expressed its concern in the past about the complexity of current charging notices and the lack of full information available to players. This is a difficult area which has been the main agenda item at all the working group meetings this year. The Board is pleased to report that some progress has been made on this issue: both the BAGB and the BBOA have agreed to trial versions of clear and simple point of sale notices, setting out the return on each type of game. The trial started on 1 April 1998 and will last for three months. An evaluation will be held at the end of the trial which will take into account the views of both customers and staff. Examples of the three notices being trialled are given in Appendix IX.

4.16 Looking further ahead the Board recently reviewed what the present hours and charges arrangements are designed to achieve. The controls on charging in the 1968 Act were largely intended, first, to prevent excessive profits in what could be effectively a monopoly situation through the application of the demand criterion, and, secondly, to keep bingo as a relatively “soft” form of gambling. The Board therefore asked itself whether, if genuine transparency of charges was available to the customer, the rigid controls in the Act need to be retained in present circumstances. Agreement to the transparency trial allowed the idea to be developed.

4.17 The Board concluded that before it could recommend any major changes in the charging arrangements some pre-conditions would have to be met. These are:

- i) Transparency for the customer would have to be guaranteed. This would involve an enforceable arrangement, i.e. backed by regulation, that information in a suitable format at point of ticket sale would be available, together with continuation of the existing prize board displays.
- ii) The Board’s regulatory functions must not be threatened and therefore there would need to be a clear audit trail for the Board’s Inspectors.
- iii) The Board would need to be satisfied that the character of bingo would not be unduly affected: in particular that it would not become “harder”, thereby losing its social appeal.

4.18 If these conditions could be met, the Board considers that controls on charging would no longer be necessary. The players would be free to decide on the basis of the point of sale “ticket price” which games and where they wished to play and the industry would have the flexibility it seeks to respond to competition. The Board accepts that the bingo industry is now more than ever competing against a variety of other attractions for the leisure pound and believes that this, together with the safeguards mentioned above, would ensure that players get a fair deal. The Home Office has indicated that it is content with the proposal in principle subject to the suggested safeguards. The industry will need time to consider the practical implications of the proposal.

## Prize bingo

4.19 The 1996/97 Report advised that the BAGB and the BBOA had sought increases in the prize bingo stake and prize limit to £80.00, and in the maximum cash prize from 30p to £5. Both increases were linked to a proposed Code of Practice. That Code of Practice was subsequently agreed with the associations, and the prize bingo stake and prize limit increased to £50 and the prize bingo cash prize limit to £5 on 25 August 1997. A copy of the Code of Practice is attached at Appendix X.

## Increases in charges and prizes

4.20 The Board held its annual “shopping list” meeting with the industry on levels of charges and prizes on 5 November 1997. The BAGB and BBOA were both represented. The BBOA sought an increase in the PAR fee limit from £8.00 (+ VAT) to £12.00 (+ VAT) per charging period, the same request that both associations had made the previous year, whilst the BAGB sought a smaller increase to £8.40 (+ VAT). Neither association sought any increase in the prize

bingo stake and prize limits, as they acknowledged that there had been sufficient change during the year. The BAGB requested an increase in weekly added prize money from £5000 to £5500, whilst the BBOA sought to double the existing limit to £10,000, as they had the previous year. Similarly the associations had different requests relating to the weekly linked bingo prize money limit. The BAGB asked for an increase from £25,000 to £30,000 whilst the BBOA again repeated their request of the previous year, to double the limit to £50,000.

4.21 In view of the industry's agreement to introduce the trial on transparency for players, the Board recommended to the Home Office that increases should be made in line with inflation, but rounded where appropriate to produce sensible increases. As a result, Ministers agreed the following changes from 11 May 1998: an increase in admission (PAR) fees to £8.50 (+ VAT); in added prize money to £5500 and in the weekly link prize limit to £30,000.

## BAGB annual general meeting

4.22 As is customary the Chairman of the Board addressed the BAGB AGM on Thursday 24 April 1997. The meeting afforded a good opportunity for an exchange of views between operators and the Board.

## Meetings with operators

4.23 The Board is always willing to meet with operators to discuss their plans and difficulties. In particular the Board appreciates being kept aware of re-organisations and proposals to rationalise operator's estates. The Board will in 1998 begin a series of informal meetings with bingo operators on a similar basis to those currently arranged for casinos.

## The number of gaming machines in bingo clubs

4.24 The Board has been aware for some time that no definitive figures are available for the numbers of gaming machines in use in bingo clubs (and casinos). It has therefore decided to collect this information and publish it in its Annual Reports. The results of the first census show that the number of machines operated in bingo clubs in England, Wales and Scotland as at 31 March 1998 were as follows:-

Table 15

### NUMBERS AND TYPES OF GAMING MACHINES IN BINGO CLUBS\*

AWP	£10 ALL-CASH	JACKPOT	TOTAL
5,585	11,574	611	17,770

\*One operator did not make a return.

## Visits to bingo clubs

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

## Employment in the industry

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

## Consent applications

4.27 The following tables show the results of consent applications made to the Board during the period 1 April 1997 to 31 March 1998 and the number and outcome of subsequent licence applications.

### OUTCOME OF BINGO CONSENT AND LICENCE APPLICATIONS 1 APRIL 1997 – 31 MARCH 1998

Table 16

#### NEW CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1997	2	0	2
New applications received in 1997/98	15	2	17
<b>TOTAL</b>	<b>17</b>	<b>2</b>	<b>19</b>
Certificates issued	15	1	16
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 1998	2	1	3
<b>TOTAL</b>	<b>17</b>	<b>2</b>	<b>19</b>

Table 17

## NEW LICENCES

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1997	32	5	37
New applications made	21	7	28
<b>TOTAL</b>	<b>53</b>	<b>12</b>	<b>65</b>
Licences issued	36	8	44
Applications withdrawn	6	1	7
Applications refused	0	0	0
Applications not determined by 31 March 1998	11	3	14
<b>TOTAL</b>	<b>53</b>	<b>12</b>	<b>65</b>

Table 18

## TRANSFER CERTIFICATES OF CONSENT

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1997	3	1	4
New applications received in 1997/98	54	12	66
<b>TOTAL</b>	<b>57</b>	<b>13</b>	<b>70</b>
Certificates issued	21	11	32
Applications withdrawn	6	0	6
Applications refused	0	0	0
Applications not determined by 31 March 1998	30	2	32
<b>TOTAL</b>	<b>57</b>	<b>13</b>	<b>70</b>

Table 19

## TRANSFER OF LICENCES

	England and Wales	Scotland	Total
Applications outstanding at 31 March 1997	30	0	30
New applications made in 1997/98	9	6	15
<b>TOTAL</b>	<b>39</b>	<b>6</b>	<b>45</b>
Licences issued	25	6	31
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 1998	14	0	14
<b>TOTAL</b>	<b>39</b>	<b>6</b>	<b>45</b>

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

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

## 5 : Certification of employees

### Policy and procedures

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

5.2 The Board issues certificates of approval as follows:

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

Appendix VIII of the 1994/95 Annual Report gave the parameters for the green, grey, white and pink certificates.

5.3 The most recently introduced certification scheme is that for casino executives (white certificates). Although only relatively small numbers are involved, the scheme has proved to be a well regarded and important element in the overall regulation of the casino industry. Between its inception in January 1994 and 31 March 1998, a total of 175 such certificates were issued, with 14 certificates issued in the period of this Report.

### Applications

5.4 The following table gives details of the numbers of applications for certificates of approval received and the numbers of certificates issued between 1 April and 31 March for the last five years. There is no obvious explanation for the drop in applications in the latest year, but this may be the result of greater stability of employment in the industry.



Table 20

## APPLICATIONS FOR CERTIFICATES OF APPROVAL 1993/94 TO 1997/98

	Number of applications received	Number of certificates issued
1 April 1997 – 31 March 1998	3,992	3,574
1 April 1996 – 31 March 1997	5,518	5,051
1 April 1995 – 31 March 1996	5,755	5,233
1 April 1994 – 31 March 1995	4,847	4,396
1 April 1993 – 31 March 1994	4,472	4,166

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

## Issue of certificates

5.5 It remains the Board's policy to make checks or obtain reports from the police and other authorities on all new applications for certificates of approval, in accordance with paragraph 3 of Schedule 5 of the Gaming Act 1968. This can delay the processing of applications. However, on average during the year 79 per cent of all first time applicants for the dealers' (blue) certificate received their certificates within six weeks of receipt of the application by the Board. This compares with an average of 95 per cent in 1996/97, and 90 per cent in 1995/96.

5.6 An area where delays can occur is in dealing with the issue of new certificates to existing certificated staff returning from working in casinos abroad. These involve enquiries being made of the overseas employers. The Board has particular concerns about certificated staff working in illegal casinos in other countries. Another area where delays can occur is in the issue of certificates to foreign nationals. Casino gaming is an international business and it is quite understandable that staff wish to work in different jurisdictions. The Board insists, however, that all applicants are properly vetted before the issue of any certificate and on occasions the difficulty of obtaining information from overseas does cause delay.

5.7 Applicants for the casino managers' grey certificate and those for the casino executives' white certificate who are new to the industry normally require an interview and such applications are as a result subject to a longer timescale than other applicants. A new policy which was introduced on 1 March 1997, whereby applicants for the casino managers' grey certificate are interviewed locally by the regional Senior Inspector and an Inspector, rather than being required to attend the Board's headquarters at Berkshire House in central London, has proved successful and will be continued. Applicants for white certificates continue to be interviewed at headquarters.

5.8 The Board has since July 1993, as a matter of course when it issues a certificate, sent an accompanying advisory letter to the certificate holder. This was published at Appendix IX to the 1994/95 Report. This letter gives, in broad terms, the kinds of activities which might result in revocation of the certificate and also asks the certificate holder to inform the Board of any convictions and/or formal cautions which they might receive. Applicants are still

required to declare all convictions, formal cautions and pending prosecutions on every application for a fresh certificate. The letter also now 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.

5.9 A certificate, once issued, remains valid for the employee in respect of the casinos identified on it unless or until it is revoked. The consequence of this is that 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, difficulties can arise where the employer is taken over or otherwise changes and the details on the certificate become out of date. The process was simplified from February 1993, since when certificates have been issued in respect of all casinos owned by the employer at the date of issue. The Board accepts that certificates issued in the name of a previous employer remain valid for the casinos specified if the licences are acquired by another operator. But should an employee transfer to a casino not operated by his current employer at the time of its issue then a new certificate is required.

## Quality of managerial applicants

5.10 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 continues to regard it as important that high standards are maintained and that holders of this certificate should understand the reasons which lie behind the Regulations, and the reasons for the rules they must follow. The Board was pleased by the continued efforts of operators to ensure that senior staff received adequate training before they applied for the managers' certificate.

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

## Revocation of certificates

5.12 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 Board officials, who decide what action should be taken. If that decision calls into question the holder's suitability to continue to hold one or more of the Board's certificates, a "minded to revoke" letter is issued. In it, the certificate holder is offered the opportunity to appear before the Board or to make written representations to explain his or her actions. In either situation, the case is then referred to the Board for a decision. Reasons for revocation of certificates in the year ending 31 March 1998 were as follows:

Table 21

REASONS\* FOR REVOCATION OF CERTIFICATES 1 APRIL 1997 – 31 MARCH 1998  
(1 APRIL 1996 – 31 MARCH 1997 IN BRACKETS)

	Certificate Holders	Per cent
Involvement with drugs (including drug-related convictions)	15	21 (11)
Socialising with members	14	19 (27)
Collusion with players	10	14 (11)
Incurring convictions after the issue of a s19 certificate (excluding drug-related convictions)	5	7 (9)
Theft from employers	5	7 (6)
Failure to provide proper management controls	4	5 (5)
Failing to declare convictions in breach of a s.23 (6)	4	5 (2)
Borrowing money from a member	4	5 (-)
Failure to report socialising	3	4 (-)
Visiting and gaming in another casino	2	3 (6)
Others**	7	10 (6)

\* The principal reason is shown in each case.

\*\* Relates to misappropriating funds, fraud, bankruptcy, drunkenness, making a false statement in breach of Sect. 23 (6) of the Act, associates and debt.

5.13 The statistics show a significant increase in revocations for involvement with drugs on or off the casino premises. The Board takes a very serious view of any certificate holder having any involvement with drugs and is disturbed by the rise in numbers over the last year. 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.

5.14 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

5.15 During the period 1 April 1997 to 31 March 1998, 170 interviews were held.

Table 22

### INTERVIEWS IN CONNECTION WITH CERTIFICATES OF APPROVAL: 1 APRIL 1997 – 31 MARCH 1998

Type of certificate	Number of interviews	Remarks
Casino executive (white)	8	6 were granted 2 were deferred
Gaming manager (grey)	54	54 were granted 1 was a re-application after revocation
Gaming inspector (yellow)	4	4 were re-applications after revocation and were granted
Gaming dealer (blue)	12	7 were re-applications after revocation of which 6 were granted 5 were new applicants of which 3 were granted
Bingo manager (pink)	69	67 were granted 2 were deferred
Existing holders of certificates of approval relating to casinos and subject to adverse reports	21	17 had certificates revoked (1 of these was a casino manager) 4 had no further action
Existing holders of certificates of approval relating to bingo clubs and subject to adverse reports	2	1 was revoked 1 was given a final warning

### Judicial review of decision in section 19 revocation case

5.16 The 1996/97 Report reported that Mr Max Myer Kingsley, who was Chairman of London Clubs International at the time of the Board and police action against the company in the early 1990s, had challenged the Board's decision to revoke his managers' (grey) certificates by way of judicial review, and had subsequently had his application rejected by the Court of Appeal. Mr Kingsley has applied to have his case heard by the European Court of Human Rights. Her Majesty's Government is responding to the action.

## Attendance at Gaming Board interviews

5.17 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, it seems that not all employers are aware of this. The Board asks employers to give active consideration to attending interviews, particularly where their attendance would be of assistance to the interviewee, or alternatively submitting a letter of support where they consider it appropriate.

## Revocation without interview

5.18 In all cases where the Board is considering revocation of certificates the holders are offered the opportunity to appear in person before the Board or to make written representations. If they fail to accept either, or the Board's recorded delivery letters are returned undelivered by the Post Office, the Board must consider the certificate holder's suitability to hold the Board's certificates on the available information. During the period 55 certificate holders had their certificates revoked without interview, including 7 who made written representations.

## Reapplication after revocation action

5.19 The Board's policy continues to be, as noted in earlier Annual Reports, that where an individual has had his or her certificate(s) revoked, unless he or she has been advised to the contrary, an application for a new certificate is unlikely to be successful until at least 12 months have elapsed from the date of revocation of the previous certificate(s). For this purpose, revocation is deemed to have occurred 21 days after the Board's written notification of its decision to revoke the certificate(s).

## Overseas enquiries

5.20 The Board received 628 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

5.21 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 or as a written warning. The police may also decide to take action and one prosecution was initiated during the year, and one person received a police caution. 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, 1997/98

5.22 The outcome of applications for section 19 certificates, and certificates issued by type, for 1997/98 were as follows:

Table 23

### SECTION 19 CERTIFICATES: DECISIONS BY OUTCOME

	New certificates issued	Old certificates re-issued	Total certificates issued	Applications refused	Applications withdrawn	Revocations*
Casino Executive	10	4	14	0	0	1
Casino Manager	78	18	96	0	0	2
Casino Supervisor	89	12	101	0	2	0
Casino Inspector	1,005	105	1,110	0	53	26
Casino Dealer	2,034	79	2,113	3	352	40
Bingo Manager	135	5	140	0	4	4
<b>TOTAL</b>	<b>3,351</b>	<b>223</b>	<b>3,574</b>	<b>3</b>	<b>411</b>	<b>73</b>

A total of 73 individuals had certificates revoked: the number of certificates revoked was 155.

Table 24

### SECTION 19 CERTIFICATES: ISSUES BY TYPE

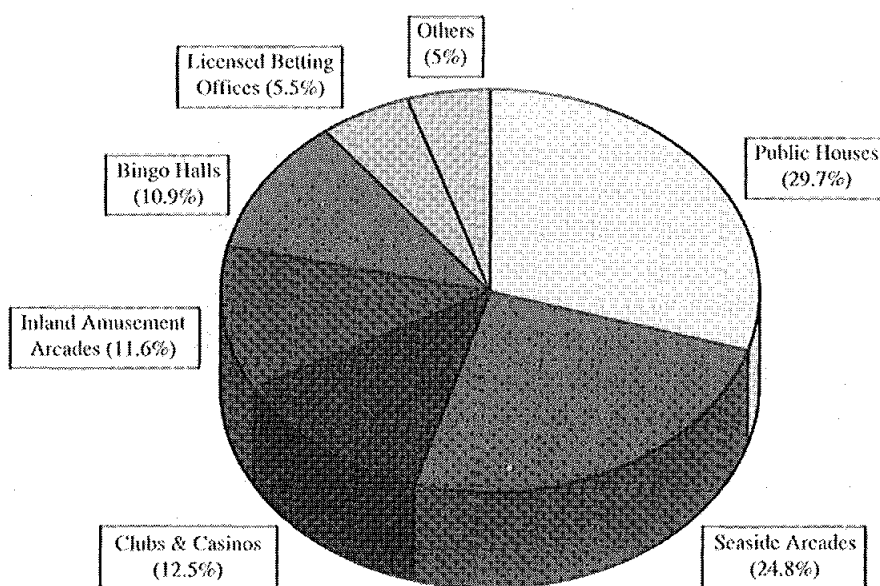
	New applications	Transfers	Promotions	Re-issues
Casino Executive	6	4	0	4
Casino Manager	1	15	62	18
Casino Supervisor	0	11	78	12
Casino Inspector	18	589	398	105
Casino Dealer	1560	474	0	79
Bingo Manager	82	53	0	5
<b>TOTAL</b>	<b>1667</b>	<b>1146</b>	<b>538</b>	<b>223</b>

## 6 : Gaming Machines

### Number of machines in use and their location

6.1 With certain specified exceptions, those who wish to sell, supply or maintain gaming machines may do so only if they hold a certificate granted by the Board under section 27 of the Gaming Act 1968. Certificate holders are not, however, required to submit to the Board details of the numbers of machines they sell, supply or maintain. Therefore, the Board does not itself keep statistics on machine numbers and locations.

6.2 However, BACTA (the trade association for the pay-to-play leisure machine industry in Great Britain) has obtained its own statistics on machine numbers and locations (source: the BACTA/Henley Industry Model 1996 data). These reveal that there are over 250,000 gaming machines of one sort or another currently sited in Great Britain. This figure includes around 32,000 jackpot or club machines and around 218,000 AWP's, including all cash machines. In addition, it is estimated that there are around 10,000 pinball and crane machines, which also qualify as gaming machines under the definition in the 1968 Act. An estimate of the distribution of machines by location is provided below:



6.3 The BACTA statistics estimate the combined annual turnover of AWP's and jackpot machines to be around £7.8 billion, with around £6.3 billion paid out to players in the form of prizes. They also suggest that nearly 25,000 people are employed directly by the sector.

### The all cash machine

6.4 At the time of publication of this report, it will be over two years since the Deregulation (Gaming Machines and Betting Facilities) Order 1996 provided for the introduction of the all cash machine, with a maximum prize of £10, to be located in essentially adult environments. There have been mixed reports of its success and impact on the sector generally. Articles in the trade press have suggested that it has led to a reduction in both operators' profits and manufacturers' margins as brewers and retailers take more of the money and machines stay on site longer. At the same time, pubs and licensed betting offices have

welcomed the machines as providing a valuable source of additional revenue and profitability. BACTA says that the machines have been reasonably successful in pubs and bingo halls but that their introduction may have had an adverse impact on the manufacturing sector and been less successful in the arcade sector. It notes that the arcade sector has incurred costs in setting up designated adult-only areas and that the recent budget increases in machine licence duty, coupled with the current policy of taxing traditional AWP's and all cash machines at the same level, will be likely to cause further problems for that sector.

6.5 As stated in paragraph 1.18, the Board, whilst acknowledging that the introduction of the new machines has generally gone smoothly, does have concerns about the numbers appearing in inappropriate environments and that in other cases, the controls are not working to prevent access by children. Hence, permits have been issued allowing the siting of machines in public areas of railway stations and motorway service areas where there is insufficient supervision to prevent play by children. It also appears that children may be obtaining access to such machines in public houses and some arcades. The Board's Inspectorate have reported illegal sitings in cafes and similar premises. The Board has recommended to the Home Office that it should issue further advice to licensing and registration authorities reminding them of the requirements of the legislation and the powers they have to control the siting of machines.

## The Gaming Act (Variation of Monetary Limits) (No.2) Order 1997

6.6 Following the 1995 Triennial Review of stakes and prizes for gaming machines, BACTA requested that the Board undertake a formal review of stakes and prizes on an annual basis. In response, the Board indicated that while it was not prepared to undertake a formal review every year, it was willing to consider annually whether any factors of sufficient importance had emerged which would justify holding a review outside of the triennial cycle. In May 1997 BACTA submitted to the Board the following proposals for increases in stakes and prizes for AWP's and jackpot machines and for an increase in the maximum permitted aggregate take for prize bingo played in amusement arcades:

- Maximum stake for AWP machines (including the all cash machine) to be increased from 25p to 30p;
- Maximum cash prize for traditional AWP's to be increased from £4 to £5;
- Maximum stake for jackpot machines to be increased from 25p to 50p;
- Maximum prize for jackpot machines to be increased from £250 to £500;
- Maximum aggregate take for prize bingo to be increased from £30 to £50.

6.7 In support of its proposals, BACTA pointed out that:

- A 30p stake would remove the need to handle the 5p coin, which was causing technical and practical problems for the industry;
- A £5 cash prize for traditional AWP's would help ensure the continuing viability of those machines in the face of competition from the all cash machine;



- In the light of the failure of the industry to agree on a higher prize limit for jackpot machines sited in casinos (1996/97 Annual Report refers) a 50p stake and £500 prize for all jackpot machines might represent an acceptable and equitable compromise;
- An increase to £50 in the maximum aggregate take for prize bingo in arcades would be consistent with the Board's decision to support a similar increase for prize bingo played in bingo halls.

6.8 Following consideration, the Board recommended to the Home Office that the proposals for increases in the maximum stake and cash prize for AWP's to 30p and £5 respectively and for an increase in the maximum aggregate take for prize bingo in arcades to £50 be accepted. The increases were subsequently introduced on 1 October 1997 by way of The Gaming Act (Variation of Monetary Limits) Order 1997. However, the Board was not willing to support the proposals for a 50p stake and £500 prize for jackpot machines. In reaching this decision, the Board noted that the increases would apply to jackpot machines sited in private members' clubs accessible to children and doubted whether these were appropriate locations for gaming machines with such a high level of prizes. The Board subsequently agreed with BACTA that the stake for jackpot machines be increased to 30p in line with the increase for AWP's.

## 1998 Triennial Review

6.9 As indicated above, it is the Board's practice to review the monetary limits for gaming machines every three years. This is in line with a recommendation made by the Royal Commission on Gambling in the 1970s. As part of this process, the Board seeks the views of interested parties and takes account of those when it formulates its recommendations to the Home Office. The 1998 Triennial Review is currently underway and at the time of writing, the Board was considering proposals received from a wide range of organisations, either in writing or orally at meetings with them, including, for the first time, organisations representing licensed betting offices as well as the newly established GAMCARE (see paragraphs 1.28 and 1.29). All those consulted have been made aware that in considering those proposals, the Board will wish to take account of the increases in stakes and prizes implemented in 1997. Respondents were also asked to comment on the suggestion made by the Chairman of the Board in her speech to BACTA's annual convention in December 1997 that "there could be merit in working towards the development of four tiers of gaming machines:

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

A target of 1 October 1998 has been set for the implementation of any increases resulting from the review.

## Proposals for changes to payment methods for machines

6.10 During the course of the year, both the Home Office and the Board received submissions from BACTA requesting changes, by way of deregulation, to the legal requirements concerning payment systems for machines. The Home Office indicated that it would wish to know whether the Board had any objections to the proposals before deciding whether to proceed to formal consultation. The proposals are summarised below:

- Removal of the requirement that machines be able to accept payment for a single play, allowing instead for machines which accept only £1, and in the future, £2 coins for multiple plays. (As reported last year, this proposal was to be the subject of a consultation paper to amend the law by way of deregulation. However, the Home Office was unable to issue the paper before the General Election was called);
- 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.

6.11 The Board wrote to the Home Office in January 1998 confirming that it had no objections in principle to the proposals concerning £1/£2 play, note acceptors and electronic and other non-monetary payment methods, subject to the introduction of certain safeguards, for example, against unintended extended play. It noted, however, that it would need to consider all of the proposals in greater detail during any formal consultation process. In respect of the proposal concerning moneybanks, the Board indicated that it had reservations, noting that the current requirement for coins/tokens won to be re-inserted provided a valuable safeguard against unintended extended play. It confirmed, however, that it was content for the proposal to be included in any planned consultation process to allow others to express an opinion and for it to reflect on those opinions.

## BACTA/Board working group

6.12 The BACTA/Board working group has continued to meet during the course of the year. As always, it has proved a valuable forum for discussion of and progress on practical issues affecting the machines industry. In particular, it has produced agreed guidelines on the use of moneybank displays (copy at Appendix XI) and has continued work on the review of all guidelines. As reported last year, the Board and BACTA have agreed a draft set of guidelines on machine control and testing and a trial testing regime was due to be reviewed in 1997. Unfortunately, the outcome of that trial has been delayed as a result of software problems. It is hoped that these will be resolved shortly and that the trial will be satisfactorily concluded, thereby enabling formal ratification of both the guidelines and the testing regime.

## Trading up of prizes in amusement arcades

6.13 As reported in previous years, a case involving the “trading up” of prizes won in an amusement arcade has been before the courts. The case concerned an arcade which was

operating a heavily promoted system of “trading up” by which players who won plaques and soft toys on amusement-with-prizes machines could accumulate them and subsequently exchange them for much more valuable prizes. For instance, each of the individual wins was credited at 20 or 100 points. A television set could be exchanged for 2,500 points and a battery operated car (in which a child could sit) for 40,000 points.

6.14 The Board has always believed that such practices were illegal under section 34 of the 1968 Gaming Act and undesirable because they encouraged excessive playing of machines which were readily available to children. Following the successful prosecution of the arcade owners by the Crown Prosecution Service on three counts, the owners, with the support of BACTA, appealed to the Court of Appeal on two of those counts, both of which were quashed. The CPS, with the support of the Board, then took the case to the House of Lords. The Lords dismissed that appeal by a majority of 4-1, effectively legalising “trading up”. The Board was disappointed by this outcome and remains concerned about the practice of trading up, particularly in the light of recent research evidence (see paragraph 1.31) which suggests that AWP’s are involved in most cases of problem gambling among children.

## Maximum prize to be paid from club or jackpot machines and advertising of AWP’s

6.15 Last year’s Report reported continuing discussions on the question of a possible increase in the maximum prize payable by jackpot machines in casinos to £1,000 and on the proposal to allow the non-broadcast advertising of AWP machines. Neither has made any substantial progress over the last year. The former is now being addressed in the 1998 triennial review (see paragraph 6.9). The latter was dropped from the Deregulation Order under which it was being taken forward at the time of the General Election and has not been taken up again since.

## Gaming machine trends

6.16 The UK market for AWP and jackpot machines has remained fairly static, whilst the export market has been buoyant, although the strength of the pound has had some effect on sales during the latter half of the year resulting in some companies cutting their profits. The all cash machine has had a marked effect on AWP sales. On the one hand, the licensed betting office market has provided extra outlets thereby increasing sales, on the other hand machines are staying longer on certain sites which has inevitably had an adverse effect on demand. There has been a resurgence in the number of lo-tech simple play machines manufactured for arcades and bingo clubs and an emergence of touch screen “skill only” machines, with increasing numbers used in “tournament games”. Another significant development in the highly innovative and competitive UK market has been the change of ownership of machine manufacturers with an influx of international companies acquiring some of the top UK companies.

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

6.17 The number of new applications received during 1997/98, and their outcome, is shown in the following table:

Table 25

## NEW APPLICATIONS FOR SECTION 27 CERTIFICATES

	England and Wales	Scotland	Total
New applications outstanding on 31 March 1997	12	1	13
New applications received in 1997/98	21	4	25
<b>TOTAL</b>	<b>33</b>	<b>5</b>	<b>38</b>
Certificates issued	21	1	22
Applications refused	1	1	2
Applications withdrawn	3	0	3
To be determined, or awaiting payment of fee on 31 March 1998	8	3	11
<b>TOTAL</b>	<b>33</b>	<b>5</b>	<b>38</b>

## Renewal of certificates

6.18 A total of 153 certificates reached the end of their five year life during the course of the year. The Board was notified that renewal was not being sought for 36 of these. 117 renewals were therefore left to be considered. The outcome of these applications, together with the 9 renewal applications carried over from the previous year, is shown in the following table:

Table 26

## APPLICATIONS FOR THE RENEWAL OF SECTION 27 CERTIFICATES

	England and Wales	Scotland	Total
Renewal applications outstanding on 31 March 1997	8	1	9
Applications received in respect of applications expiring during 1997/98	105	12	117
<b>TOTAL</b>	<b>113</b>	<b>13</b>	<b>126</b>
New certificates required	3	0	3
Certificates renewed	97	12	109
Applications withdrawn	0	0	0
Applications refused	0	0	0
To be determined or awaiting payment of fee on 31 March 1998	13	1	14
<b>TOTAL</b>	<b>113</b>	<b>13</b>	<b>126</b>

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

## Revocations and refusals

6.20 During the year 3 section 27 certificates were revoked and 2 applications for a new certificate were refused.

## Certificates in force

6.21 On 31 March 1998 there were 800 certificates in force, 17 fewer than 12 months previously.

## Permits

6.22 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. 10 such permits were issued during the course of the year.

# 7 : Lotteries

## Scale of lottery activity

7.1 Societies which wish to run larger lotteries (with proceeds in a single lottery of over £20,000 or cumulative annual proceeds of more than £250,000) and all local authority lottery schemes must first be registered with the Board. At the end of March 1998 there were 623 registrations with the Board, comprising 9 local authority schemes and 614 societies. This compares with 11 local authority schemes and 614 societies at the end of March 1997. One application by a society to register to run a lottery on the Internet was refused during the year on the grounds that the scheme appeared to be contrary to law. However, at the time of writing, that application was under review following receipt of written representations from the society concerned (see paragraph 7.19).

7.2 The number of individual lottery returns received by the Board continued to rise in 1997/98. Returns were received for 5,070 lotteries promoted by societies and 11 lotteries promoted by local authorities registered with the Board, compared with 2,443 and 18 returns respectively for the preceding 12 month period. The overall figure for returns received in 1997/98 represents an increase of 106 per cent on the previous year, although it should be noted that this year's figure includes 1,927 returns for on-line lotteries (see paragraphs 7.13 and 7.14 below).

7.3 Proceeds generated by lotteries promoted by local authorities registered with the Board continue to decline. As can be seen from Table 27, only £210,000 worth of tickets were sold in 1997/98 as compared to £600,000 in 1995/96 and £260,000 in 1996/97. On the other hand, the level of proceeds raised by societies' lotteries continues to increase. For 1995/96 the proceeds for society lotteries stood at just under £79m. For 1996/97 society lottery ticket sales increased by 46 per cent to £115m. This year, total proceeds of nearly £125m were raised, the highest ever figure recorded by the Board. Of the £125m ticket sales, £41.4m (33.16 per cent) went on prizes, £32.6m (26.11 per cent) on expenses and the remaining £50.8m (40.73 per cent) to the good causes.

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

## External lottery managers

7.5 At 31 March 1998 there were four companies and one individual registered as external lottery managers, with one other application under consideration. Such registration is necessary before such companies and individuals may manage lotteries on behalf of registered societies. One external lottery manager's certificate was revoked during the year. This was the first such revocation and was carried out at the request of the company holding the certificate, which had previously disposed of its interests in lottery management to another certified external lottery manager. The certificate was revoked under paragraph 6 of Schedule 2A to the 1976 Lotteries and Amusements Act, which states that: "The Board may revoke a certificate if the holder consents".

7.6 The Board has noted that in some instances external lottery managers are also acting

as promoters for the societies for which they are managing lotteries. While this is not unlawful, the Board does have some concerns that such arrangements may give rise to conflicts of interest and will continue to monitor the situation.

## Action by the Board

7.7 The workload of the Board's lotteries section has continued to increase. In addition to dealing with applications for registration, the section deals with the examination of financial returns for each lottery held and the examination of accounts and reports on those accounts, prepared by an auditor, from societies or local authorities which have sold more than £100,000 worth of tickets in one year. As indicated above, there has been a 106 per cent increase in the number of financial returns received this year.

7.8 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. Schemes submitted to the Board are becoming more elaborate and in some cases, involve use of new technology (such as on-line and internet lotteries). Work involved in considering the legality of such schemes is complex and has drawn heavily on the resources of the section.

7.9 In addition, both the Lotteries Section and the Board's Inspectorate continue to receive a large volume of telephone and written enquiries relating to free draws, prize competitions and lotteries which do not require registration with the Board. These enquiries fall outside the Board's statutory responsibilities. Although staff do all in their powers to assist with these enquiries since in most cases there is no other body or organisation to whom callers can turn, the Board would advise all such enquirers to seek independent legal advice before proceeding with their proposals. It must be stressed that the Board cannot offer a definitive interpretation of the law; that is a matter for the courts.

## Expense, prize and commission levels

7.10 Last year's report referred to the Lotteries (Prizes and Expenses: Variation and Prescription of Percentage Limits) Order 1997 which came into force on 10 February 1997. This allowed for greater flexibility on prize and expense levels within an overall combined limit of 80 per cent of the total proceeds of a lottery. However, it did not remove the requirement for the Board's prior agreement to be obtained for expense levels exceeding 15 percent for lotteries whose proceeds exceed £20,000. Although the number of societies making use of this increased flexibility has not been large, it does appear to be increasing. The Board continues to note a steady increase in the levels of commission paid by societies to ticket sellers and other service providers. While the Board accepts that competition has led to societies adopting a more commercial approach to the promotion of their lotteries and that increased commission levels may be a necessary part of that process, it continues to have concerns about any possibility of commission levels matching or exceeding the level of monies going to the good cause. Large commission levels contained in applications for expense levels above 15 per cent will continue to be viewed critically by the Board and the overall situation will be kept under review. The Board would also remind societies that they should seek to ensure that expense levels of ELMs and service providers are set at a reasonable level.

## Lotteries and the Law

7.11 The Board issues a booklet entitled "Lotteries and the Law" for the guidance of those involved in the promotion of lotteries. In October 1997, the Board issued a revised copy of the booklet and copies were sent to all external lottery managers and all societies and local authorities registered with the Board.

## Lotteries Council

7.12 The Lotteries Council has held meetings throughout the year providing practical advice to members on conducting lotteries. The Board has been represented at all of those meetings to advise on Board inspections and to answer any queries about the Board's work.

## On-line lotteries

7.13 Last year's report set out the Board's position on applications received to run "Keno" as a society lottery. At that time, the Board was considering a number of on-line schemes which, although similar in design to Keno, worked on the basis that prizes were awarded on a parimutuel, as opposed to a fixed odds, basis. As reported last year, the Board concluded that such schemes did meet the accepted legal definition of a lottery and could be organised to meet the requirements of the 1976 Lotteries and Amusements Act. However, the Board had concerns about proposals to run such games in pubs and clubs on a frequent and repetitive basis. Those concerns were serious enough for the Chairman to write to the Minister responsible for gambling policy, Mr. George Howarth, to draw his attention to the potential problems and the possible need to act.

7.14 As explained more fully in paragraphs 1.24 to 1.26, the Government announced its intention to act to restrict the frequency of on-line lotteries on 13 November 1997 and the first such game (Pronto!) was launched on 27 November 1997. The Government published a consultation paper and draft Bill on its proposals on 7 January 1998. The Board welcomes the Government's intention to act against frequent on-line lotteries and supports the proposal in the draft bill to limit them to one draw a day on any particular premises.

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

7.15 In October 1997 the Board was asked by a number of organisations involved in lotteries to support the following proposals for changes to price and proceeds limits for lotteries:

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

7.16 In considering those proposals, the Board noted that charities had expressed a wish to be able to compete with the £2 ticket offered by the National Lottery and that a higher proceeds limit would provide charities with greater flexibility and might enable them to lower expense levels, thereby enabling more monies to go to the good cause.



7.17 Following consideration, the Board recommended to the Home Office that the Secretary of State consider using his statutory powers under the 1976 Act to increase the maximum ticket price to £2 and the maximum proceeds limit for a single lottery to £2m, on the understanding that the maximum yearly proceeds limit should remain at £5m. The Board decided not to recommend that the maximum proceeds limit for a single lottery be raised to £5m as it felt that this might lead to pressure for an increase in the yearly proceeds limit. In making its recommendations, the Board noted and accepted that an increase in the single lottery proceeds limit to £2m would lead to a de facto increase in the maximum prize limit from £100,000 to £200,000. (The 1976 Act provides for the maximum prize limit to be 10 per cent of the maximum proceeds limit).

7.18 The Home Office decided to include these proposals in its consultation document on the draft Bill to restrict the frequency of on-line lotteries but made clear that it would not act on them unless and until frequency restrictions were in place.

## Internet lotteries

7.19 During the year, the Board received an application from a society to run a lottery on the Internet. This has raised a number of complex issues such as whether the sale of tickets through the Internet would breach Regulation 5 of the 1993 Regulations, which prohibits the sale of tickets by machine. Associated problems such as the possibility of access by children to such lotteries and the possible inadvertent but, in the Board's view, unlawful promotion of the lottery outside of Great Britain have also given rise to concern. At the time of writing the application was still under consideration.

## Product promotions

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

7.21 The Board welcomed the publication by ICSTIS (the body which supervises the conduct of premium rate telephone services) in March 1998 of a Code of Practice governing the conduct of such telephone competitions. It also welcomed the issue by ICSTIS of guidelines on the legality of competition services for the benefit of those intending to run such competitions.

7.22 The Board does have concerns at the volume of such promotions which are carried by products attractive to children (such as packets of crisps and soft drinks), often involving close similarities with other gambling products, particularly lottery scratchcards. Given the concerns about problem gambling amongst children (see paragraphs 1.31 and 1.32), the Board regards such promotions as undesirable.

## Lottery statistics

7.23 The first table below gives details of returns received from 1 April 1997 until 31 March 1998 for lotteries registered with the Board. It shows the proceeds for society and local authority lotteries in returns received by the lotteries section.

7.24 The second table shows comparative figures for the total ticket sales on returns received for each year from 1 April 1993 to 31 March 1998 for lotteries in Great Britain for which schemes are registered with the Board.

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

Table 27

### DETAILS OF RETURNS RECEIVED IN THE PERIOD 1 APRIL 1997 TO 31 MARCH 1998 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	4,870	115,730,493	30,214,802	26.11	38,517,099	33.28	46,998,592	40.61
Scotland	200	8,933,061	2,335,150	26.14	2,809,184	31.45	3,788,727	42.41
<b>TOTAL</b>	<b>5,070</b>	<b>124,663,554</b>	<b>32,549,952</b>	<b>26.11</b>	<b>41,326,283</b>	<b>33.16</b>	<b>50,787,319</b>	<b>40.73</b>

#### Local Authority Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
England and Wales	11	205,466	52,778	25.70	74,170	36.09	78,518	38.21
Scotland	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>11</b>	<b>205,466</b>	<b>52,778</b>	<b>25.70</b>	<b>74,170</b>	<b>36.09</b>	<b>78,518</b>	<b>38.21</b>

#### Total All Lotteries

	Number of Lotteries	Total Ticket Sales £	Expenses		Prizes		Balance	
			£	%	£	%	£	%
	5,081	124,869,020	32,602,730	26.11	41,400,453	33.16	50,865,837	40.73

Table 28

**TOTAL TICKET SALES AND NUMBERS OF LOTTERIES SHOWN ON RETURNS RECEIVED BETWEEN 1 APRIL 1993 AND 31 MARCH 1998**

**Society Lotteries**

	1993/94		1994/95		1995/96		1996/97		1997/98	
	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	39.95	983	34.25	982	73.38	1,716	108.78	2,221	115.73	4,870
Scotland	1.68	103	3.76	102	5.56	146	6.30	222	8.93	200
<b>TOTAL</b>	<b>41.63</b>	<b>1,086</b>	<b>38.01</b>	<b>1,084</b>	<b>78.94</b>	<b>1,862</b>	<b>115.08</b>	<b>2,443</b>	<b>124.66</b>	<b>5,070</b>

**Local Authority Lotteries**

	1993/94		1994/95		1995/96		1996/97		1997/98	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
England and Wales	1.33	85	0.73	60	0.60	47	0.26	18	0.21	11
Scotland	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>1.33</b>	<b>85</b>	<b>0.73</b>	<b>60</b>	<b>0.60</b>	<b>47</b>	<b>0.26</b>	<b>18</b>	<b>0.21</b>	<b>11</b>

**Total All Lotteries**

	1993/94		1994/95		1995/96		1996/97		1997/98	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
<b>TOTAL</b>	<b>42.96</b>	<b>1,171</b>	<b>38.74</b>	<b>1,144</b>	<b>79.54</b>	<b>1,909</b>	<b>115.34</b>	<b>2,461</b>	<b>124.87</b>	<b>5,081</b>

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

## **Inspectorate staffing**

8.1 During the year one Area Inspector left the Board after 15 years service and Mr J Hyde, Senior Inspector South East Region, was appointed to the newly created post of Senior Inspector, Operational Support. Following this appointment, Inspector T Adams, Area Inspector for Kent and East Sussex, was promoted to Senior Inspector, South East Region. Two new Area Inspectors and a Machines Specialist were recruited and trained during the period to fill the vacancies previously reported.

8.2 The two new Area Inspectors were deployed to the South East Region to ease the continuing pressure on that Region and in anticipation of further deregulation of the industry. However, the initial benefits of this deployment were offset by the ongoing long term illness of one Inspector in the Region and the promotion of Inspector Adams without immediate replacement.

## **Reviews of best practice**

8.3 Following completion of the review of best practice and area boundaries of the Inspectorate detailed in the previous Annual Report, a second review group, headed by the Senior Inspector, Operational Support, was asked to further review the Inspectorate methodology and effectiveness across the broad spectrum of its activities. The results of this review, and a range of options arising, were presented to the Board and other members of the Inspectorate at the May 1998 Annual Conference. In addition to this second phase review of the Inspectorate, a firm of consultants will be employed to conduct a survey on the links and overlaps between compliance and regulation during the summer with a view to reporting their findings and recommendations to the Board by the Autumn.

8.4 The emphasis on Information Technology training and the need to improve computer literacy within the Inspectorate has continued and all Inspectors have now been provided with a new portable personal computer to replace older equipment. The provision of this more up to date equipment and associated software packages to Inspectors has better equipped them to deal with the day to day problems arising in an increasingly technological industry.

## **Inspection visits and other operational activities**

8.5 During the year the Board's Inspectors made 1,936 supervisory visits to casinos and 2,687 to bingo clubs. In addition they made 392 inspections of certificated machine suppliers and 8 lottery inspections were completed. The Inspectorate also carried out a large number of separate investigations. The majority of these were enquiries into certificate of consent applications, revocation of certificate of approval cases, External Lottery Manager applications, complaints in respect of licensed premises or other premises and unlawful gaming. Assistance provided to the police resulted in 50 prosecutions in respect of gaming and lottery related offences and Inspectors were named in 6 warrants issued under Section 43 of the Gaming Act 1968.

8.6 The Board continues to provide the police, courts and other authorities with specialist assistance and advice which has been of particular importance following the introduction of the £10 'all cash' gaming machine and other relaxations effected by limited deregulation of the industry. During the year Inspectors gave 22 talks to police and 27 to gaming licensing authorities. Gaming courses for police officers were conducted by the South East (one course) and Northern (two courses) Regions and the Inspectorate assisted in the instruction of two gaming courses held by the Greater Manchester Police.

8.7 Two Inspectors attended a gaming seminar in Atlantic City, USA, during the year, and two Inspectors visited Malta to give advice and guidance on regulatory controls and the introduction of new legislation which will permit additional casinos to be operated. This latter visit was funded by the Maltese Government. As in previous years, a large number of representatives from overseas governments and regulatory bodies visited the Board and these included officials from South Africa, Sweden, New Jersey, Colorado, Nevada, Canada, Spain, Holland, Hong Kong, the Channel Islands and the Isle of Man.

## Board's Accounting Guide and Notes for Guidance

8.8 The Board first issued an accounting guide for casinos in 1975 titled 'An Accounting Guide For Gaming Clubs'. This document has recently been completely revised to take into account the changes which have taken place to accounting and operating procedures and the considerable advances in technology, and is now in final draft form. The document, now titled 'The Board's Accounting And Control Guidance For Casinos', has been updated with the assistance of industry representatives and the Board wishes to express its gratitude to them. The next step is for the Guide to be formally presented to the British Casino Association for their comments prior to issue to operators.

8.9 The document is in two parts. First the 'Accounting and Control Guide' itself sets out the Board's recommended standards for internal control and accounting procedures for casinos. The Board believes that this Guide will prove of particular benefit to new entrants to the industry and will also provide useful guidance to existing operators when reviewing their systems. Secondly, the 'Notes for Guidance' are intended to provide guidance as to the way in which a system of accounting and control is to be described and documented in a form suitable for submission to the Board in support of an application for a new casino licence. While it is expected that new operators will comply with the requirements set out in the 'Notes for Guidance', the Board has made it clear to the industry that it would not expect current operators to revise unnecessarily their existing, proven, systems.

## National Bingo Game – relocation and inspection

8.10 During the year major changes to both the technical and operational aspects of the National Bingo Game were undertaken by the National Bingo Game Association (NBGA). This included re-locating the Game Control Centre from its previous location at Feltham, Middlesex, to a new, purpose built, control centre adjacent to the NBGA offices at Dunstable. In addition, a new computer system for the management of the game was developed and installed at a secure location within the premises of the University of Hull. This new computer system was designed to replace the older equipment at ICL, Feltham, on which the game had been run since its inception.

8.11 As a result of these significant changes to the operation of the National Bingo Game, an in-depth inspection of the new system and associated procedures was undertaken by a team from the South East Region of the Inspectorate headed by the Inspector nominated as the National Game Supervisor and assisted by the Machines Specialist. This inspection proved satisfactory.

## Money Laundering Code

8.12 The Code of Practice for the Detection and Prevention of Money Laundering in casinos is now well established and being generally operated in a satisfactory manner by the industry. Minor changes to the members identification and staff training requirements are currently subject to discussion between Board officials and industry representatives and it is hoped these can be agreed shortly. One aspect of the code not fully appreciated by some operators is the need to satisfy themselves as to the source and legitimacy of significant cash sums used for gaming by long established members.

8.13 One incident involving an attempt to launder money arising from drug trafficking in a number of casinos came to light in the North East of England and Inspectors assisted Police in their enquiries which resulted in a number of arrests. The activities of the players involved had been properly reported to the National Criminal Intelligence Service by one of the casino operators.

## Major review inspections

8.14 One of the significant changes adopted following the Inspectorate review of best practice was the introduction of the Casino Major Review Inspection in place of the old 'Volume III' Inspection. These latter inspections were undertaken by Regions on average once per year which meant that some casinos would only be subject to these in-depth inspections every 30 years plus – clearly an unsatisfactory arrangement. In addition to introducing the revised style of inspection the frequency of inspection was also increased to one major review per inspector, per Region per year.

## Under age gaming

8.15 An increase in the incidence of breaches of section 17 of the Gaming Act 1968 – visits to casino premises by persons under the age of 18 years, either as members or guests – has come to notice during the year. Those casinos involved have been required to review and implement changes to their reception procedures to prevent a re-occurrence.

## Debit card usage – casinos and bingo clubs

8.16 As reported elsewhere (see paragraph 4.13), the Deregulation (Debit Cards) Order 1997, which came into force in April 1997, permits the use of debit card payments in casinos and bingo clubs. This new facility was promptly adopted by the majority of casino operators and, after a slow start, quickly became popular with both players and operators. In contrast, the facility was not immediately adopted by bingo operators because the rules of the various participating banks precluded cash alone being given in exchange for a debit card transaction. This difficulty was eventually resolved but the uptake of this facility by bingo operators has been, so far, minimal.

## Gaming machines

8.17 The Board's newly appointed (April 1997) Specialist Machines Inspector continues to visit machine manufacturers and converters on a regular basis to give advice and guidance on the legal aspects of new machine design concepts using Part III of the Gaming Act 1968 and the agreed Board/Industry Guidelines as his reference. During the year he made 88 such visits. Additionally, advice was given on other machine developments including Skill With Prizes machines, a new concept in 'touchscreen' skill only games, and a new 'skill only' pinball game design. Visits were also made to UK trade shows, including the ATEI in London and the Blackpool Machines Exhibition, and to manufacturers of ancillary equipment used in gaming machines.

8.18 Advice was also provided to other authorities and he gave three talks to the police and magistrates on the legal and illegal aspects of gaming machines. Assistance was provided to HM Customs and Excise and other authorities with operations against those involved in the unlawful supply and operation of video poker machines designed for credit gaming.

8.19 Operations by police against 30 cases of unlawful machine gaming, both in London and elsewhere, were supported by members of the Inspectorate during which large numbers of machines were seized and subsequently destroyed.

## Complaints from the public

8.20 Complaints that are received from members of the public and players in respect of licensed premises and other gaming activities, both lawful and unlawful, receive full enquiry by the Inspectorate who invariably notify the complainants in writing or make a personal visit to them to discuss their findings. During the year the breakdown of complaints investigated was as follows:

	Complaints Investigated	Justified
Casinos	48	6
Bingo	73	28
Other*	36	21

\*These relate to such matters as illegal lotteries and competitions, and allegations concerning illegal machine operations.

# Appendix I

## Selection of Key Gaming Industry and Board Statistics: 1993/94 to 1997/98

	1993/94	1994/95	1995/96	1996/97	1997/98
<b>CASINOS</b>					
Operating at year end	118	119	119	116	115
Drop (£million)	2,230	2,461	2,548	2,599	2,720
House win as % of drop	18	17	18	18	18
American roulette as % of total drop	68.4	66.1	61.9	59.8	61.4
Applications for certificates of consent or their continuance					
(a) made	27	39	14	20	19
(b) determined (including withdrawn and fallen applications)	23	40	24	18	22
- of which refused	1	3	1*	-	1
* Revocation subsequently rescinded					
<b>BINGO</b>					
Clubs holding gaming licences at end of year	910	903	906	908	818
Amount staked on bingo: £million	787	811	906	967	1019
Applications for certificates of consent					
(a) made	142	172	112	86	83
(b) determined (including withdrawn)	125	179	121	96	54
- of which refused	2	0	0	0	0
<b>CERTIFICATION OF CASINO AND BINGO EMPLOYEES</b>					
Certificate issued or re-issued	4,166	4,396	4,233	5051	3574
Applications refused	4	4	6	0	3
Certificate holders revoked	80	55	76	87	73
<b>GAMING MACHINES</b>					
Jackpot (or club machines) licensed	271,272	•	•	260,000*	250,000*
Amusement with prizes (AWP) machines licensed					
Amusement with prizes (AWP) machines licensed					
Certificates to sell, supply and maintain in force at year end	1,002	988	889	817	800
Certificates refused or revoked	3	4	6	2	5



	1993/94	1994/95	1995/96	1996/97	1997/98
<b>LOTTERIES</b>					
Society scheme registrations at year end	1,086	377	530	614	614
Local authority scheme registrations at year end	85	25	21	11	9
Schemes revoked	1	-	-	1	-
Number of lotteries held under Board registered schemes	1,171	1,144	1,862	2,461	5,081
Total ticket sales (£million)	42.95	38.74	78.96	115.34	124.87
<b>GAMING BOARD</b>					
Grant-in-aid (£million)	2.92	3.04	3.32	3.36	3.32
Staff	77	77	77	75	69
- of which Inspectorate	35	35	35	34	35

\* Based on industry estimates.

# Appendix II

## GAMING REGULATORS EUROPEAN FORUM POSITION STATEMENT ON GAMBLING ON THE INTERNET

(As adopted at the Annual Meeting in Helsinki on 15 May 1998) \*

1 The Gaming Regulators European Forum consists of representatives from gaming regulatory organisations throughout Europe. Its two main objects as stated in its constitution are:-

- “a. to provide a forum in which European gaming regulators can meet, exchange views and information and discuss policy on gaming matters; and
- b. on special occasions and with the agreement of members represent the different views of European gaming regulators and also provide a central point of contact for enquiries directed at them from authorities or related organisations in Europe and elsewhere.”

At its meeting in Helsinki in May 1998, the Forum agreed this position statement on Internet gambling. As an association of experts in gambling regulation, it offers the statement as a set of recommendations of good practice for the consideration of the appropriate regulatory bodies and Governments of individual member countries, whether at national or autonomous regional level. It acknowledges that the countries will wish to consider, and if necessary adapt, the statement in the light of their particular legal, social, cultural and economic circumstances.

2 The Gaming Regulators European Forum regards the regulation of gambling (that is gaming, betting and lotteries) as a matter for the competence and jurisdiction of individual countries, in the light of their particular social, cultural and economic conditions. It therefore follows that it is a matter for individual Governments, either at national or at autonomous regional level, whether or not they wish to permit any forms of gambling to be offered on the Internet in their territories and, if they do, under what circumstances or conditions particular forms of gambling are to be allowed. Any such decisions should be respected by other jurisdictions.

3 If a jurisdiction is to permit forms of gambling to be offered on the Internet, the members of GREF regard it as important that:

- (i) those to be permitted to offer such forms of gambling should be subject to the same level of investigation and probity and other checks as is applied to traditional, terrestrial gambling operators.
- (ii) those so licensed should be required to establish their operation in the territory of the jurisdiction concerned so that the operation can be properly controlled and policed.
- (iii) the gambling so offered should be restricted to residents of the jurisdiction concerned and residents of such other jurisdictions with whom there are co-operative or reciprocal arrangements.

4 As a matter of good practice, those permitting such gambling should also address such issues as:

- the methods to be used to ensure that such operations are fairly conducted and the players are fully aware of the rules that apply.
- the methods of ensuring that such operations are not used as a means also of conducting any illegal activities, in particular for money laundering.
- the permitted arrangements for paying for wagers on the gambling offered, including restrictions on the granting of credit.
- the methods of protecting and guaranteeing the funds deposited and the monies won by the players.
- the means of ensuring that no players are under the legally permitted age for the appropriate form of gambling in the jurisdiction concerned.
- the means and level of protection to be offered to compulsive gamblers and others who have difficulty in controlling their gambling.
- the controls to be placed on advertising, particularly in respect of jurisdictions which do not permit such gambling or do not welcome such advertising.
- the methods to be used to protect the privacy of the players and the confidentiality of the information provided by them.
- the methods to be used to ensure data protection and security of transmission.
- the methods to be used to ensure that tests and checks are conducted regarding the randomness of the games and, including EDP-audits, regarding the electronic gaming systems used by the operators.

5 In considering whether to permit gambling operations on the Internet, it may be necessary to distinguish between those who simply seek to offer an alternative means of access to existing permitted terrestrial gambling products and those wishing to establish separate, new forms of gambling opportunities. In either case, consideration of the types of issue raised above is likely to be needed.

6 If a jurisdiction wishes to prohibit cross-border gambling on the Internet for its residents, and consequently wants to prevent the import of such gambling, it will probably need to do so by means of legislation preventing service providers from transmitting the offer of such facilities, rather than by means of prohibitions on individual residents of those jurisdictions from taking up such facilities. In support of this, consideration should be given to the possibility of requiring licensed Internet gambling operators to include in the contracts with their service providers a condition that the latter will prevent access to addresses of foreign (illegal) operators of Internet gambling in so far as the service providers can be expected to have notice of those addresses.

*\*The meeting at Helsinki was attended by regulators from 15 countries (Estonia, Denmark, Finland, Germany, Great Britain, Hungary, Ireland, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden and Switzerland).*

# Appendix III

## The Board's Staff and Offices

### SENIOR STAFF OF THE GAMING BOARD AT 31 MARCH 1998

Secretary Mr T J Kavanagh

Chief Inspector Mr R G White

Deputy Chief Inspector Mr D W Burns

#### *Section Heads*

Casino and Bingo Mr D Aldridge

Lotteries and Machines Ms T Pearson

Finance and Management Services Mr S Birkett

## THE BOARD'S STAFF AS AT 31 MARCH 1998

	Grade	Staff in Post
Administrative Staff	5	1
	7	1
	SEO	1.8
	HEO†	5
	EO	8
	PS	2
	AO*	13
	AA	1
	Typists	0.5
	Messenger/Paperkeeper	1
	<b>Total</b>	<b>34.3</b>
Inspectorate	Chief Inspector	1
	Deputy Chief Inspector	1
	Senior Inspector	6
	Inspectors	26
	Machines Inspector	1
		<b>Total</b>
	<b>TOTAL</b>	<b>69.3</b>

\* including 5 at regional offices

† includes an HEO accountant grade

## OFFICES OF THE GAMING BOARD

Headquarters                      Berkshire House, 168-173 High Holborn, London WC1V 7AA  
Telephone No.                      0171 306 6200  
Fax No.                                0171 306 6266

### Telephone enquiry numbers:

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

## REGIONAL OFFICES OF THE BOARD

### South East Region

Senior Inspector Mr T Adams

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

Tel No. 0171 306 6218

Fax No. 0171 306 6268

### South West Region

Senior Inspector Mr A Carpenter

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

Tel No. 01454 616687

Fax No. 01454 613090

### Midland Region

Senior Inspector Mr R G Nicholson

Minerva House, Spaniel Row, Nottingham NG1 6EP

Tel No. 0115 941 9991

Fax No. 0115 948 4587

### Northern Region

Senior Inspector Mr G Smale

Warwickgate House, Warwick Road, Old Trafford, Manchester M16 0QQ

Tel No. 0161 872 6016

Fax No. 0161 873 8248

### Scottish Region

Senior Inspector Mr K MacLean

Portcullis House, 21 India Street, Glasgow G2 4PZ

Tel No. 0141 221 5537

Fax No. 0141 221 5494

# Appendix IV

## Gaming and Lotteries Fees

	From 1 April 1998
	£
<u>Casino licences</u>	
Grant	32,830
Renewal	6,740
Transfer	7,270
<u>Bingo licences</u>	
Grant	2,710
Renewal	845
Transfer	950
<u>Casino certificate of consent</u>	
New licence	6,270
Transfer of licence	3,130
<u>Bingo certificate of consent</u>	
New licence	1,880
Transfer of licence	625
<u>Certificate to organise games of multiple bingo</u>	
Grant	152,000
Renewal (for 3 years)	146,000
<u>Registration of club or institute</u>	
Part II	195
Renewal of registration	95
Part III	105
Renewal of registration	62
<u>Gaming machines certificate (Section 27)</u>	
Grant	3,810
Renewal	1,520
<u>Employees certificate of approval (Section 19)</u>	
Certificate of approval	75



	From 1 April 1998
	£
<u>Gaming Machines</u>	
Grant of certificate for the sale, supply or maintenance of gaming machines	3,810
Renewal of certificate for the sale, supply or maintenance of gaming machines	1,520
<u>Lotteries</u>	
Application for registration of society or local authority lottery scheme	620
Renewal of registration of society or local authority lottery scheme (three-yearly)	65
Lottery with turnover (total value of tickets or chances sold) of:	
£2,000 or less	Nil
More than £2,000 to £10,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	70
More than £10,000 to £20,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	125
More than £20,000 to £50,000	155
More than £50,000 to £200,000	310
More than £200,000	555
Application for certification as a lottery manager under Schedule 2A	2,400
Inspection of lottery return by member of the public	5

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

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

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

# Appendix V

## THE GAMING BOARD FOR GREAT BRITAIN

### RECEIPTS AND PAYMENTS ACCOUNT 1997/98

#### FOREWORD

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

2. Remuneration, pensions and other expenses of Board Members are paid directly by the Secretary of State in accordance with the requirements of paragraphs 5 and 5A of Schedule 1 to the 1968 Act, and are not borne on the Board's grant in aid or reflected in this Account. Expenditure on staff (including inspectors) remuneration and other expenses incurred by the Board under section 48(1) of the Act and paid out of the grant in aid, are included in this account.

3. Since 1 April 1987, the Board has been financed by a grant in aid from the Home Office administration, Police, Probation, Immigration and other services, England and Wales [Class VII Vote 1]. The Home Office Memorandum on payment of the grant in aid requires the Board to prepare a statement of account for each financial year in the form and on the basis directed by the Secretary of State, with the consent of the Treasury. The account is prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at the year end. Under the Home Office Memorandum the Comptroller and Auditor General is the appointed auditor to the Board. The audited and certified account is published in the Annual Report of the Board which is laid before Parliament by the Secretary of State under section 50 of the Gaming Act 1968.

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

5. Fees received by the Board in respect of licensing certificates issued under sections 19 and 27 of the Gaming Act 1968 and certain other provisions are paid over to the Home Office for appropriation in aid of Class VII, Vote 1. Other fees receivable under the Gaming Act are collected by Justices Clerks of Licensing Justices (Licensing Courts in Scotland) and paid over to the Lord Chancellor's Department for surrender to the Consolidated Fund. Although receipts from the latter fees are not shown in these accounts, the estimated amount receivable in 1997/98 is £2,416,452.

6. The members of the Gaming Board for Great Britain during 1997/98 were as follows:

Lady S Littler (Chairman)  
Mr W B Kirkpatrick  
Lady C Trethowan JP (to 31.12.97)  
Mr R C Lockwood JP (from 1.1.98)  
Mr B P Austin  
Mr D Elliott CBE, QPM

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

	<u>Chairman</u>	<u>Other Members</u>	<u>ERNIC</u>	<u>TOTAL</u>
	£	£	£	£
Pay	36,143	57,041	9,367	102,551
Pension (past Chairman)	-	2,970	-	2,970
Travel	1,958	7,219	-	9,177
	<u>38,101</u>	<u>67,230</u>	<u>9,367</u>	<u>114,698</u>

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

*T J Kavanagh*  
Accounting Officer  
The Gaming Board for Great Britain

Date: 22 May, 1998

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

I have audited the financial statements on pages 83 to 88 which have been prepared in a form directed by the Secretary of State for the Home Department with the approval of the Treasury.

## **Respective Responsibilities of the Gaming Board for Great Britain and Auditor**

As described on page 80, the Gaming Board for Great Britain is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. It is my responsibility to form an independent opinion, based on my audit, on those statements and on the regularity of the financial transactions included in them and to report my opinion to you.

## **Basis of Opinion**

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Gaming Board for Great Britain in the preparation of the financial statements.

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

## **Opinion**

In my opinion:

- the financial statements properly present the receipts and payments of the Gaming Board for Great Britain for the year ended 31 March 1998 and the balances held at that date, 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 receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

*J J Jones*  
Director  
for Comptroller and Auditor General  
16 June 1998

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

THE GAMING BOARD FOR GREAT BRITAIN  
 RECEIPTS AND PAYMENTS ACCOUNT FOR THE  
 YEAR ENDED 31 MARCH 1998

	<u>Notes</u>	<u>1997/98</u>		<u>1996/97</u>	
		£	£	£	£
H M G Grants Received	2	3,318,000		3,367,000	
Operating Receipts	3	<u>939,590</u>	4,257,590	<u>1,105,611</u>	4,472,611
Less:					
Salaries and Wages	4	1,968,763		1,995,681	
Other Operating Payments	5	<u>1,360,282</u>	<u>3,329,045</u>	<u>1,349,214</u>	<u>3,344,895</u>
Surplus from Operations			928,545		1,127,716
Other Receipts	6a		145,364		15,087
Other Payments	6b		<u>(101,479)</u>		<u>(47,268)</u>
Surplus for Financial Year			972,430		1,095,535
Appropriations	7		<u>918,334</u>		<u>1,078,517</u>
Excess of receipts over payments for the financial year			<u>54,096</u>		<u>17,018</u>

The notes on pages 85 to 88 form part of this account.

THE GAMING BOARD FOR GREAT BRITAIN  
STATEMENT OF BALANCES AS AT 31 MARCH 1998

	<u>Notes</u>	<u>1997/98</u>	<u>1996/97</u>
		£	£
Balance at beginning of year		108,178	91,160
Excess of receipts over payments for the financial year		<u>54,096</u>	<u>17,018</u>
Balance at end of financial year	8	<u>162,274</u>	<u>108,178</u>

The notes on pages 85 to 88 form part of this account.

*T J Kavanagh*  
Accounting Officer  
The Gaming Board for Great Britain

22 May 1998

# THE GAMING BOARD FOR GREAT BRITAIN

## NOTES TO THE ACCOUNT

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

2. <u>H M G Grant Received</u>	<u>1997/98</u>	<u>1996/97</u>
	£	£
Grant received from Class VII		
Vote 1 (Subhead N)	3,318,000	3,367,000
3. <u>Operating Receipts</u>	<u>1997/98</u>	<u>1996/97</u>
Receipt of fees etc.		
Section 19 certificates	293,622	364,619
Section 27 certificates	240,160	274,250
Lotteries & Amusements Act	251,733	274,692
Certificate of Consent - Bingo	71,455	106,370
Certificate of Consent - Casino	<u>82,620</u>	<u>85,680</u>
<b>TOTAL</b>	<u>939,590</u>	<u>1,105,611</u>

THE GAMING BOARD FOR GREAT BRITAIN

NOTES TO THE ACCOUNT

4. Salaries and Wages

a) Staff costs incurred in the financial year were:

	<u>1997/98</u>	<u>1996/97</u>
	£	£
Salaries, wages and allowances	1,628,453	1,654,981
Employer's NI contributions	123,621	124,509
Pensions and accruing superannuation liability	210,153	209,614
Service Charge	6,536	6,577
<b>TOTAL</b>	<u>1,968,763</u>	<u>1,995,681</u>

b) Senior Employees

The total remuneration of Mr T J Kavanagh, as Secretary to the Board, was £55,694 (1996/97 – £53,478). He is an ordinary member of the Principal Civil Service Pension Scheme.

c) Other Senior Employees

One other senior employee received total remuneration in excess of £40,000.

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

Staff	39	(1996/97: 41)
Inspectorate	35	(1996/97: 34)

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

	<u>Staff</u>	<u>Inspectorate</u>	<u>Total</u>
	£	£	£
Salaries & Wages	716,195	912,258	1,628,453
Social Security Costs	53,700	69,921	123,621
Other Pension Costs	94,467	115,686	210,153
<b>TOTAL</b>	<u>864,362</u>	<u>1,097,865</u>	<u>1,962,227</u>



THE GAMING BOARD FOR GREAT BRITAIN

NOTES TO THE ACCOUNT

5	<u>Other Operating Payments</u>	<u>1997/98</u>	<u>1996/97</u>
		£	£
	Rent and Rates	711,203	700,146
	Maintenance	61,131	46,341
	Professional Fees	163,136	194,149
	Travelling and Subsistence	193,065	223,856
	Recruitment	4,644	13,570
	Postage and telephone	41,197	39,747
	Office supplies, printing, stationery	21,317	18,609
	Publications	3,065	2,799
	Hospitality	2,634	1,766
	Other Computer Expenditure	52,869	34,636
	Training	24,206	18,354
	Central Services	16,937	6,561
	Gaming Regulators European Forum	5,254	3,572
	Audit Fee	9,283	9,312
	Grant repaid to Home Office	40,000	35,000
	Miscellaneous and Bank Charges	10,341	796
	TOTAL	<u>1,360,282</u>	<u>1,349,214</u>

THE GAMING BOARD FOR GREAT BRITAIN

NOTES TO THE ACCOUNT

6a.	<u>Other Receipts</u>	<u>1997/98</u>	<u>1996/97</u>
		£	£
	Bank Interest Received	7,649	6,794
	Court Costs Awarded	98,000	-
	Prior year cheques cancelled in 1997/98	35,845	-
	Other Miscellaneous	3,870	8,293
	TOTAL	<u>145,364</u>	<u>15,087</u>
6b.	<u>Other Payments</u>	<u>1997/98</u>	<u>1996/97</u>
	Computer Equipment	86,692	18,726
	Office Furniture and Equipment	14,787	28,542
	TOTAL	<u>101,479</u>	<u>47,268</u>
7.	<u>Appropriations</u>	<u>1997/98</u>	<u>1996/97</u>
	Amounts surrendered to the Consolidated Fund via the Home Office during the year	<u>918,334</u>	<u>1,078,517</u>
8.	<u>Balance at end of financial year</u>	<u>1997/98</u>	<u>1996/97</u>
	Cash at bank	143,506	88,989
	Cash held at offices	18,768	19,189
	TOTAL	<u>162,274</u>	<u>108,178</u>

# 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 1997 and 31 March 1998

## ENGLAND

	1 April 1997	31 March 1998
That area which is within the area specified in the licensing (Metropolitan Special Hours Area) Order 1961 - plus the City of Westminster and the Royal Borough of Kensington and Chelsea.	21	21

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

	1 April 1997	31 March 1998
Birkenhead	1	1
Birmingham	5	5
Blackpool	2	2
Bolton	1	1
Bournemouth	2	2
Bradford	2	2
Brighton	2	2
Bristol	4	4
Coventry	3	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	4	5
Margate	2	2
Newcastle upon Tyne	3	3
Northampton	1	1
Nottingham	2	2
Plymouth	2	2
Portsmouth	3	3
Ramsgate	1	1
Reading	2	2
Ryde	-	-
Salford	1	1
Sandown/Shanklin	-	-

	1 April 1997	31 March 1998
Scarborough	1	1
Sheffield	3	3
Southampton	2	2
Southend-on-Sea	2	2
Southport	1	1
Stockport	1	1
Stoke-on-Trent	1	1
Sunderland	1	1
Teesside/Middlesbrough	1	1
Torbay	1	1
Walsall	1	1
Warley	-	-
West Bromwich	-	-
Wolverhampton	1	1

#### WALES

#### THE AREAS OF THE FORMER COUNTY BOROUGHS OF:-

	1 April 1997	31 March 1998
Cardiff	3	3
Swansea	2	1

#### SCOTLAND

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

	1 April 1997	31 March 1998
Aberdeen	2	2
Dundee	1	1
Edinburgh	4	4
Glasgow	4	4
<b>TOTAL:</b>	<b>116</b>	<b>115</b>

# Appendix VII

## GAMING BOARD POLICY STATEMENT ON CASINO DEMAND

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.

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.

As a general rule:

- (i) If a permitted area has no current casino and an application is made, the Board will be unlikely to object unless it believes that there are already adequate facilities in an adjacent area reasonably accessible to prospective players. The Board's assumption is that each area has sufficient demand for at least one casino.
- (ii) If an area already has one or more casinos and the Board's census figures of peak time activity in the area or any others reasonably accessible locally show sufficient supply, the Board will be likely to object to further applications.
- (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, 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 VIII

## BRITISH CASINO ASSOCIATION AND GAMING BOARD AGREED GUIDELINES FOR ACCEPTED PRACTICE

### NUMBER 2 – CLUB ACTIVITIES

#### 1. Advertising

The advertising of gaming facilities as defined by Section 42 of the Gaming Act is strictly prohibited. Additionally, the following practices must be observed:

##### a) Sponsorship

It is permissible to sponsor sporting, cultural and social events both actively and by way of programme support. In such cases, it is acceptable for Members to use the name and/or logo of the casino and the town or location, but no reference may be made to a full address when the word 'casino' is used. It is the responsibility of the Member to ensure that printed matter connected with the event complies with these guidelines and that Section 42 of the Act is drawn to the attention of the event organiser and/or his agent.

##### b) Charity Functions

It is permissible for licence holders to support charity functions by, for example, purchasing a block of tickets for a banquet or by purchasing 'advertising' space in the printed programme of an event, but the same approach must be adopted here as for sponsored events, above.

##### c) Excursions/Trips

Outside trips for casino members and guests are permissible. The provision of a dedicated area, such as a marquee, a box or group of banqueting tables, is acceptable and Members may use the casino name provided no reference is made to the address of the casino as referred to above.

##### d) Staff Advertising

The design and content of advertisements should be such as to avoid any interpretation that their purpose is to advertise the casino as well as to recruit applicants.

##### e) Overseas Advertising

Advertisements which circulate wholly or mainly outside Great Britain are permissible.

##### f) Media Coverage

It is permissible for interviews and information, including photographs and films, to be given to the media in response to an unstimulated approach in relation to news items. Editorial matter which is published by the media conditional upon related advertising being provided is not permitted.

## **2. Overseas Representatives**

Members of the Association may employ overseas representatives to promote their business provided any fee or other remuneration paid to the representative is not directly related to the wins or losses of customers introduced. Representatives, whether based in the UK or overseas, are precluded from being members of any casino owned by the licence holding company which they represent, thus prohibiting them from signing-in prospective players.

Details of such contracts and representatives should be reported to The Gaming Board.

## **3. Travel and Accommodation**

The payment of travel or hotel bills or the subsidised provision of travel and accommodation costs in order to bring members, prospective members or their guests to the casino to game is not permitted.

A casino may pay travel and accommodation costs in so far as they relate to excursions or trips under paragraph 1c), prizes in free draws under paragraph 4, and social and cultural events under paragraph 5c).

## **4. Free Draws**

Free Draws are permitted but any one casino shall not offer prizes to a value that exceeds £10,000 in aggregate in any one calendar year. Each free draw is specific to a single casino and its membership.

Cash prizes may not be advertised but a lesser sum may be paid in cash to an eventual winner on request and with the agreement of the casino.

## **5. Gifts and Hospitality**

### **a) Gifts**

Gifts of small value are permissible on a general basis to members. Examples are diaries and pens. More expensive gifts to particularly valued members are also permissible. A record of gifts which exceed £1,000 retail value will be kept. In this context “gifts” will include the payment of permitted travel and accommodation as well as tangible items or services.

### **b) Free gaming chips and lucky money**

The giving of free gaming chips is not permitted, nor is it permitted to give “lucky” money in the Chinese New Year or on other such occasions.

### **c) Hospitality**

It is permissible to provide complimentary casino facilities to members and their guests, whether on or off the premises. It is also an acceptable practice to organise and provide, without charge, sporting, cultural and social events for existing members and guests outside the casino.

d) **Occasional Gifts to Gaming Staff**

Gratuities from players to staff in respect of gaming are unlawful. However, occasional non-monetary gifts, sometimes given by club members to mark events such as a marriage or birth, are not. Where a genuine gift is accepted by a member of the gaming staff, it is incumbent upon him/her to inform a superior so that the matter can be recorded by the casino and be open to inspection if need arises.

**6. Internal Promotions**

It is not permitted to use licensed premises for the provision of exhibitions or shows (e.g. fashion), either during or outside permitted gaming hours. The provision of television sets to show programmes and information services is allowable, including SIS, save that no direct or dedicated telephone lines to bookmakers may be provided.

**7. Level of Expenditure on Complimentary Activities**

Expenditure on hospitality, gifts and excursions/trips for individual members should be kept to a reasonable level, and must not be disproportionate to the business the player has brought to the casino. Such expenditure must not be pitched at a level which would give rise to concern that the player is being induced to gamble beyond his means.

*B J Lemon*

General Secretary



# Appendix IX

## BINGO POINT OF SALE NOTICE: No. 1

### CHARGES TO PLAY

MONDAY		
Daytime		
	COST PER TICKET OR GAME (pence)	MINIMUM PERCENTAGE RETURN IN PRIZES to nearest per cent
Lunchtime Session	25	72
Main Session	130	78
National Game	not played	
Tea Time Session	not played	
<b>Evening</b>		
Early Double	25	72
Main Session	150	79
National Game	40	88
Late Session	25	72
<b>All Day</b>		
Parti Bingo	20	56
Parti Bingo	100	56
Parti Bingo	200	56

Please Note: This Prize Money is subject to 10% Government Duty

## BINGO POINT OF SALE NOTICE: No. 2

### CHARGES TO PLAY

<b>MONDAY</b>		
<b>Daytime</b>		
	COST PER TICKET OR GAME (pence)	MINIMUM RETURN IN PRIZES to nearest penny
Lunchtime Session	25	18
Main Session	130	101
National Game	not played	
Tea Time Session	not played	
<b>Evening</b>		
Early Double	25	18
Main Session	150	119
National Game	40	35
Late Session	25	18
<b>All Day</b>		
Parti Bingo	20	11
Parti Bingo	100	56
Parti Bingo	200	111

Please Note: This Prize Money is subject to 10% Government Duty

**BINGO POINT OF SALE NOTICE: No. 3**

**THIS WEEK WE RETURN  
BY WAY OF PRIZES  
AT LEAST**

**X%**

**OF THE MONEY PAID  
TO PLAY CASH BINGO**

**EACH INDIVIDUAL GAME  
RETURNS AT LEAST 50%.**

**PLEASE NOTE: ALL PRIZE  
MONEY IS SUBJECT TO  
10% GOVERNMENT DUTY**

# Appendix X

## JOINT INDUSTRY/BOARD CODE OF PRACTICE

### Cash Payouts for Bingo Played under Section 21 of the Gaming Act 1968

Where the cash prize offered to a successful player in any one game exceeds the maximum stake prescribed by Section 21(2)(a) of the above Act, the following conditions will be observed:

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

For the purposes of the above:

- (a) cash prizes shall be the actual amount given in cash.
  - (b) non-cash prizes will be calculated at the invoice value plus VAT.
  - (c) shopping and gift vouchers will bear a cash value, clearly marked on the front of the voucher.
  - (d) the calculation shall be applied to all games in which the cash prize exceeds the maximum stake.
2. Operators will retain records, showing for each week ending on a Sunday:
    - (i) The total amount of cash received as stakes for the week.
    - (ii) The total value of the cash prizes returned to the players (calculated as per (a), (b) and (c) above).
  3. Records, as in 2 above, shall be retained by the operator for a period of six months from the end of any full week.
  4. Before the start of the game, the operator will announce the prize for that game.
  5. In all games, it will be the responsibility of the player to physically mark off the numbers called and to stop the game to claim a win. The operator will not assist or prompt claims from players.

17 November 1997

# Appendix XI

## GAMING MACHINES: USE OF MONEYBANKS – CONSOLIDATED GUIDELINE

1. A single Moneybank may be used to accumulate winnings from the machine over any number of games.
2. Any accumulated winnings in a Moneybank may not be used to replay further games on the machine (other than by payout of the Moneybank and re-insertion into the machine).
3. If a Moneybank is included into the design it must be used to accumulate all winnings from the machine.
4. A display that incorporates a Moneybank display can be used for other purposes provided that:
  - (a) the only time that the display may show an amount greater than the statutory maximum prize is when it is used in the Moneybank mode;
  - (b) it must be clearly stated on the machine when the display is in the Moneybank mode;
  - (c) all uses of the display must fully comply with the guidelines.
5. Subject to point 6 below, the value of the Moneybank displayed on a section 34 AWP must not exceed five times the maximum permitted prize for machines of this type.
6. In the event that a win plus the current value of the Moneybank should exceed the above five times limit then:
  - (a) the machine will increment the Moneybank to momentarily display the true accumulated total, and
  - (b) the machine will immediately automatically pay out the Moneybank down to a value of four times the maximum permitted prize.
7. When there is insufficient credit on the machine to play a game the player must be able to collect the contents of the Moneybank. The machine may offer the the option for the player to collect the whole or any part of the Moneybank at any time.

8. (i) Where the Moneybank uses a pictorial representation for display it is acceptable to use a single symbol or facsimile representing £10 or £20 (e.g. £10/£20 notes) which exceeds the maximum permitted prize for a machine of this type
- (ii) Where a £20 symbol (e.g. £20 note) is used:
- (a) no symbols in the Moneybank display will exceed the physical size of a current £20 note (149mm x 80mm), and
- (b) there will be a clear and legible disclaimer printed adjacent to the Moneybank display which states:
- “No prize greater in value than ten pounds (eight pounds) can be won from this machine in any one game”
9. There will be no statement made on the machine which suggests for any reason that a payment to the Moneybank can exceed the permitted prize for a machine of this type.

16 December 1997



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