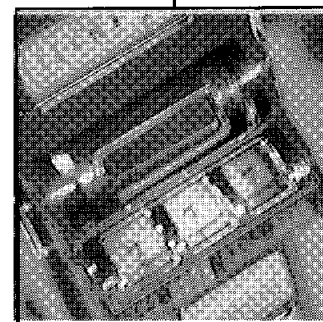
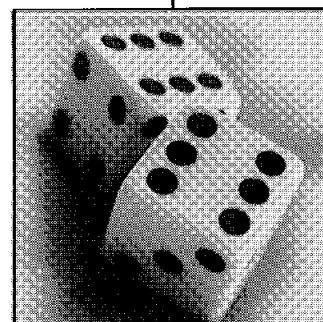
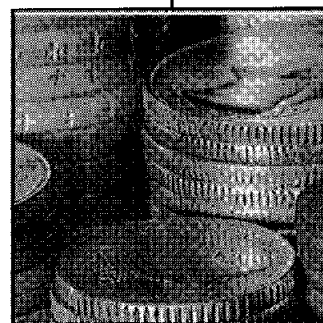
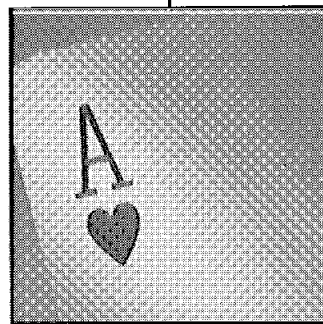


Department for Culture, Media and Sport
The Scotland Office
The Scottish Executive



Report of the Gaming Board for Great Britain 2001-02

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H.C. 577 (1995/96)

H.C. 587 (1994-95)

H.C. 465 (1993-94)

H.C. 745 (1992-93)

H.C. 062 (1991-92)

H.C. 515 (1990-91)

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H.C. 461 (1988-89)

H.C. 549 (1987-88)

H.C. 263 (1986-87)

H.C. 390 (1985-86)

H.C. 443 (1984-85)

Members of the Gaming Board for Great Britain in 2001/2002

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MR R PENROSE, OBE, QPM

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Annual Report of the Gaming Board for Great Britain

To:

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

and

Her Majesty's Secretary of State for Scotland

and

First Minister of Scotland

In pursuance of Section 50 of the Gaming Act 1968 I have the honour to present the thirty-third report of the Gaming Board for Great Britain, covering the period 1 April 2001 to 31 March 2002. In this opening statement I comment on some matters of topical interest.

Reform of gambling legislation

Profound changes in gambling regulation were heralded during the period, first by the report of the Gambling Review Body published in July 2001 and then by the Government's policy statement which followed in March 2002.

From the Board's perspective these developments are welcome. We have long argued for the modernisation of British gambling laws. The recommendations of the Review Body have in substantial part received Government blessing. The proposals now being carried forward are sound and balanced. On the one hand they include liberalising measures to increase consumer choice for adults through the removal of certain restrictions which are no longer necessary for regulatory or social purposes. On the other hand regulation will be strengthened by the establishment of the Gambling Commission with enhanced powers, and there are important proposals aimed at providing greater protection for children and the minority of adults who have problems with their gambling. This balance is crucial.

Transition

The intention is that the new Gambling Commission will encompass and build on the Board's work and, in statutory terms, supersede it, as the Board itself advocated. All concerned in the industry and its regulation share an interest in ensuring that the change is managed smoothly and efficiently. This will require careful, comprehensive and properly funded transitional provisions. The statement of Government policy rightly refers to the reputation enjoyed by our industry for quality and integrity and to the dependence of this reputation on the maintenance and development of effective regulation. Recently the Government

provided welcome confirmation that the Gambling Commission will take advantage of the Board's practices and procedures and that it expects the Board and its staff to form a major building block of the new entity.

Gambling industry charitable trust

One of the recommendations of the Gambling Review Body was that the gambling industry should establish an independent trust to fund research into problem gambling and to support programmes of education, prevention and treatment. The industry responded to the challenge, before the recommendation had received Government endorsement, by setting up a charitable trust to provide assistance to problem gamblers. An initial sum of £800,000 has been raised. I believe this move will redound to the industry's benefit. It demonstrates a responsible approach to the issue of problem gambling, while at the same time recognising that it is far preferable for the necessary funds to be raised and dispensed through a voluntary mechanism than by Government fiat.

International Association of Gaming Regulators

At the time of writing I am part-way through my year of office as chairman of the International Association of Gaming Regulators. This organisation fosters contacts and facilitates valuable exchanges of information among regulators world-wide. It also provides a forum in which one can compare one's own system of regulation with others. My clear impression is that the British system stands well in this comparison. Peer regulators respect our régime for its fairness and effectiveness, and the enviable reputation of our industry referred to earlier is second to none. One reason for this relatively satisfactory state of affairs is freedom from political intervention in the regulatory process: something not enjoyed everywhere overseas. It is important for this freedom not to be diluted in the process of or following the reform of our system. I have no reason to suppose that it will be.

Looking ahead

I expect the period ahead, prior to the implementation of reform, to be taxing for industry and regulator alike and to call for patience and self-restraint. Operators are preparing to take advantage of prospective commercial opportunities and meanwhile may find some of the continuing restrictions irksome. The Board for its part is committed to do everything possible to ensure a seamless transition to the new régime, but must for the time being discharge its duties under the current law. The statutory changes should be planned for, not anticipated.

Members and staff

Mr Donald Elliott retired from the Board during the period under review, having given excellent service for six years. He held special responsibility for the Board's Inspectorate and has been replaced by Mr Roy Penrose, who brings to the Board a wealth of valuable experience after a distinguished career in the police service.

I would like, finally, to thank all members and staff for their hard and effective work in these challenging times.

PETER DEAN
Chairman

Contents

Chapter	Paragraphs	Page	
1	Introduction and general	1.1 – 1.41	9 – 20
2	Casino gaming	2.1 – 2.41	21 – 34
3	Licensed bingo	3.1 – 3.24	35 – 42
4	Certification of employees	4.1 – 4.25	43 – 51
5	Gaming machines	5.1 – 5.20	52 – 57
6	Lotteries	6.1 – 6.20	58 – 63
7	Inspectorate	7.1 – 7.30	64 – 72

Appendices

- I The work of the Board, its organisation and procedures.
- II Selection of key gaming industry and Board statistics.
- III The Board members, staff and offices.
- IV Financial statement.
- V Gaming and lotteries fees.
- 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 2001 and 31 March 2002.
- VII Submission by the Gaming Board for Great Britain to the Gambling Review Body.

The Gaming Industry 2001/2002: Some key statistics at a glance

Casinos:	Number operating	122
	Drop (money exchanged for Gaming chips)	£3.5 billion
	Number employed	12,000
	Duty paid	£129.5 million
Bingo Clubs:	Number operating	688
	Money staked	£1.16 billion
	Number employed	c.21,000
	Duty paid	£115.8 million
Gaming Machines:	Number of machines	255,000
	Number certificated to sell, supply or maintain machines	
	Money retained by suppliers and site owners	678 £1.5 billion
	Number employed	c.23,000
	Duty paid	£152.6 million*
Charity Lotteries:	Ticket sales	£109 million
	Number of registered societies and local authorities	663
Gaming Board:	Cost of operations	£3.8 million
	Number of staff	79

*Custom and Excise figures for 2000/01

1: Introduction and general

Introduction

- 1.1 This is the thirty-third Annual Report of the Gaming Board for Great Britain since it was established by the Gaming Act 1968. It covers the year 1 April 2001 to 31 March 2002, although where significant developments have occurred between the end of March and production of this report they have also been included. The Board is the regulatory body for casinos, bingo clubs, gaming machines and the larger society and all local authority lotteries in Great Britain. This first chapter concentrates on the main developments during the year, the issues of most current interest or concern to the Board and certain other general matters. Chapters 2 to 7 report in turn on each of the main areas of Board work: casino gaming; licensed bingo; certification of employees; gaming machines; lotteries; and the Inspectorate. Appendix I, entitled 'The work of the Board, its organisation and procedures', explains why gaming is regulated, describes the objectives of regulation and how these are met in Great Britain and gives an overview of the Board's responsibilities and how it carries these out.
- 1.2 This chapter contains sections on the following subjects:
- ◆ Transfer of responsibility for gambling policy (paragraph 1.3).
 - ◆ Size of the industry (1.4 to 1.8).
 - ◆ The Government Review of gambling policy and legislation (1.9 to 1.14).
 - ◆ Progress with de-restrictions of the gaming industries (1.15 and 1.16).
 - ◆ On-line gambling (1.17 to 1.21).
 - ◆ Problem gambling (1.22 to 1.25).
 - ◆ Board funding and fee levels (1.26 to 1.29).
 - ◆ The Board's operations and performance targets (1.30 to 1.33).
 - ◆ Information technology facilities at the Board (1.34 and 1.35).
 - ◆ Audits and reviews of the Board's work (1.36 to 1.38).
 - ◆ International activities (1.39 and 1.40).
 - ◆ Investors in People (1.41).

Transfer of responsibility for gambling policy

- 1.3 In June 2001, the Government announced that responsibility for policy on gambling was being transferred to the Department for Culture, Media and Sport (DCMS) from the Home

Office. The DCMS is thus now the Gaming Board's sponsoring government department. As far as the Board's operations are concerned, the transition has been a smooth one and positive working relations have been established between the Board and DCMS. As mentioned below (see paragraph 1.31), the implications for the Board's staff's terms and conditions of employment have not yet been entirely resolved but the Board hopes that the outstanding issues will be settled soon.

Size of the industry

- 1.4** The industry which the Board regulates is a substantial one. The latest comprehensive estimates of the total size of the United Kingdom gambling industries remain those published by KPMG in May 2000 in its report 'The Economic Value and Public Perception of Gambling in the UK' which was commissioned by Business in Sport and Leisure and funded by the industry. This report gave the gross gambling yield (ie the amount retained by operators after the payment of winnings but before deduction of the costs of the operations) of all betting and gaming in the United Kingdom in 1998 as £7.3 billion. Around £2.5 billion or just over one-third of this was contributed by the gaming industries and lotteries for which the Board has regulatory responsibility, in excess of a further one-third by the National Lottery and the remainder by horserace and other betting.
- 1.5** There were 122 casinos open in Great Britain at 31 March 2002, more than in any other European country with the exception of France. London has 23 casinos, which is unique for a capital city anywhere in the world. Drop (i.e. money exchanged for gaming chips) was £3.6 billion in 2001/02. Operators retained about 17 per cent of this, or £619 million. Around 12,000 staff are estimated to be employed by British casinos and around 11.8 million separate visits to casinos were made by members and their guests in 2001/02.
- 1.6** Great Britain had 688 commercial bingo clubs operating at 31 March 2002, with total stakes amounting to over £1.1 billion in 2001/02. Bingo clubs have some 3 million active members, and they employ an estimated 21,000 people.
- 1.7** Over 250,000 gaming machines are sited around the country in a large number of different locations. It is estimated that over £10 billion a year is fed into these machines, of which around £1.6 billion is retained by suppliers and site owners. Direct employment is estimated at around 23,000 people. The larger society and all local authority lottery schemes, which the Board regulates, had combined total ticket sales of £109 million in 2001/02, producing revenue of £57 million for the good causes they were promoting.
- 1.8** A selection of key industry and Board statistics is given at Appendix II and more detailed information is given in the individual chapters relating to each industry.

The Government Review of gambling policy and legislation

- 1.9** The report of the independent Gambling Review Body established by the Government under the chairmanship of Sir Alan Budd was published in July 2001 (the Budd Report). As mentioned in last year's Report, the Board's Chairman, Mr Peter Dean, was one of the 10 members of the Review Body. The Government invited comments on the Budd Report (published by The Stationery Office as CM5206 and also available on the DCMS website at www.culture.gov.uk) by the end of October. Around 270 formal submissions were received by DCMS together with more than 4,700 letters about individual recommendations.
- 1.10** From the Board's perspective, among the more important of the Budd Report's 176 recommendations are the following: -
- ◆ A new single regulatory authority, called the Gambling Commission, should be set up to license all gambling operators and key workers. This Gambling Commission would encompass and build on the work now done by the Gaming Board, but it would have a wider remit – extending for example to betting – and broader powers.
 - ◆ The reforming legislation should take the form of an enabling Act, which allows detailed provisions to be left to subordinate regulations and to codes of conduct issued by the Gambling Commission.
 - ◆ The Gambling Commission should make comprehensive probity and financial checks on operators of gambling premises, and should interview senior executives and key employees for competence. This means that the Gaming Board's current procedures would be extended to applicants for bookmakers' permits and to operators of gaming machine arcades. Responsibility for granting licences should be transferred to local authorities from licensing justices.
 - ◆ Unlimited pay-out (casino slot) machines should be allowed in casinos but nowhere else, and controls on machines should be tightened in other areas where there are concerns.
 - ◆ Casinos should continue to be subject to tight regulation and should be of a minimum size, so as to avoid the risk of a multitude of small casinos. There should be controls on entry, with identification requirements, and under 18s should be barred. But many of the present operational constraints should be relaxed. For example, the rule which provides that casinos may only be sited in certain permitted areas should go, as should the statutory membership requirement and the rule whereby players, having applied for membership, have to wait 24 hours before they can game. Casinos should be free to offer a wide range of types of gambling as well as other entertainment, and the current tight constraints on advertising should go too. Depending on their size, casinos would be able to site either specified or unlimited numbers of casino slot machines.
 - ◆ There should be an easing of some of the current restraints on bingo, betting shops and lotteries.
 - ◆ On-line gambling should be permitted and regulated, and its regulation should broadly replicate that applicable to terrestrial casinos.

- ◆ Operators should be required to adhere to formal codes of social responsibility as a condition of their licences.
- ◆ In relation to problem gambling, the industry should set up a voluntarily funded Gambling Trust, in the sum of £3 million a year, to allocate funds for research, prevention and treatment.

1.11 A copy of the Board's full response to the invitation to comment is given at Appendix VII. In it the Board emphasised that it welcomed the Budd Report. In particular, the Board said the following:

‘That Report eloquently sets out the case for legislative change, which is something for which the Board has been arguing for some time. Taken as a whole the Report covers the issues that needed to be addressed comprehensively and the Review Body has produced a well-balanced and sensible set of proposals. Its recommendations will, if implemented, bring about long overdue modernisation of British gambling legislation.

The Board particularly supports the proposals in the Review Report for a single regulatory authority for gambling (which the Report calls the Gambling Commission) which would encompass and build on the Board's work. The need for a strong, coherent system of regulation for gambling remains as strong as ever if the industry is to maintain its enviable reputation for integrity.’

1.12 After considering all the responses to the invitation to comment, the DCMS published the Government's decision document announcing its policy on the modernisation of the regulatory system for the gambling industry at the end of March 2002 (‘A safe bet for success – modernising Britain's gambling laws’, CM5397 and also available on the DCMS website). In this document, the Government has recognised the need to overhaul the country's out-of-date gambling laws and has endorsed the Budd Report's conclusions in all important respects. In its proposals, it has maintained the essential structure or balance of the package of measures in the Report and has accepted the great majority of the Report's specific recommendations (157 out of the 176, albeit with 14 in modified form), including the establishment of a single regulatory authority with wide powers – the Gambling Commission; substantial dismantling of the barriers to entry for gambling operators and unnecessary social controls; the adoption of formal codes of conduct in relation to social responsibility; and the setting up of a voluntarily funded Gambling Trust. Of the remaining 19 recommendations, 10 are to be considered further and 9 have been rejected. In those few areas where it has decided that the Budd Report goes too far in the recommendations put forward to meet particular concerns (for example in relation to gaming machines), the Government has nonetheless acknowledged these concerns and has suggested alternative measures to deal with them. The Board's only significant concern relates to the Government's decision to reject the Budd Report's recommendation that amusement with prizes machines should no longer be permitted in outlets such as cafes, fish and chip shops and taxi cab offices. The Board believes that there remain good regulatory reasons, including the protection of children, for instituting such a ban.

- 1.13** The Board welcomes the Government's decision document: Britain's gambling laws are out of date and it is high time they were overhauled. The Board believes that the Government's package of reforms, based as it substantially is on the Budd Report's recommendations, will achieve a proper balance between increasing consumer choice for adults, affording greater protection for young people and the minority who have a problem with their gambling, and ensuring that those who provide commercial gambling observe high standards of probity and social responsibility. It will be important to maintain the balance as legislation is being prepared. The Board will co-operate with the Government in implementing the reforms and in effecting as seamless a transition as possible, in particular to ensure that the Gambling Commission is ready and prepared to undertake its wide range of responsibilities. The Board is already undertaking various pieces of work to prepare for and support the transition.
- 1.14** It will however take some time to implement the changes. Primary legislation, in the form of a major gambling Bill, will be required and the Government has said that this is unlikely to be introduced before the parliamentary session beginning in October 2003. Equally, there will need to be a major programme of work in establishing the new regime once the legislation is in place, particularly in respect of the proposed Gambling Commission and Gambling Trust. That will also take time.

Progress with de-restrictions of the gaming industries

- 1.15** The Government announced in the Gambling Review decision document a number of measures which it intended to pursue over the forthcoming year in advance of its proposed Gambling Bill. In addition in recent years, a substantial number of measures have been implemented, in particular using the Parliamentary Order making powers in the 1994 Deregulation and Contracting Out Act, to update some of the controls and relax some of the statutory restrictions in the 1968 Gaming Act and related regulations, albeit in ways which have not damaged the fundamental principles underpinning the legislation. Details have been given in previous annual reports.
- 1.16** Significant further developments over the last year have been as follows. More detail on each can be found elsewhere in this Report in the appropriate chapters.
- ◆ Changes with effect from 29 March 2002 which permit bingo clubs to site both club (jackpot) gaming and amusement-with-prizes machines simultaneously, to abolish the requirement that bingo clubs must give licensing justices 14 days notice of changes in charges and to provide greater flexibility in the prize structure for multiple bingo.
 - ◆ Completion of consultation on a proposal which would alter the legislative controls over payment systems for gaming machines, in particular to relax the methods by which monies can be paid into and out of machines to permit the use of bank notes and smart cards, which the Government has announced it will be taking forward by means of a Regulatory Reform order.

- ◆ The introduction of three new casino table games and developments to four existing ones.
- ◆ The lifting of the long-standing ban on the consumption of alcohol in the gaming areas of casinos.

On-line gambling

- 1.17** As set out in previous years' Reports, the current legislation bears on Internet gambling in unintended and erratic ways. For instance, no on-line casino gaming site can lawfully be established here, but residents are free to play on overseas sites, and those sites can accept bets from here without breaking any British laws. The Board believes that legislative change is needed to remedy this unsatisfactory situation and was therefore particularly pleased that the Budd Report recommended, and the Government endorsed the proposal, that British based operators should be allowed to offer on-line gambling, whether via the Internet, interactive television or other media, within an effective system of licensing and regulation under the control of the Gambling Commission.
- 1.18** As part of its work on monitoring Internet gambling, the Board commissions, currently every third month, questions on the use of the Internet to gamble in Independent Communications and Marketing Research Ltd's regular omnibus telephone survey of the British public. The results have consistently shown that around one per cent of adults claim to have gambled over the Internet in the month preceding the survey. About 50 per cent of these say they used the Internet to place bets, just over one quarter to buy lottery tickets, and one fifth to play casino style games.
- 1.19** Meanwhile the Board continues to deal with large numbers of enquiries about on-line gambling. These include, at one extreme, individuals and small businesses who wish to organise specific Internet based games or competitions of one type or another and seek guidance on any requirements for registration or licensing, and at the other extreme, major companies establishing, or seeking to establish, on-line casinos or other large gaming sites and enquiring about the legality of their plans and proposals. During the year, Board officials have met with representatives of some of these major companies who are operating, or about to operate, offshore on-line casinos and wish to ensure that they are not in breach of any British laws or otherwise conducting their business in any undesirable or unacceptable way. Sometimes companies wish to discuss the extent to which aspects of their operations may be based in Britain. A number of these enquiries have related to gaming via digital television which raises particularly complex issues.
- 1.20** The ability to game on-line has also given rise to major difficulties in a situation in which the law is uncertain in deciding whether a particular type of product involves betting, gaming or a lottery and therefore which legislative provisions apply. Something which is regarded as gaming when organised in one way may be argued to be betting or a lottery when organised slightly differently. Games in which the player predicts which numbers will be selected in the next drawing are particular examples. Some such games are offered as

fixed odds bets and can thus be included on Internet betting sites in Great Britain whilst very similar games fall to be considered gaming under current legislation and can only be offered on off-shore sites.

- 1.21** The question of the extent to which offshore on-line casino sites may be advertised here raises further problems. The legislation does not ban such advertising but limits content in such a way as to make it hard to interpret exactly what is and is not permitted. In brief, advertisements giving details of the existence of Internet casinos and the facilities they offer appear legal but those which encourage the public to subscribe money or even to apply for information about facilities for subscribing money are illegal. In addition, complex questions have arisen about what constitutes an advertisement in relation to the Internet and about where it is deemed to be published. The extent to which the Board can advise definitively or act decisively is severely limited in all these cases by the uncertainties in legislation which was drafted many years ago, long before the advent of the Internet. All this reinforces the need for clarification and modernisation of the law.

Problem gambling

- 1.22** A small minority of people gamble to excess such that they can cause themselves financial and other problems and can disrupt or damage family and personal relationships. For some of them, excess gambling is an addiction. The large scale British Gambling Prevalence Study conducted in autumn 1999, under the auspices of GamCare and with support from gambling industry bodies, suggested that about 0.6% to 0.8% of the population, or between 275,000 and 370,000, aged 16 or over in Britain are problem gamblers. This is a substantial number, albeit relatively low by international standards. It is for such reasons that, as mentioned elsewhere in this Report, protection of vulnerable persons is one of the three common policy objectives of gambling regulation.
- 1.23** Although the Board itself has no specific statutory responsibility for dealing with problem gambling, it has nonetheless supported efforts made in recent years to promote greater public understanding of the risks inherent for some in gambling. The Budd Report devoted a chapter to researching, limiting and treating problem gambling. As mentioned earlier, it concluded both that a voluntarily funded Gambling Trust, in the sum of £3 million a year, should be established by the industry to fund research into problem gambling and to support programmes of education, prevention and treatment, and that gambling operators should be required to adhere to formal codes of social responsibility as a condition of their licences. The Government has agreed these proposals and has confirmed that it intends to take a reserve statutory power to secure funding for the trust via contributions from licence fees in the event that voluntarily arrangements fail.
- 1.24** Unlike the position of the Board, it is proposed that the Gambling Commission should have a significant and formal role to play in relation to action against problem gambling. Hence the Commission would be responsible for issuing codes of responsibility covering such matters as provision of information to customers about problem gambling and what people who think they might need help should do; arrangements for players to bar themselves

from gambling; and the display of clear information about the probabilities of winning and losing. The Commission would also be responsible for ensuring compliance with the codes and more broadly for monitoring the social impact of the increased access to gambling products and services which new legislation would bring. It would have a duty to respond to findings concerning changes in problem gambling and, in the light of this, to make appropriate adjustments to its regulations and advise the Government on any other necessary changes. The Board supports all this.

- 1.25** The gambling industry anticipated the Government supporting the Budd Report's recommendation by establishing a Charitable Trust early in 2002 to provide further assistance for problem gamblers. By March, the Trust had raised initial funding of £800,000 from 8 trade associations and 22 companies, and had provided grants to maintain current levels of help to problem gamblers provided by two charities, GamCare and Gordon House Association. The Trust intends to clarify its future strategy by the end of the year, with the help of consultants. It has appointed a steering group to help with this work. The Board's Secretary is a member of this group, along with representatives of the Economic and Social Research Council, the British Association of Counselling and Psychotherapy and a former member of the Gambling Review Body.

Board funding and fee levels

- 1.26** Over the years the Board has made clear its unease about the way it is funded and its strong desire to find solutions to the problems. Under the current system, the Board receives a grant-in-aid from the DCMS for its work. Although it seeks to recover its expenditure through the fees charged for certificates, registrations and licences, that money is surrendered to the Government and is not made available to the Board or taken into account in setting the grant. Instead the amount of the grant is determined by the DCMS (formerly by the Home Office) according to its assessment of need in relation to its overall budget. The Budd Report has recognised the problems with the current system and recommended that the Gambling Commission should be operated on a net running cost basis under which fee income received by the Commission would be used to fund directly its work. The Government has accepted this recommendation.
- 1.27** DCMS has increased the Board's grant-in-aid by 2.5% for 2002/03 to match the impact of inflation and has provided an additional £120,000 to help meet the costs of improvements in IT provision (see paragraph 1.34), to cover expected rent increases on expiry of the Board's headquarters lease in September 2002 and to offset increased expenditure which has fallen to the Board following the transfer of sponsorship from the Home Office to DCMS. Last year's Report noted that the Home Office had provided £50,000 to offset the expected costs arising from the establishment of the Criminal Records Bureau (see paragraphs 4.10 to 4.12). It transpired that this money was not needed for that purpose and DCMS agreed that it could also be used to fund the work of enhancing IT provision. The Board has told the DCMS that it believes further resources will be needed as work on transition to the Gambling Commission gets underway.

- 1.28** The total cost of the Board's operations, including the salaries and other expenses of Board members, amounted to £3.8 million in 2001/02. The Board is required to seek to cover this expenditure, along with the costs of work on gaming and lotteries related issues carried out by the Government, the police and in support of licensing authorities, through the fees charged for certification and licensing.
- 1.29** As a consequence of the extra funding provided to the Board for 2002/03 as described above, the amount to be recovered from the industry through fees will be 6% higher than in 2001/02. This follows substantial increases in fees last year which were necessary in the wake of a report by the National Audit Office (see paragraph 1.37) which identified that previous levels had been inadequate to cover fully the costs of regulation and deficits had arisen. Nonetheless, even with the latest increases, the total amounts recovered through fees over the last ten years will have grown at an annual rate of just 2.5% (slightly less than inflation), despite additional work and costs falling on the Board as a result of the transfer to it of matters previously dealt with by others. The new levels of gaming and lotteries fees became effective on 1 April 2002 in England and Wales and on 15 July 2002 in Scotland and are set out in Appendix V. Fees for individual certificates, licences, etc., have increased by greater or lesser amounts as each sector is required to break even and cross-subsidisation between sectors avoided.

The Board's operations and performance targets

- 1.30** The names of the Board members, who are appointed by the Secretary of State for Culture, Media and Sport (formerly the Home Office), are given at the beginning of this Report. Brief biographical details of the current members are at Appendix III. Mr Donald Elliott retired from the Board at the end of July 2001, after serving as a member for six years. The Board wishes to record its thanks for the valuable contribution Mr Elliott made to its work during that time. He was replaced by Mr Roy Penrose who also took over special responsibility for the Board's Inspectorate. Another of the Board's members, Mr Michael Steen, has particular responsibility for the Board's activities in Scotland. During the year he met twice with officials of the Scottish Executive in Edinburgh to discuss the Board's work and other gaming related issues concerning Scotland.
- 1.31** The Board is served by Secretariat staff and its Inspectorate. The Board itself appoints members of the Inspectorate who are directly recruited by open competition. Traditionally, most Inspectors have been drawn from the ranks of ex-members of the police and armed forces because of the investigative skills they bring. More recently however efforts have been made successfully to recruit others with a wider range of skills to reflect the changing nature to the Inspectorate's work. The Board has a total of 36 Inspectorate staff: information on recruitment over the last year is given in paragraphs 7.7 and 7.8. Board Secretariat staff (who number 42) are Civil Servants. As a result of the transfer of responsibility for gambling policy, the DCMS is now their parent department. Negotiations are still not complete on the implications of the transfer for their terms and conditions of employment. There will also be implications for the terms and conditions of the Board's Inspectorate, which in all

important respects mirror those for Secretariat staff. The Board hopes that the outstanding issues will be resolved soon.

1.32 The work of the Board and its staff is described in the following chapters. In addition, the Board has set performance targets for some of the regular duties carried out by its staff in return for fees. These targets and the performance achieved against them are given in the following table:

Table 1: Performance Targets 2001/02

Section and certificate/registration	Target %	Achieved %
Casino Section		
Determination of certificate of consent applications within 12 weeks of receipt where the applicant already holds an earlier certificate	90	90
Bingo Section		
Determination of certificate of consent applications within 6 weeks of receipt where the applicant already holds an earlier certificate	80	75
Certification Section		
Issue of dealers' certificates of approval to first time applicants within 6 weeks of receipt	85	83
Machines Section		
Determination of applications for new certificates within 3 months of receipt	80	100
Processing of renewal applications before expiry date	90	94
Lotteries Section		
Determination of applications to register lottery schemes within 6 weeks of receipt	90	90

1.33 Targets were met or exceeded in four of the six areas. Two just failed to meet their targets: Bingo Section had an unusually large proportion of complex applications whilst Certification Section underwent a complete change of caseworking staff. Targets for 2002/03 are the same as for 2001/02 with the exception of applications for new certificates in Machines Section where the target has been increased to dealing with 90% of cases within 3 months.

Information technology facilities at the Board

1.34 As reported last year, it had become apparent that substantial improvements were needed to the Board's IT infrastructure, in particular to provide a properly networked system to allow the Board to take better advantage of the benefits of computerisation and to be in a position to meet the Government's aim that all public business should be capable of being conducted electronically by 2004. IT consultants were appointed to advise and reported in July 2001. They recommended a substantial programme of work which included:

- ◆ The recruitment of a full-time Systems Administrator to take responsibility for all IT at the Board.

- ◆ Updating of the Board's computer infrastructure, to ensure that the Board remains in step with advances in general office technology and to provide a basis for improved information sharing.
- ◆ Review and update of operational databases to improve the quality and accessibility of shared data.
- ◆ Development of a Board Intranet.

An experienced IT administrator was appointed in November 2001 and is making good progress in implementing the consultants' recommendations.

- 1.35** The Board re-developed its website (www.gbgb.org.uk) during the year in order both to make it easier to navigate and to increase its usefulness to those accessing it. It includes for instance sections giving the major speeches made by the Chairman over the past year, agreed Board/industry guidelines, the answers to frequently asked questions and downloadable copies of the Board's application forms and guidance notes.

Audits and reviews of the Board's work

- 1.36** The National Audit Office (NAO) is responsible for auditing the Board's accounts. With the Board's agreement, it has subcontracted the work to PKF. The audit of the 2001/02 accounts was completed in June 2002 and the audited accounts are given at Appendix IV. In order to meet the new requirements for the statement of internal control to be included in the accounts, the Board drew up and circulated to all staff during the year a risk register setting out the main risks to achieving its objectives and the controls and processes in place to minimise those risks.
- 1.37** When the Board's sponsoring department was the Home Office, internal audit of the Board's work was conducted on its behalf by the Home Office Audit and Assurance Unit and that Unit continued in that role for 2001/02. During the year, audit reports were produced on the arrangements for setting fees and charges (February 2002) and human resources management (May 2002). Following the transfer of responsibility for gambling policy to DCMS, Deloitte and Touche have been appointed as the Board's internal auditors with effect from 1 April 2002. Last year's Annual Report gave details of a report by the NAO on the work of the Board ('The Gaming Board – Better Regulation') and the subsequent conclusions and recommendations of the Public Accounts Committee. Implementation of all but two of the recommendations (where work is being taken forward as part of the improvements in IT – see paragraph 1.34) has been completed.
- 1.38** The Board's Audit Committee, which consists of all five Board members under the chairmanship of Mr Steen, meets to consider internal audit reports and management letters from external auditors.

International activities

- 1.39** During the year, the Board maintained its contacts with regulators and others concerned with gaming throughout the world. The Board considers such contacts to be essential in facilitating the exchange of views and information in what is increasingly an international industry. Unfortunately, following the terrorist attacks in the USA on 11 September 2001, the annual conference of the International Associations of Gaming Attorneys (IAGA) and Regulators (IAGR), due to be held in Paris in October, had to be cancelled. The Board was pleased however to be able to help organise a re-arranged conference for IAGR in London in January 2002. It was held in conjunction with the annual International Casino Exhibition at Earls Court and the Board is grateful to the organisers of that Exhibition for their help in providing facilities. Despite the haste with which it had to be arranged, the conference was well attended (with around 20 countries represented) and had a full programme. At that conference, the Board's Chairman took over as IAGR Chairman for the forthcoming year.
- 1.40** The Board's Chairman, Secretary and Chief Inspector attended the thirteenth annual meeting of the Gaming Regulators European Forum (GREF) in Stockholm in May 2001. Representatives of 19 countries were present. The Board's Secretary remains GREF Secretary. Details of the Inspectorate's contacts with individual overseas regulatory bodies are given in paragraphs 7.5 and 7.6.

Investors in People

- 1.41** Investors in People is the national standard, and regarded as a benchmark of best practice, for effective investment in the training and development of staff to achieve organisational goals. The Board was first awarded the status in November 1999. It was re-assessed during the latter part of 2001 and awarded re-recognition for a further three year period in October.

2: Casino gaming

Introduction

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

- ◆ Number of licensed casinos (paragraphs 2.2 to 2.4).
- ◆ Structure of casino ownership (2.5 to 2.7).
- ◆ Applications for certificates of consent and their continuance (2.8 to 2.11).
- ◆ New licence applications for additional casinos (2.12 and 2.13).
- ◆ Demand for casino gaming and the Board's approach to licensing hearings (2.14).
- ◆ Meetings with the trade associations and casino operators (2.15 to 2.17).
- ◆ Gaming Board Guidelines for the casino industry (2.18).
- ◆ Easing of restrictions on casino gaming (2.19 to 2.24).
- ◆ Electronic roulette (2.25).
- ◆ New casino games (2.26 to 2.28).
- ◆ Internet casinos (2.29).
- ◆ Money laundering (2.30 to 2.32).
- ◆ Gaming reserve (2.33).
- ◆ Numbers of gaming machines in casinos (2.34).
- ◆ Employment within casinos (2.35).
- ◆ Casino attendance (2.36).
- ◆ Financial statistics (2.37 to 2.40).
- ◆ Numbers of certificates of consent and licence applications (2.41).

Number of licensed casinos

2.2 There were 130 licensed clubs in Great Britain at 31 March 2002 of which 122 were trading at that date, four more than a year earlier. One of the operating clubs provides card room games only. The distribution of individual operating casinos by location is given in Appendix VI.

- 2.3** Two new licences in respect of entirely new additional casinos were granted during 2001/02. Neither of these was operational by 31 March 2002. A further two concurrent licences were granted during the year in respect of casinos moving to new premises but these had not been effected by 31 March 2002.
- 2.4** During 2001/02, four concurrent licences were surrendered or allowed to lapse on the opening of improved or relocated premises. There were 7 casinos with concurrent licences at 31 March 2002.

Structure of casino ownership

- 2.5** The sole change of ownership during 2001/02 occurred when Stanley Leisure purchased the Grand Casino Plymouth and the Torquay Casino from Pellanfayre Limited in September 2001. The resulting continuance/transfer applications were approved during the reporting period and the licences for those casinos were transferred to Stanley Casinos Limited on 14 January 2002 and 1 February 2002 respectively.
- 2.6** The framework of ownership thus remains largely unaltered compared to last year. Over recent years, there has however been a steady decline in the number of operators, from 24 on 31 March 1996 to 16 at 31 March 2002.
- 2.7** The structure of casino ownership at 31 March 2002 was as follows:

Company	No of licensed casinos	Developments during 2001/02
Rank Group Plc	34 casinos (6 in London)	Some relocations of casino premises occurred or were planned. An additional licence was granted in London.
Stanley Leisure Group Plc	33 casinos (3 in London)	Purchased the 2 casinos of an independent operator (Pellanfayre).
Gala Group	27 casinos (6 in London)	
London Clubs International Plc	10 casinos (6 in London)	Provincial casinos (Brighton and Southend) began trading during the year. An additional licence was granted in Manchester.
A & S Leisure Group	6 casinos (1 in London)	

Company	No of licensed casinos	Developments during 2001/02
Tower Casino Group	5 casinos (none in London)	
R J Bown Limited	3 casinos (none in London)	
Clockfair Ltd	2 casinos (none in London)	West Bromwich casino began trading during the year.
Cotedale Ltd	2 casinos (none in London)	Luton casino began trading during the year.
Singleton operators	7 casinos (2 in London) and 1 dedicated card club	

Applications for certificates of consent and their continuance

- 2.8** The Board received 46 applications for certificates or their continuance during 2001/02. These comprised eight applications for new certificates, four for certificates to transfer a licence to a different operating company, and 34 applications for continuance of a certificate in respect of a change of control in an operating company. Thirty-three of the continuance applications were made following an internal restructuring within the Stanley Leisure Organization, and were approved in May 2001. The one remaining continuance application remained under consideration at 31 March 2002. Two transfer consent applications were granted, one application was withdrawn and one application was under consideration at the end of the year.
- 2.9** Five of the eight new certificate of consent applications received were in respect of proposed new casinos; the remaining three applications related to a relocation of existing casinos to substitute premises. Four applications were granted during the year, leaving four under consideration at the end of the year. Of these, 3 were for new casinos and one for substitute premises.
- 2.10** Of the 32 consent and continuance applications outstanding from 2000/01, 27 were continuance applications made by the Gala Group following Gala's acquisition of the Hilton casino estate (as reported at paragraphs 2.8 and 2.9 of the Board's 2000/01 Annual Report). These were approved in May 2001. The other five outstanding applications were for certificates of consent for new licences. Three applications were granted, one application was withdrawn and one application remained undetermined at 31 March 2002.
- 2.11** Detailed figures on the outcome of consent (and licensing) applications are given in the tables at the end of this chapter.

New licence applications for additional casinos

2.12 During the year two applications for additional casino licences were heard. The Board did not object at either of those hearings. The two applications were:

- ◆ Manchester – An application by London Clubs (Casinos) Ltd, a subsidiary of London Clubs International Plc, was granted in July 2001.
- ◆ London – An application from Grosvenor Casinos Ltd (part of the Rank group) was granted in December 2001. This is the second application by Grosvenor for a casino based on the 'Hard Rock' café theme and aimed at a younger clientele. The first, in Manchester, was granted in March 2001 and is due to open in July 2002.

2.13 Last year's report mentioned the application by Stanley Casinos to open a casino in the Star City leisure site in Birmingham. The Board lodged an objection on grounds of lack of demand, and the Licensing Committee refused the application on the grounds that demand was already met by existing facilities in the area. Stanley have lodged an appeal against the decision and this is now due to be heard in July 2002.

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

2.14 The Gaming Act 1968 at paragraph 18 to Schedule 2 places a responsibility on licensing authorities to consider demand for gaming before granting a licence and gives them a discretion to refuse an application if unmet demand is not demonstrated. To assist the licensing authorities in this exercise, the Act empowers the Board to provide advice on demand to the authorities and requires these authorities to take that advice into account. It is also open to the Board to lodge an objection on grounds of lack of demand should it be considered appropriate. The Board's policy on when an objection on such grounds may be appropriate is contained in its current Annual Memorandum of Advice to Licensing Authorities, a copy of which can be found on the Board's website. Specific demand advice was provided on 7 occasions during the reporting year. It is open to licensing authorities to exercise their residual discretion to grant licence applications, notwithstanding the position on demand, and the Board's views on this can also be found in the Annual Memorandum. The Government has accepted the Gambling Review Body's recommendation that the demand test should be abolished. However, this requires primary legislation which is unlikely to be enacted before 2004.

Meetings with the trade associations and casino operators

2.15 For many years the British Casino Association (BCA) was the only trade association representing casino operators. However, in recent years some smaller operators left the BCA, in order to form an association which they considered would more specifically represent their interests. In May 2001 these operators established an alternative, the Casino Operators' Association of the UK (COA). The Board believes that there are disadvantages in such a division

as it has always found it helpful to deal with a single unified trade association for each sector of the industry it regulates. On the other hand, the Board is pleased to note that all operators are members of one or other of the Associations.

- 2.16** Despite the division, regular and constructive dialogue between Board officials and industry representatives was maintained throughout the year. From September 2001, the COA joined the BCA at the joint working group meetings held quarterly between Board officials and industry representatives. Discussions took place during the year on a wide range of topics including new casino games, new certification arrangements, the use of the Internet in gaming operations, guidelines on advertising and the prevention of money laundering. These issues are dealt with in more detail elsewhere in this Report. The BCA and the COA also met with all Board members in December 2001 to discuss a number of topics of current mutual interest. These included guidelines agreed between the industry and the Board, the industry's response to the Gambling Review report, alcohol on the gaming floor, and social responsibility and problem gambling.
- 2.17** The Board continued its programme of informal meetings with casino operators to discuss various regulatory and other issues. Two such meetings were held during 2001/02, one with a major PLC and the second with a smaller operator. 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.

Gaming Board Guidelines for the casino industry

- 2.18** During the year detailed discussions between Board officials and representatives of the two trade associations led to the issue of revised and re-ordered Guidelines in December 2001. The Guidelines are promulgated on the Board's website, and by the associations. They 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. All operators are expected to work within the wording and spirit of the Guidelines. There are currently seven Guidelines. These cover:

- Guideline 1 - Acceptance of cheques and debit cards
- Guideline 2 - Club activities
- Guideline 3 - Competitions in card rooms
- Guideline 4 - Socialising with guests by casino staff
- Guideline 5 - Automated Teller Machines (ATMs) in casinos
- Guideline 6 - Advertising
- Guideline 7 - Postal applications for casino membership.

Easing of restrictions on casino gaming

- 2.19** The Gambling Review Body Report published in July 2001 recommended major changes in controls relating to casinos. Most of its recommendations were endorsed in the Government's response to the report, published on 26 March 2002 (see paragraphs 1.9 to 1.12 for more details). The Report, and the Government's response, have been generally welcomed by the industry, although some smaller operators have taken the view that major changes are unnecessary.
- 2.20** Many of the proposed changes will require new legislation to replace the 1968 Gaming Act but this is not likely to be introduced until 2003/04 at the earliest. In the meantime work continues on easing restrictions where this is consistent with the thrust of current legislation. Issues that are being dealt with relatively quickly include the following.

a) Alcohol on the gaming floor

- 2.21** The Gambling Review Report recommended that the restrictions on alcohol on the gaming floor should be lifted, noting that the current arrangement was the result of custom and practice rather than statutory prohibition and that some casinos had liquor licences that were valid for the whole premises. The Government accepted the recommendation, subject to monitoring and review. Following consultation with interested parties licensing authorities were informed by the Board on the 12th June 2002 that the general prohibition can be lifted. Decisions on the provision of alcohol in such areas will from now on be a matter for the discretion of licensing authorities.

b) Live entertainment

- 2.22** British casinos are unlike those in most other countries in that they may not provide live entertainment. The Gambling Review Body considered that casinos, if they wished, should be able to offer a more rounded experience, with entertainment in addition to dining and gambling, and they thus recommended that casinos should be permitted to offer live entertainment. The Government has endorsed this recommendation and will be making the necessary changes to the relevant regulation.

c) Use of credit cards for gaming

- 2.23** Cheques and debit cards may be used for gaming in British casinos, subject to guidelines agreed between the Board and the industry. But the 1968 Gaming Act prohibits the granting of credit more generally by casino operators, including by means of credit cards. The Gambling Review Report recommended that, with the exception of their direct use in gaming machines, credit cards should be permitted for gambling, although ATMs accepting credit cards should be sited so that players have to take a break from gambling to obtain more funds. The Government has endorsed this recommendation, for which new legislation will eventually be required to implement fully. Meanwhile however the Board was approached last year by a company whose arrangements with the major banks allow it to

offer a credit card facility in casinos without contravening current legislation. Following discussions between the Board and the company and agreement on a suitable Code of Practice, the scheme was introduced into British casinos in May 2002.

d) The need to notify cardroom charges

- 2.24** In a separate change, the implementation of the Deregulation (Bingo and other Gaming) Order 2002 removed from 11 April 2002 the requirement for casinos to notify licensing authorities of changes in cardroom charges.

Electronic roulette

- 2.25** Last year's Report referred to the introduction of automated electronic versions of roulette which could be installed as bankers' games in British casinos. These developments have continued and the Board has so far approved 7 versions of electronic roulette and others are under consideration. The popularity of electronic roulette continues to increase and the indications are that games of this type will in due course attract a significant proportion of play at roulette. The Board's Annual Advice to Licensing Authorities for 2002 was updated to assist licensing authorities in their consideration of applications for installations and to provide information on appropriate space standards for the different versions of the game.

New casino games

- 2.26** Last year's report said that work was in hand to implement proposals that would allow three new games to be played in casinos, together with variations to existing games. The new games are Three Card Poker, Big Six (a 'spin the wheel' game with a straightforward staking and payout structure) and Sic Bo (where betting takes place on the outcome of three dice being thrown). The necessary regulations, drawn up in consultation with industry representatives, also allow a reduced number of wagers to be offered in Roulette; permit two further wagers in Dice; permit the banker to draw on a 'soft' 17 in Blackjack; and allow an optional side bet in Casino Stud Poker. The new regulations were laid before Parliament on 18 April 2002 and came into force on 13 May 2002.
- 2.27** The optional Casino Stud Poker side bet allows casinos for the first time to offer a progressive jackpot linked between tables and casinos, as operators choose. This can result in much higher prizes than hitherto being available on the outcome of a single hand of cards. The Board is discussing with the industry appropriate security safeguards.
- 2.28** Last year's Report also indicated that the industry had agreed to prepare a leaflet for distribution in casinos, setting out the house edge (or advantage) for comparison on all table games played. The house advantage is typically higher for the new games than for existing games and the Board believes that players should be made fully aware of the differing edges when choosing which games to play. The industry has accordingly prepared a leaflet with

wording agreed by the Board, and this will be made available in casino reception areas from the time of introduction of the new games.

Internet casinos

2.29 As stated in paragraph 1.17, the Gaming Act 1968 precludes on-line (Internet) casinos being established in Great Britain. Some companies with gaming interests in Great Britain have set up or are considering such operations abroad and the Board has indicated that it is willing to discuss their plans with such companies. Board officials have had useful and constructive informal meetings during the year with representatives from companies who plan to offer gaming from off-shore sites through the internet and interactive digital TV. For the longer term, the Government has accepted the Gambling Review Report recommendation that on-line gambling services based in the UK should be permitted and that they should be licensed and regulated by the new Gambling Commission.

Money laundering

2.30 Although it was accepted that the 1st European Union Directive on Money Laundering did not apply directly to casinos, arrangements for the detection and reporting of money laundering activities within casinos have been in place for seven years, via a Code of Practice agreed between the Board and the industry. This Code was first published in 1995 and was updated in January 1999.

2.31 A draft 2nd European Union Directive was issued in 2001 and this one will encompass the casino industry within its remit. It has been published in the Official Journal of the European Communities and is due to come into effect in June 2003. HM Treasury intends to circulate a consultation paper but discussions have already started with the casino industry on what changes may need to be implemented.

2.32 The new Directive states that casinos will be required to positively identify any player (which in the British context means guests as well as members) either on entry to the casino or on the purchase or sale of gaming chips to the value of 1000 (approx, £600). This will require changes in industry procedures and the associated code of practice.

Gaming reserve

2.33 The Board requires all operators to maintain a gaming reserve, the principal purpose of which is to ensure that casinos have adequate funds to pay out any players who win very substantial amounts at the gaming tables. The reserve is usually held in the form of a dedicated banking facility, either as a deposit or an overdraft arrangement. Last year's report said that an operator had approached the Board asking whether the reserve could be guaranteed instead by means of an insurance policy. The Board agreed to this, and the

operator has made appropriate insurance arrangements. No other companies have yet taken up this option.

Numbers of gaming machines in casinos

2.34 The Board has again undertaken a count of the numbers of gaming machines in use in casinos (and bingo clubs). The results of this fourth census show that there were 841 jackpot machines operated in casinos in Great Britain as at 31 March 2002. This compares with 814 on 31 March 2001.

Employment within casinos

2.35 The trade associations say that there are currently about 12,000 staff working in the casino industry in Great Britain. Of these, about 60 percent are directly involved in the conduct of gaming (ie croupiers, inspectors and casino managers) and the remainder are non gaming staff dealing with ancillary activities such as restaurant, bar and security work.

Casino attendance

2.36 The figures on casino attendances for the last five years are given below. There were 11.8 million visits to casinos in Great Britain in 2001/02, an increase of 4.4 per cent over 2000/01. All of the regions showed an increase, with the total attendance being greater than any of the four previous years.

Table 2: Casino attendance by region: Number of visits

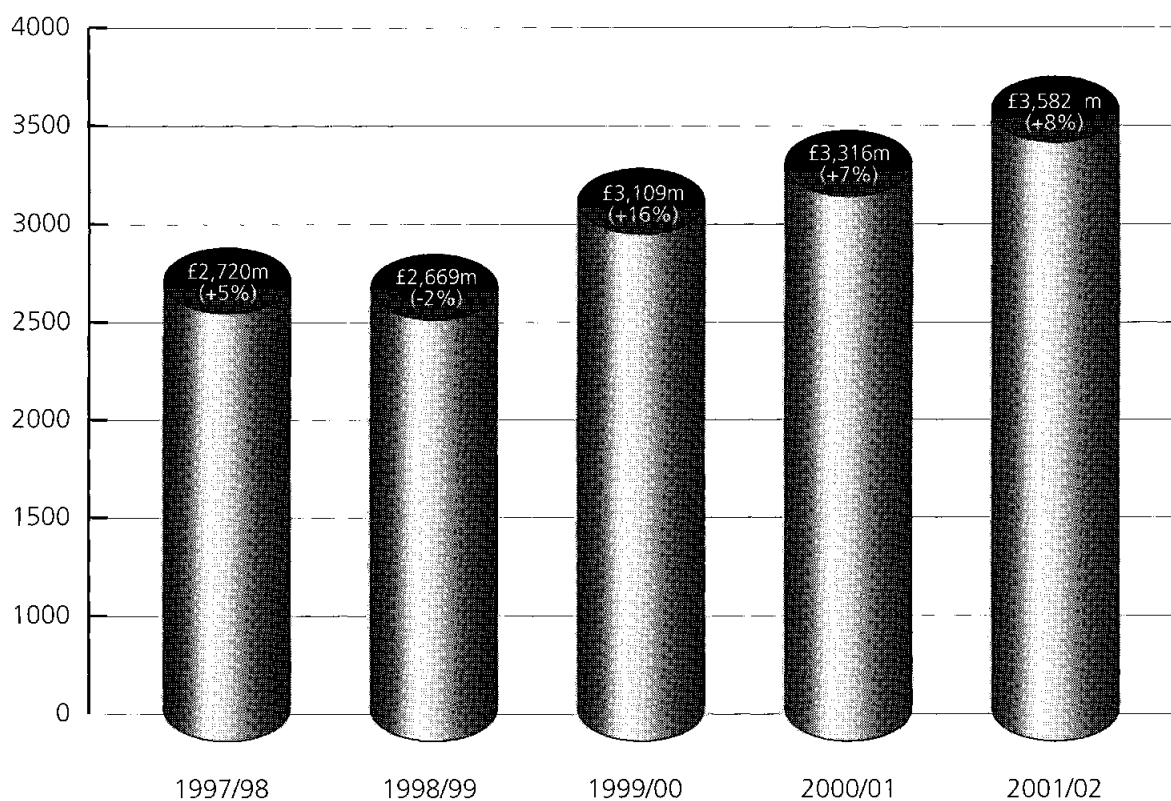
	1997/98	1998/99	1999/2000	2000/01	2001/02
Scotland	1,258,339	1,212,780	1,081,465	1,046,576	1,061,326
North	3,109,131	3,020,186	3,064,886	3,160,180	3,373,741
Midland & Wales	2,214,941	2,135,150	2,112,305	2,100,047	2,186,296
South	2,236,694	2,340,644	2,232,498	2,273,718	2,364,191
Sub-Total	8,819,105	8,708,760	8,491,154	8,580,521	8,985,554
London	2,832,236	2,710,955	2,695,690	2,707,672	2,796,263
Great Britain Total	11,651,341	11,419,715	11,186,844	11,288,193	11,781,817

Financial statistics

2.37 The total drop (money exchanged for gaming chips) in casinos in Great Britain during the financial year 2001/02 was £3,582 million, an increase of £266 million on the 2000/01 figures.

The totals for the last five years are as follows:

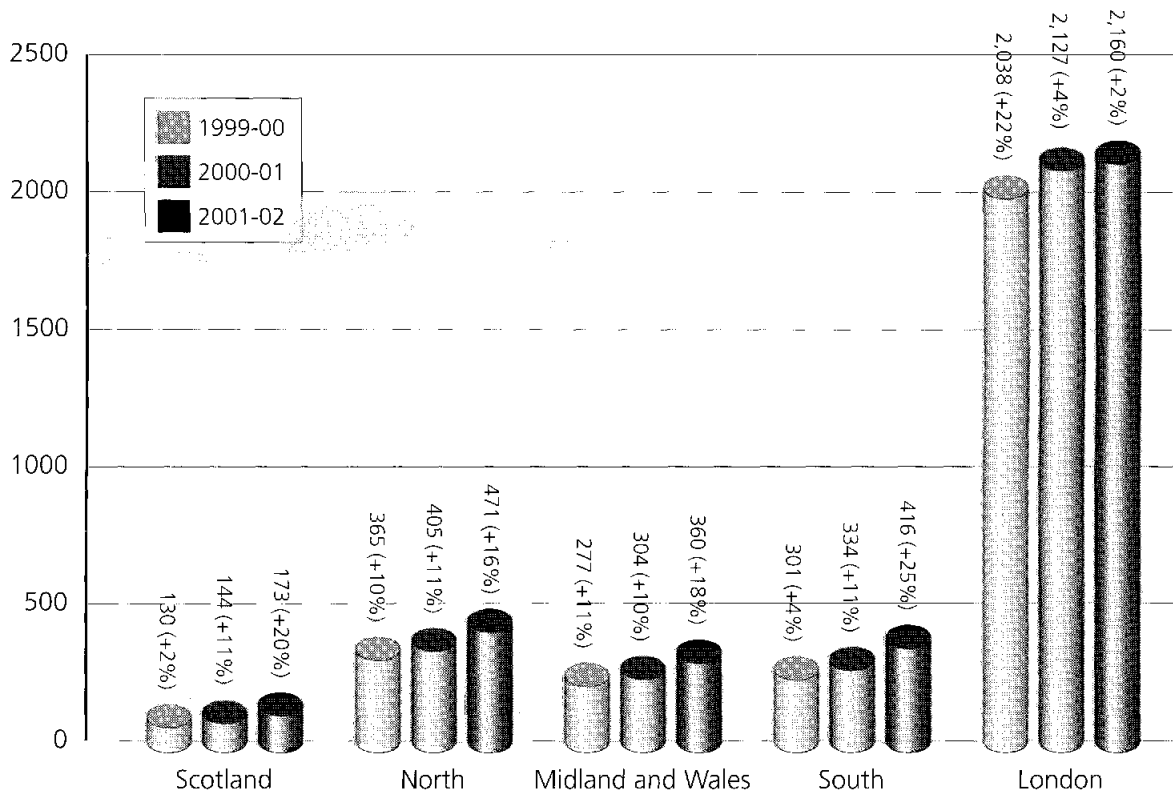
Table 3: Drop per year: Overall (Change from previous year in brackets)



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

2.38 The drop in London casinos showed an increase of £33 million for the year, while that for the provinces increased by £234 million. Approximately 60 per cent of the total drop produced by all the casinos in Great Britain occurred in the London casinos; this is a reduction of 4% on the previous year and reflects the higher growth in the provinces. The drop figures by region for the last three years were:

Table 4: Drop per year £m: By region (Change from previous year in brackets)



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

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

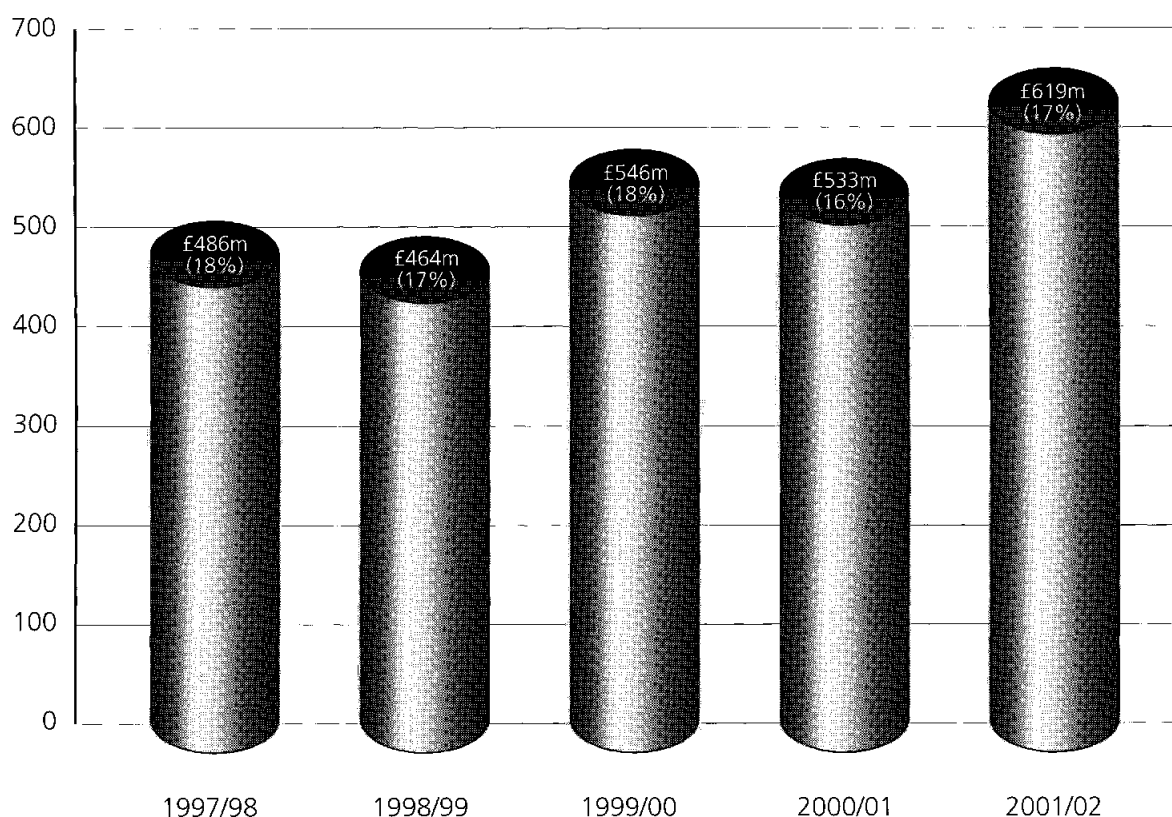
Table 5: Percentage Distribution of Drop by Games

	1997/98	1998/99	1999/00	2000/01	2001/02
American Roulette	61.4	62.7	63.0	66.3	64.6
Blackjack	13.9	17.2	19.1	16.8	16.5
Punto Banco (including Baccarat)	17.6	12.8	11.1	9.8	9.2
Casino Stud Poker	6.2	6.2	5.9	5.9	5.5
Craps	0.9	1.1	0.9	1.0	0.9
Electronic Roulette	-	-	-	0.2	3.3
	100.0	100.0	100.0	100.0	100.0

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

2.40 There was an increase of £86 million (16.1 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: Figures are rounded to the nearest £1 million, and percentage figures to the nearest whole percentage.

Numbers of certificates of consent and licence applications

2.41 The following tables show the results of consent applications made to the Board during the period 1 April 2001 to 31 March 2002 and the number and outcome of licence applications.

Table 7: New certificates of consent

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2001	5	–	5
New applications received in 2001/02	8	–	8
TOTAL	13	–	13
Certificates issued	7	–	7
Applications withdrawn	1	–	1
Applications refused	–	–	–
Applications not determined by 31 March 2001	5	–	5
TOTAL	13	–	13

Table 8: New licences

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2001	2	–	2
New applications received in 2001/02	5	–	5
TOTAL	7	–	7
New licences issued	4	–	4
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2002	3	–	3
TOTAL	7	–	7

Table 9: Certificates of consent to transfer a licence

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2001	–	–	–
New applications received in 2001/02	4	–	4
TOTAL	4	–	4
Certificates issued	2	–	2
Applications withdrawn	1	–	1
Applications refused	–	–	–
Applications not determined by 31 March 2001	1	–	1
TOTAL	4	–	4

Table 10: Transfer of licences

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2001	3	–	3
New applications received in 2001/02	2	–	2
TOTAL	5	–	5
Licences issued	5	–	5
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2002	–	–	–
TOTAL	5	–	5

Table 11: Renewal of licences

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2001	1	–	1
Applications received in respect of licences expiring in 2001/02	117	12	129
TOTAL	118	12	130
Licences renewed	109*	12	121
Licences surrendered or allowed to lapse	4	–	4
Applications refused	–	–	–
Applications not determined by 31 March 2002	5	–	5
TOTAL	118	12	130

* Includes a licence renewed but subsequently surrendered.

Table 12: Continuance of certificates of consent

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2001	21	6	27
New applications received in 2001/02*	30	4	34
TOTAL	51	10	61
Applications allowed	50	10	60
Applications withdrawn	–	–	–
Applications refused	–	–	–
Applications not determined by 31 March 2002	1	–	1
TOTAL	51	10	61

* Includes 2 concurrent licences.

3: Licensed bingo

Introduction

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

- ◆ Size and structure of the industry (paragraphs 3.2 and 3.3).
- ◆ Changes to the industry (3.4).
- ◆ Money staked (3.5).
- ◆ The Gambling Review – implications for Bingo (3.6).
- ◆ The Deregulation (Bingo and Other Gaming) Order 2002 (3.7).
- ◆ Multiple bingo (3.8 to 3.11).
- ◆ Linked bingo (3.12).
- ◆ The charging arrangements for bingo (3.13).
- ◆ Meetings with the Bingo Association and operators (3.14 and 3.15).
- ◆ Mixing of S.31 and S.34 gaming machines (3.16).
- ◆ Increases in charges and prizes (3.17 and 3.18).
- ◆ Objections to bingo licences (3.19).
- ◆ The number of gaming machines in bingo clubs (3.20).
- ◆ Attendance at bingo clubs (3.21).
- ◆ Employment in the industry (3.22).
- ◆ Consent applications (3.23).
- ◆ Bingo played under sections 40 and 41 of the Gaming Act 1968 (3.24).

Size and structure of the industry

3.2 The number of bingo clubs holding Board certificates of consent at 31 March 2002 was 706 (see table 13). This represents a decrease of 13 clubs or nearly 2 per cent from the figure at 31 March 2001. At 31 March 1997 the number of such clubs was 942: there has thus been a decrease of 25 per cent in numbers over the last five years, although the Board believes that this reduction has been offset, at least to some extent, by an increase in the average size of the clubs. Of the 706 certificated clubs, 688 were operating at the end of the year.

3.3 The two largest bingo club operators remain Gala Leisure Ltd which holds certificates for 170 clubs, of which 169 were operating, and Mecca Bingo Limited (part of the Rank Organisation) which holds certificates for 128 clubs, of which 126 were operating. One other operator held certificates for 38 clubs; one operator held certificates for 15 clubs; five operators held certificates for between 10 and 14 clubs; eight operators held certificates for between 5 and 9 clubs; the remaining 249 certificates were held by 'singleton' operators or in groups of less than five clubs. 81 clubs are in holiday camps, some of which only operate on a seasonal basis.

Table 13: Number of bingo clubs at 31 March 2002 (2001 in brackets)

	England and Wales	Scotland	Total
Holding Board certificates at 31 March 2002	605 (618)	101 (101)	706 (719)
Holding gaming licences at 31 March 2002	599 (616)	99 (101)	698 (717)
Known to be operating at 31 March 2002	592 (606)	96 (99)	688 (705)

Changes to the industry

3.4 There was little change in the structure of ownership in the industry in the reporting period. It was reported last year that Bourne Leisure Holdings Limited acquired the Rank Holiday Division, which held the licences for 47 bingo clubs in holiday centres. In this reporting period Bourne Leisure sold 10 of the sites acquired from Rank to Park Resorts Ltd; and also applied to the Board for licences to operate licensed bingo in a number of unlicensed sites that they already owned prior to their acquisition of Rank Holiday Division. These applications were awaiting determination at the end of the year.

Money staked

3.5 The figures below give the amount of money staked in licensed bingo clubs (including added prize money) over the last five years. There was an increase of 4.1 per cent in the latest year, bringing the increase over the last two years to over 8 per cent. Notwithstanding the fall in the number of clubs operating (see paragraph 3.2), the amount of money staked has risen by £145 million to £1164 million compared to 1997/98. These figures for money staked do not include cash staked on gaming machines.

Table 14: Amount staked on licensed bingo by year

	Amount staked in £million	Percentage change from previous year
April 1997 to March 1998	1019	5.4
April 1998 to March 1999	1041	2.1
April 1999 to March 2000	1076	3.4
April 2000 to March 2001	1118	3.9
April 2001 to March 2002	1164	4.1

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

The Gambling Review – implications for bingo

3.6 The Government's response to the Gambling Review Report (see paragraphs 1.9 to 1.12 earlier in this Report) proposes to remove most limits on stakes and prizes for commercial bingo. The Board supports this. Whilst welcoming most of the proposals, the Bingo Association has expressed concerns about the effect on existing clubs of the recommendation that those holding casino licences should also be able to offer other types of gambling, including bingo.

The Deregulation (Bingo and Other Gaming) Order 2002

3.7 This order, amending the Gaming Act 1968 and the Gaming (Bingo) Act 1985 and which came into force on 29 March 2002, introduced three changes for which the industry has been pressing for some time. These are increases in the number of prizes that may be offered in multiple bingo, abolition of the requirement to give licensing authorities 14 days notice of changes in charges to customers, and the mixing in bingo clubs of types of gaming machines. More information on these changes is given in paragraphs 3.8, 3.13 and 3.16.

Multiple bingo

3.8 Multiple bingo can be played by clubs across the country under the terms of the Gaming (Bingo) Act 1985. All clubs participating in multiple bingo play to a single set of numbers determined before the game commences. The maximum permitted single prize in a game is £500,000. Under the terms of the Act each game was restricted to a single national prize, and either or both of a single regional prize and a single prize in each club. However these terms have now been changed by the Deregulation (Bingo and Other Gaming) Order 2002 which permits more than one prize in each category. This is more significant than it might appear, providing the flexibility to offer a variety of game styles with a range of more attractive prizes. These changes were introduced to some games in April 2002 and have proved popular.

- 3.9** The National Bingo Game Association Limited (NBGA) and Linkco Limited are the only holders of Board certificates of approval to operate multiple bingo. The NBGA has operated what is known as the National Game daily for the past 16 years. The number of NBGA clubs registered to play in its National Games was 540 at 31 March 2002, compared with 551 a year earlier. The weekday games generate a maximum national prize of up to about £100,000, with additional regional and house prizes; whilst the Sunday evening national prize reaches about £200,000. Special games with prizes at the £500,000 maximum have also been successfully run. Upgraded digital equipment has permitted improved audio-visual quality for the customer; in particular the 'Talking heads' system used in some clubs, which allows images of celebrities to call the game numbers, has contributed to the game's continuing success. Following the permitted increase in the number of games to 3 per day in 1998 the NBGA has also introduced the 'Dream Ticket' game, played in around 200 clubs in the afternoon and some evenings for smaller prizes than the main evening National Game.
- 3.10** LinkCo Limited started operating on 1 March 2000 to provide multiple bingo to Mecca clubs. Typically about 120 clubs are involved in the weekday afternoon 'Diamond game' for a prize of about £5,000. Mecca clubs have continued to participate in the National Game.
- 3.11** The industry has been pressing for some time for a change in legislation to permit 'rollovers' in multiple bingo and thus build up a much larger prize fund. The Government response to the Gambling Review Report indicated its support for this change.

Linked bingo

- 3.12** Linked bingo, played under section 20 of the Gaming Act 1968, is where two or more clubs combine to play a joint game of bingo. The increase in the number of players involved in the game allows the operators to offer greater prizes. The total number of clubs participating in some form of linked bingo has fallen during the period, from 596 to 567. Nevertheless, linked bingo remains popular. Continuing developments in technology are allowing larger numbers of clubs to link easily and simply, with less risk of disruption than has historically been the case. Two companies are now providing specialist facilities to allow even easier linking of games. Combined with increases in the current weekly link prize limit (see paragraph 3.17) and its likely removal as part of the deregulation process, the level of linking will ultimately be entirely for the operator. At that point, there may be little distinction in practice between the playing of linked and multiple bingo.

The charging arrangements for bingo

- 3.13** The 1999/2000 Report recorded the successful introduction of a simplified and transparent bingo charging system, making it easier for players to understand what charges they are paying to play. The Board has been monitoring the introduction of the new arrangements and, on 20 March 2002 after consultation with the Bingo Association, it issued guidance notes for bingo operators covering the few remaining points in need of clarification. The

final element in the package of changes, the abolition of the requirement to give licensing authorities 14 days notice of changes to charges, was achieved when the Deregulation (Bingo and Other Gaming) Order 2002 abolished the need to notify licensing authorities of game costs and charges made to customers from 11 April 2002. This change saves time and expense both for bingo clubs and for licensing authorities.

Meetings with the Bingo Association and operators

- 3.14** The Board/Bingo Association Working Group continues to provide a useful forum for discussions between the Board and the industry. These meetings, where ideas and views can be exchanged without commitment on either side, have led over the years to formal agreement between the Board and the industry on a range of operational and deregulation issues. The Group met on three occasions during 2001/02.
- 3.15** The Board is always willing to meet operators to discuss their plans and any difficulties. In particular the Board appreciates being kept aware of re-organisations and proposals to rationalise operators' estates. The Board has held a series of informal meetings at Board headquarters with bingo operators since 1998 on a similar basis to those arranged for casinos. Three such meetings were held in 2001/02, with operators from different sectors of the industry. These proved useful and informative. Similar meetings are planned for the coming year.

Mixing of S.31 and S.34 gaming machines

- 3.16** The Deregulation (Bingo and Other Gaming) Order 2002 also made changes to the law on gaming machines in licensed bingo clubs. Article 3 of the Order adds a new section 32(3) to the 1968 Act, to allow clubs to apply to their licensing authority for a new type of direction under which they are entitled to install up to four club (jackpot) machines with maximum stakes and prizes of 50p and £500 respectively as well as the number of AWP (30p/£25) machines approved by the licensing authority. Previously clubs could only have one or the other type of machine, but not both. This change is regarded as highly beneficial by the industry; and many clubs are seeking to put the new arrangements in place as soon as possible.

Increases in charges and prizes

- 3.17** The Board held its 2001/02 annual 'shopping list' meeting with the industry on levels of charges and prizes on 20 December 2001. The Bingo Association sought an increase in the weekly added prize money limit from £10,000 to £14,000, and an increase in the weekly linked bingo prize money limit from £55,000 to £200,000. The Association also requested that for prize bingo in clubs the aggregate take and aggregate prize limits be increased from £120 to £500. It did not seek any increase in the maximum individual stake limit for

prize bingo, of 50p, nor of the cash prize limit which was raised from £15 to £25 on 1 January 2002 in line with all-cash AWP gaming machines (see paragraphs 5.5 to 5.7).

- 3.18** The Board considered its response at its January 2002 meeting. The Board decided to recommend figures to the DCMS which sought to give reasonable increases without affecting the fundamental balance of games and prizes or undermining the basis of the existing legislation. As part of its response to the Gambling Review proposals, the DCMS announced that it intends early implementation of significant increases to bingo cash limits.

Objections to bingo licences

- 3.19** Last year's Report recorded that the Board had lodged objections to the renewal of two bingo licences. The matters of concern to the Board were resolved to its satisfaction and it therefore withdrew its objections to the renewals, which were then granted. No further objections were lodged in 2001/02.

The number of gaming machines in bingo clubs

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

Table 15: Numbers and types of gaming machines in bingo clubs at 31 March 2002
(Figures for the previous year in brackets)

AWP (whether all-cash or cash/token)	£250 Jackpot	£500 Jackpot	Total
16,996 (17,437)	487 (503)	55 (51)	17,538 (17,991)

As can be seen, there has been little change from the figures shown in the Report for 2000/01.

Attendance at bingo clubs

- 3.21** The most recent industry estimates are that there are some 3 million active members of bingo clubs, with over 89 million admissions to clubs each year.

Employment in the industry

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

Consent applications

3.23 The following tables show the results of certificate of consent applications made to the Board during the period 1 April 2001 to 31 March 2002 and the number and outcome of subsequent licence applications.

Table 16: New certificates of consent

	England and Wales	Scotland	Total
Applications outstanding at 31 March 2001	2	0	2
New applications received in 2001/02	26	6	32
TOTAL	28	6	34
Certificates issued	9	2	11
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 2002	19*	4	23
TOTAL	28	6	34

*17 of these relate to a multiple application from one operator and were granted during April and May 2002.

Table 17: New licences

	England and Wales	Scotland	Total
Applications outstanding at 31 March 2001	2	0	2
New applications made in 2001/02	10	1	11
TOTAL	12	1	13
Licences issued	6	0	6
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 2002	6	1	7
TOTAL	12	1	13

Table 18: Certificates of consent to transfer a licence

	England and Wales	Scotland	Total
Applications outstanding at 31 March 2001	21	0	21
New applications received in 2001/02	24	0	24
TOTAL	45	0	45
Certificates issued	35	0	35
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 2002	10	0	10
TOTAL	45	0	45

Table 19: Transfer of licences

	England and Wales	Scotland	Total
Applications outstanding at 31 March 2001	21	0	21
New applications made in 2001/02	33	0	33
TOTAL	54	0	54
Licences issued	47	0	47
Applications withdrawn	0	0	0
Applications refused	0	0	0
Applications not determined by 31 March 2002	7	0	7
TOTAL	54	0	54

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

3.24 In addition to licensed bingo, unlicensed bingo may be played in certain clubs and institutes and at entertainments not held for private gain and is lawful so long as it complies with sections 40 or 41 of the 1968 Gaming Act. Bingo played under these sections is subject to various restrictions and limitations and is intended to be small scale and non-commercial. In particular, bingo played under section 40 must be only one of the activities provided by the club. The proceeds of bingo played under section 41 must normally go to a charity or to the benefit of a non-proprietary members' club. The limits on charges and prizes for such gaming were last increased in November 2000 and were given in last year's Report.

4: Certification of employees

Introduction

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

- ◆ Requirements for certification (paragraph 4.2).
- ◆ Reduction in the number of types of certificates (4.3 and 4.4).
- ◆ Applications (4.5).
- ◆ Issue of certificates (4.6 to 4.9).
- ◆ Introduction of Criminal Records Bureau (CRB) (4.10 to 4.12).
- ◆ Quality of managerial applicants (4.13 and 4.14).
- ◆ Revocation of certificates (4.15 to 4.17).
- ◆ Interviews (4.18).
- ◆ European Court of Human Rights application in section 19 revocation case (4.19).
- ◆ Attendance at Hearings (4.20).
- ◆ Revocation without a hearing (4.21).
- ◆ Reapplication after revocation action (4.22).
- ◆ Overseas enquiries (4.23).
- ◆ Contravention of section 23(6) of the Gaming Act 1968 (4.24).
- ◆ Decisions by outcome and issues by type, 2001/02 (4.25).

Requirements for certification

4.2 One of the main objectives of the Gaming Act 1968 and of the Gaming Board continues to be to ensure that high standards of probity exist amongst those involved in the gaming industry. An important part of this process is the section 19 certificate of approval procedure, which is designed to ensure that those who work on the gaming floor and/or who manage such employees are fit and proper to act in that capacity. The Act 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. It is significant that the Gambling Review Report did not recommend any relaxation in the certification process and that the Government in its response to the report has supported the extension of the certificate of approval requirement to other areas of the gambling industry.

Reduction in the number of types of certificates

4.3 The Board has for some years issued certificates of approval as follows:

blue: for dealers and cashiers in casinos;

yellow: for inspectors, pit bosses, security staff employed to watch gaming and head cashiers in casinos;

green: for casino supervisors (junior management);

grey: for casino managers;

white: for casino executives; and

pink: for bingo managers.

One of the recommendations of the report in 2000 by the National Audit Office ('The Gaming Board: Better Regulation') was the rationalisation of the number of types of certificates of approval issued by the Board. Following consultation with the casino industry the Board introduced on 1 March 2002 the new combined (red) casino gaming employee certificate. This replaces the blue, yellow and green certificates: existing blue, yellow and green certificates are now regarded as the equivalent to the new red. With the introduction of the combined red certificate, operators will no longer need to apply for a new certificate of approval for those certificate holders they wish to promote to the position of inspector or supervisor. However it remains the responsibility of operators to ensure that the red certificate holders they appoint to positions that previously required a yellow or green certificate are competent to hold such positions.

4.4 From 1 March 2002, therefore, the Board issues certificates of approval as follows:

red: for dealers, cashiers, inspectors, pit bosses, security staff employed to watch gaming, head cashiers and casino supervisors;

grey: for casino managers;

white: for casino executives; and

pink: for bingo managers.

Employers may apply for existing blue, yellow and green certificates to be re-issued as red if they so wish, but such applications will incur the normal Board application fee. The appropriate Criminal Records Bureau or Scottish Criminal Records Office (see paragraph 4.10) will also need to be paid.

Applications

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

Table 20: Applications* for certificates of approval 1997/98 to 2001/02

	Number of applications dealt with	Number of certificates issued
1 April 2001 – 31 March 2002	5,220	4,777
1 April 2000 – 31 March 2001	5,541	4,906
1 April 1999 – 31 March 2000	4,637	4,106
1 April 1998 – 31 March 1999	5,509	5,056
1 April 1997 – 31 March 1998	3,992	3,574

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

* The numbers of applications dealt with and certificates issued in each year do not necessarily relate to applications received in the same year.

Issue of certificates

4.6 It remains the Board's policy to make checks or obtain reports from the appropriate authorities on all new applicants for certificates of approval, in accordance with paragraph 3 of Schedule 5 to the Gaming Act 1968. This can delay the processing of applications. However, on average during the year 83% of all first time applicants for the dealers' and casino gaming employees' (red) certificates received their certificates within six weeks of receipt of the application by the Board. This has been achieved notwithstanding a complete change of staff in the Certification Section during the year.

4.7 Casino gaming is an international business and it is understandable that staff sometimes wish to work in different jurisdictions. Enquiries are made of overseas employers before the issue of fresh certificates to previously certificated staff returning from working in casinos abroad; checks on criminal history are made in tandem with these enquiries to reduce any delays to a minimum. Applications from foreign nationals are processed to the same standard as UK citizens, but difficulties in obtaining information from abroad can lead to delays in the issue of certificates.

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

juvenile findings of guilt, including for minor motoring offences, and no matter how long ago, and any pending prosecutions on every application for a fresh certificate.

- 4.9** A certificate, once issued, remains valid for the employee in respect of the casinos identified on it unless and until it is revoked. The Board has no record of the number of certificate holders actually in employment, as it has no comprehensive records of staff resignations or departures. The wording of section 19 of the 1968 Act is such that new certificates may be required when the holder moves to a different casino or when their employer is taken over or otherwise changes. The Board considers that the Section 19 certificate relates to the individual holder rather than their employer and whenever possible does not require a new Section 19 certificate for moves of location in the same grade. The Board has started the process, where appropriate, of transferring old paper records concerning certificate of approval applicants onto computer records.

Introduction of Criminal Records Bureau (CRB)

- 4.10** The Government, on 11 March 2002, introduced the Criminal Records Bureau (CRB) which has assumed responsibility for carrying out police checks on applicants resident in England and Wales. The Scottish Parliament introduced a similar service for applicants resident in Scotland on 29 April 2002 and this is the responsibility of the Scottish Criminal Records Office (SCRO). Consequently the Board has registered with the new organisations and discontinued its practice of approaching directly individual police forces for the required reports necessary to ascertain the fit and proper status of applicants for the Board's certificates.
- 4.11** The new procedures require applicants themselves to contact either the CRB or SCRO, depending on where they are resident, to request an enhanced disclosure application form in respect of a Certificate of Approval application to the Board. The Board must have the applicant's disclosure form together with the Board's GB11 application form and appropriate documentation before it can consider applications for its certificates. It should be noted that only the Board is authorised to countersign a request for an enhanced disclosure from the CRB or SCRO in respect of Board certificates of approval.
- 4.12** The Board has issued guidance to the industry detailing the procedure that applicants should follow when they contact the above organisations and in submitting certificate of approval applications to the Board. Further detail on the new procedures and other Section 19 certification matters is available on the Board's website under the Certification Section's 'frequently asked questions'.

Quality of managerial applicants

- 4.13** The standard of first-time applicants for the managers' grey certificate remains high. Where an applicant does not meet the required standard, the application is normally deferred by agreement to allow the applicant to improve his or her knowledge of the Gaming Act 1968 and the regulations made under it. Only one applicant was deferred during the period of this Annual Report. The Board regards it as important that high standards are maintained and that holders of this certificate should understand the reasons which lie behind the Act and Regulations, and the reasons for the rules they must follow. The Board was pleased by the continued efforts of operators to ensure that senior staff received adequate training before they applied for the managers' certificate.
- 4.14** The Board, of course, expects particularly high standards of applicants for its casino executives' white certificate. Applicants who are new to the industry and have not previously held a grey certificate are normally interviewed by a panel consisting of a Board member and a senior member of the Inspectorate. Two such applicants were interviewed during the year and one was issued with a white certificate.

Revocation of certificates

- 4.15** Revocation procedures are normally prompted by receipt from the Board's Inspectorate of an adverse report on the certificate holder. The Board expects operators to notify its Inspectorate immediately if disciplinary proceedings are taken against employees. Even if the certificate holder has not been dismissed or committed an illegal act, the Board may take revocation action. The test provided for in the Act is the broad one of fitness and propriety to hold the certificate. Where doubts are raised about the fitness or propriety of the certificate holder, the case is considered by officials in the Board's Secretariat, who decide what action should be taken. If that decision calls into question the holder's suitability to continue to hold one or more of the Board's certificates, a 'minded to revoke' letter is issued. In it, the certificate holder is offered the opportunity to appear before a panel of Board members or to make written representations to explain his or her actions. In either situation, the case is then referred to Board members for a decision. The Board believes that where consideration is being given to revocation the certificate holder should take the opportunity to draw the Board's attention to any extenuating circumstances, either at the hearing or by letter. Reasons for revocation of certificates in the year ending 31 March 2002 were as follows:

Table 21: Reasons* for revocation of certificates 1 April 2001 – 31 March 2002
(Previous year's figures in brackets)

	Certificate Holders	
Incurring convictions after the issue of a s19 certificate (excluding drug-related convictions)	8	(6)
Theft from employers	7	(13)
Failing to declare convictions in breach of s.23 (6) of the 1968 Act (see paragraph 4.22)	6	(6)
Involvement with drugs (including drug-related convictions)	5	(13)
Theft from others	5	(0)
Socialising with members	5	(11)
Sexual harassment	4	(0)
Falsifying records/ Misappropriating company funds	4	(5)
Collusion with players	4	(4)
Visiting and gaming in another casino	1	(7)
Drunkenness	0	(3)
Others* *	2	(4)
TOTAL	51	(72)

* The principal reason is shown in each case.

** Relate to failure to report a colleagues conviction and personal misconduct.

4.16 Whilst noting the overall drop in the number of cases, the Board is concerned at the continuing high number of revocations due to theft and the occurrence of incidents concerning sexual harassment. It also notes the continuing failure of applicants to declare all offences on their GB11 application forms; omitting to do so leads the Board to doubt such an applicant's honesty. The Board however notes that the number of revocations for involvement in drugs and drunkenness declined.

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

Interviews and hearings

4.18 During the period 1 April 2001 to 31 March 2002, 101 interviews or hearings were held in connection with certificates of approval.

**Table 22: Interviews/hearings in connection with certificates of approval:
1 April 2001 – 31 March 2002**

Type of certificate	Number of interviews or hearings	Remarks
Casino Executive (white)	2	1 granted, 1 deferred
Casino Manager (grey)	89	88 were granted, 1 deferred
Gaming Supervisor (green)	1	Re-application after revocation; granted
Gaming Inspector (yellow)	2	Both were re-applications after revocation; both were granted
Gaming Dealer (blue)	2	1 was a re-application after revocation; and was granted The other was a first time applicant and was not granted.
Existing certificate holders who had received "minded to revoke" letters	5	2 had all their certificates revoked 2 retained some of their certificates and 1 retained all certificates after interviews

European Court of Human Rights application in section 19 revocation case

4.19 As previously reported, Mr. Max Kingsley, former Chairman of London Clubs International, applied in 1998 to the European Court of Human Rights to bring a case against the UK Government under the Human Rights Convention arising out of the 1994 revocation by the Board of his manager's certificates of approval. The Court held there was a breach of Article 6 of the European Convention on Human Rights, in that aspects of the way in which the Board handled the revocation proceedings in Mr. Kingsley's case did not present the necessary appearance of impartiality required by that Article and that in the particular circumstances of the case the subsequent judicial review proceedings were not sufficiently broad to rectify the defect. Following that decision, the Court agreed to Mr Kingsley's request that the case be referred to the Grand Chamber of the European Court for review of the decision not to award him full costs nor damages for non-pecuniary loss claimed. There was a hearing before the Grand Chamber on 7 November 2001 and judgement was given on 28 May 2002. The Court ruled it was not appropriate to award Mr Kingsley monetary compensation for loss of procedural opportunity or distress, loss or damage allegedly flowing from the outcome of the domestic proceedings, but awarded him a proportion of his claim for costs to a total of £75,000 to cover both the domestic and European Court proceedings.

Attendance at hearings

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

Revocation without a hearing

4.21 In cases where the Board is considering revocation of certificates, and the holder does not wish to attend a hearing or to make written representations, or the Board's recorded delivery letter is returned undelivered by the Post Office, the Board must consider the certificate holder's suitability to hold the Board's certificates on the available information. During the period two certificate holders retained their certificates and 47 certificate holders had their certificates revoked by a panel of Board members without a hearing. Of these, 15 made written representations including the two certificate holders who retained their certificates.

Reapplication after revocation action

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

Overseas enquiries

4.23 The Board received 345 enquiries during the year from regulatory authorities in other countries where British staff holding the Board's certificate were seeking employment. These are dealt with by issuing letters to the agency, employer or individuals concerned confirming that they still hold a Board certificate.

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

4.24 It is a requirement that all applicants declare all convictions, police cautions, pending prosecutions etc. on all applications. A number of applicants failed to disclose a full record of their convictions or cautions, even though the application form makes it clear that the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975 authorises the Board to require such disclosure. In all cases of failure to disclose previous convictions, the matter was addressed by the Board with the applicant, either at a hearing, where refusal or revocation will have been considered, or as a written warning. The police may also decide to take action although this is rare.

Decisions by outcome and issues by type, 2001/02

4.25 The outcome of applications for Section 19 certificates, and certificates issued by type, for 2001/02 was as follows:

Table 23: Section 19 certificates: Decisions by outcome 2001/02

	New certificates issued	Existing certificates re-issued*	Total certificates issued	Applications refused	Applications withdrawn	Revocations**
Casino Executive (white certificate)	11	4	15	0	0	0
Casino Manager (grey certificate)	115	14	129	0	5	2
Casino Supervisor (green certificate)	256	20	276	0	7	3
Casino Inspector (yellow certificate)	1,374	166	1,540	0	50	19
Casino Dealer (blue certificate)	2,304	129	2,433	2	355	25
Casino gaming employee's (red)	255	19	274	0	16	0
Bingo Manager (pink certificate)	90	20	110	0	8	2
TOTAL	4,405	372	4,777	2	441	51

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

**51 individuals had a total of 127 certificates revoked.

Table 24: Section 19 certificates: Issues by type 2001/02

	New applications	Transfers	Promotions	Re-issues	Total
Casino Executive (white certificate)	2	2	2	9	15
Casino Manager (grey certificate)	0	27	88	14	129
Casino Supervisor (green certificate)	0	24	232	20	276
Casino Inspector (yellow certificate)	22	936	416	166	1,540
Casino Dealer (blue certificate)	1,718	524	62	129	2,433
Casino gaming employee's (red certificate)	185	70	0	19	274
Bingo Manager (pink certificate)	70	20	0	20	110
TOTAL	1,997	1,603	800	377	4,777

5: Gaming Machines

Introduction

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

- (i) Club or jackpot machines with maximum prizes of £2,000 in casinos, £500 in bingo clubs and £250 in other clubs and a maximum stake of 50p.
- (ii) 'All cash' amusement-with-prizes (AWP) machines in adult environments such as public houses, licensed betting offices, bingo clubs and adult amusement arcades. The maximum prize is £25 and the maximum stake is 30p.
- (iii) Traditional 'cash/token' AWP machines in premises such as family arcades and cafes etc. The maximum prizes are £8 non-cash and £5 cash and the maximum stake is again 30p.

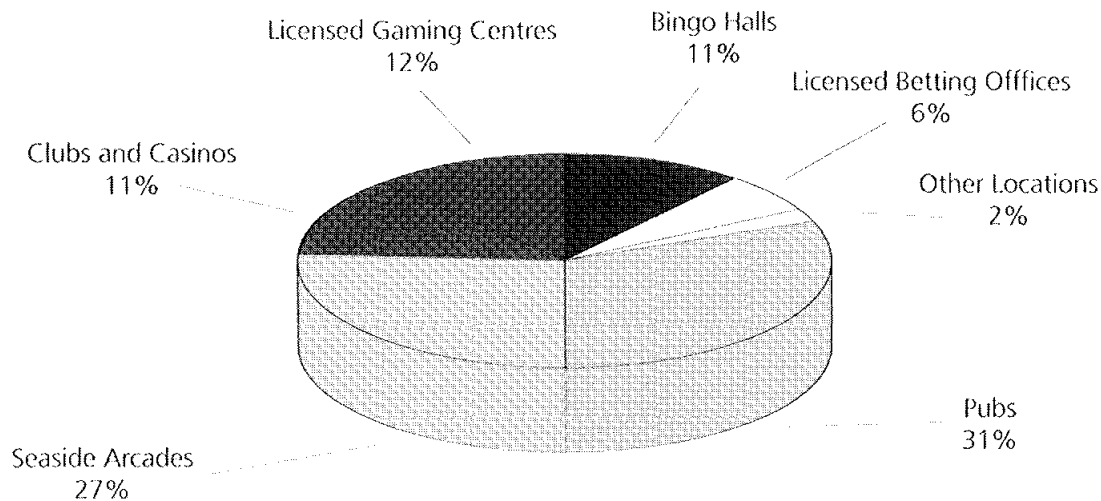
With certain specified exceptions, those who wish to sell, supply or maintain gaming machines may do so only if they hold a certificate granted by the Board under section 27 of the 1968 Act. This chapter reports on the Board's involvement with the gaming machines industry and contains sections on the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

- ◆ Size of industry (paragraphs 5.2 and 5.3).
- ◆ BACTA/Board links (5.4).
- ◆ 2001 Triennial Review of stakes and prizes (5.5 to 5.7).
- ◆ Gaming machines and children (5.8 to 5.10).
- ◆ Proposals for changes to payment methods for machines (5.11 and 5.12).
- ◆ Review of machine control guidelines (5.13).
- ◆ Machine testing (5.14).
- ◆ Applications for certificates under section 27 of the Gaming Act 1968 to sell, supply and/or maintain gaming machines (5.15).
- ◆ Renewal of certificates (5.16 and 5.17).
- ◆ Revocations and refusals (5.18).
- ◆ Certificates in force (5.19).
- ◆ Permits (5.20).

Size of industry

5.2 Whilst those who wish to sell, supply or maintain gaming machines need a Board certificate, these certificate holders are not required to submit to the Board details of the numbers of machines they handle and the Board thus does not hold statistics on machine numbers and locations. However, BACTA (the trade association for the pay-to-play leisure machines industry) has obtained its own statistics for 2000 (source: the Henley Centre Industry Model) which indicates that there are some 255,000 gaming machines of one type or another sited in Great Britain. These include around 221,000 AWP machines, whether all-cash or cash/token machines. The remainder comprise about 26,000 club or jackpot machines and 8,000 pinball, pusher and crane grab machines, which all qualify as gaming machines under the definition in the 1968 Act. An estimate of the distribution of these machines by location is provided below:

Table 25



5.3 BACTA also estimates the combined annual turnover of AWP and jackpot machines to have been around £10.34 billion in 2000 of which around £8.76 billion was paid out to players in the form of prizes. Around 23,000 people are believed to be employed directly in the industry.

BACTA/Board links

5.4 The BACTA/Board Working Group continues to meet every three months with the Chair alternating between BACTA's Vice President and the Head of Machines Section at the Board. This close co-operation has been helpful in addressing a wide range of important issues including machine testing (see paragraph 5.14), revision of the guidelines for machine control (paragraph 5.13) and the strengthening of BACTA's Unified Code of Practice (paragraphs 5.8 to 5.10).

2001 Triennial review of stakes and prizes

- 5.5** It is the Board's practice to review the monetary limits for gaming machines every three years. At the time of last year's Report it was stated that following consultation with a wide range of organisations involved with the gaming machines industry the Board had submitted its recommendations on the 2001 Triennial Review to the Home Office at the beginning of June 2001.
- 5.6** In July 2001 the Department for Culture, Media and Sport, who by that time had assumed responsibility for government policy on gambling, announced that any decision on the recommendations made by the Board in respect of stakes and prizes for gaming machines would be postponed until consultation on the Gambling Review Body's report had been concluded.
- 5.7** The outcome of the Triennial Review was announced by the Minister, Richard Caborn MP, in November 2001. The changes were:
- ◆ Maximum prize for all-cash machines increased from £15 to £25; and
 - ◆ The maximum prize for a jackpot machine in a casino increased from £1,000 to £2,000.

These increases came into force on 1st January 2002. All other stake and prize limits were left unchanged.

Gaming machines and children

- 5.8** At the time of his announcement on the outcome of the 2001 Triennial Review the Minister highlighted the Government's concern about children playing and having access to gaming machines. The Minister stated:

'We look to the industry to play the fullest and most active part in improving the present arrangements to prevent under age play of gaming machines. I am asking the Gaming Board for Great Britain to assess whether there are practical improvements in this area, and we will take close account of their conclusions before reaching any conclusions as to further changes in the regulation of gaming machines.'

- 5.9** In the light of this, the Board has been in discussion with BACTA about what further steps could be taken to prevent such access. In particular the Board and BACTA are considering ways of strengthening BACTA's Unified Code of Practice. The code which was introduced in September 2000 encourages BACTA members and other various related trade organisations to adopt measures to ensure that children do not gain access at all to all-cash gaming machines and do not gain access to traditional AWP machines during school hours. Compliance with the code of practice is mandatory for all BACTA members. BACTA estimates that about 80% of the industry are members.

- 5.10** BACTA is seeking to reinforce the message on under age play throughout the industry by encouraging retailers, manufacturers and operators to emphasise the age restriction in their advertising and by placing 'no under 18s' stickers on the front door of all cash machines. They have also agreed with some of the major machine manufacturers a common size (47mm diameter) for these stickers. The Board and BACTA will continue to seek to address the issue, in particular in respect of those non- BACTA members who may not have adopted the Code.

Proposals for changes to payment methods for machines

- 5.11** As stated in last year's report, the Home Office issued a consultation paper in March 2001 proposing deregulation of the legislative controls in respect of payment methods for all-cash and jackpot gaming machines. The consultation period ended on 15th June 2001 but further action was postponed by the Department for Culture, Media and Sport, pending the publication of and response to the report of the Gambling Review Body.
- 5.12** The Gambling Review Body in its report endorsed the proposals in the consultation document. In the Government's response to the Review Body report, published in March 2002, it said that it would take forward the plans, by way of a Regulatory Reform Order. The main impact will be to allow gaming machines to accept payment, and return winnings, in bank notes and smart cards, rather than just in coins, as now.

Review of machine control guidelines

- 5.13** It has been agreed between the Board and BACTA that the current guidelines, published in March 2000, require further work to update them and amend them where they are unclear or would benefit from elaboration. In particular, work is underway to prepare guidelines in anticipation of the changes to machine payment methods. The current guidelines are available on the Board's website.

Machine testing

- 5.14** As reported in 1995/96, the BACTA/Board Working Group agreed to the introduction of a machine testing programme for AWP and jackpot machines. Since that time BACTA and the Board have striven to provide an effective means of exchanging testing information between manufacturers and the Board's machines inspectors. The establishment of an audit trail in 2001 for new gaming machines which go to secondary test has proven to be successful and continues to be monitored by the Working Group. (Secondary testing involves the test siting of new machines and the assessment of their performance by the manufacturer).

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

5.15 The number of new applications received during 2001/02, and their outcome, are shown in the following table:

Table 26: New applications for section 27 certificates: 2001/02

	England and Wales	Scotland	Total
New applications outstanding on 31 March 2001	14	0	14
New applications received in 2001/02	12	4	16
TOTAL	26	4	30
Certificates issued	13	4	17
Applications refused	1	0	1
To be determined, or awaiting payment of fee on 31 March 2002	12	0	12
TOTAL	26	4	30

Renewal of certificates

5.16 During the year 116 certificates reached the end of their five year life. The Board was notified that renewal was not being sought for 18 of these. 98 renewals were therefore left to be considered. The outcome of applications made, together with applications carried over from 2000/01, is shown in the following table:

Table 27: Applications for the renewal of section 27 certificates: 2001/2002

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2001	14	3	17
Applications received in respect of certificates expiring during 2001/02	79	19	98
TOTAL	93	22	115
New certificates required	0	0	0
Certificates issued	76	16	92
Applications withdrawn	0	0	0
Applications refused	0	0	0
To be determined, or awaiting payment of fee, on 31 March 2002	17	6	23
TOTAL	93	22	115

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

Revocations and refusals

- 5.18** During the year one application for a Section 27 certificate was refused.

Certificates in force

- 5.19** On 31 March 2002 there were 678 certificates in force, one less than 12 months previously.

Permits

- 5.20** 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. 26 such permits were issued during the course of the year.

6: Lotteries

Introduction

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

- ◆ Size of lotteries sector (paragraphs 6.2. to 6.5).
- ◆ Action by the Board (6.6 to 6.8).
- ◆ Internet lotteries (6.9).
- ◆ Unlawful lotteries, prize competitions and product promotions (6.10).
- ◆ External lottery managers (6.11 to 6.15).
- ◆ Proposals for increases in ticket price, proceeds and prize limits (6.16).
- ◆ Lotteries Council (6.17).
- ◆ Lottery statistics (6.18 to 6.20).

Size of lotteries sector

6.2 Societies which wish to run larger lotteries (with proceeds in a single lottery of over £20,000 or cumulative annual proceeds of more than £250,000) and all local authority lottery schemes must first be registered with the Board. At 31 March 2002 there were 663 registrations with the Board, comprising one local authority scheme and 662 societies. This compares with 2 local authority schemes and 655 societies at the end of March 2001. During the year no registrations were revoked and no new applications were refused.

6.3 The number of individual lottery returns received by the Board decreased in 2001/02. Returns were received for 4,983 lotteries promoted by societies and four lotteries promoted by local authorities, compared with 5,049 and four returns respectively for the preceding 12 month period.

6.4 Proceeds raised by societies' lotteries rose from £107.1m in 2000/01 to 108.9m in 2001/02 an increase of around 1.7 %. This compares with £103.5m in 1999/2000, a peak of £161m in 1998/99 and £125m in 1997/98. Proceeds in recent years have grown substantially from £38m in 1994/95. Of the society ticket sales in 2001/02, around £25m (23%) went on prizes, around £27m (25%) on expenses and the remaining £57m (52%) to the beneficiaries. Proceeds from lotteries promoted by local authorities registered with the Board continue to decline and are now at very low levels. Only £51,809 worth of tickets were

sold in 2001/02 as compared to £72,069 in 2000/01, £82,500 in 1999/2000, £108,000 in 1998/99 and £730,000 in 1994/95.

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

Action by the Board

- 6.6** In addition to dealing with applications for registration, the Board's Lotteries Section deals with the examination of financial returns for each lottery held and the examination of accounts and reports on those returns, prepared by an auditor, from societies or local authorities which have sold more than £100,000 worth of tickets in one year.
- 6.7** 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. Many schemes submitted to the Board are innovative and, in some cases, involve the use of new technology. Work involved in considering the legality of such schemes can be complex and societies are encouraged to give the Board as much notice as possible of these schemes in order to avoid difficulties later if it transpires that the Board has reservations about their legality.
- 6.8** In addition both the Lotteries Section and the Board's Inspectorate continue to receive a large number of telephone, e-mail and written enquiries relating to free draws, prize competitions and lotteries which do not require registration with the Board. Increasingly, these enquiries relate to schemes proposed to be organised over the Internet. All such enquiries fall outside the Board's statutory responsibilities. Although staff do all they can to assist enquirers, since in most cases there is no other body or organisation to whom callers can turn, it is the Board's practice to advise that independent legal advice is sought before proceeding with proposals. It is stressed that the Board cannot offer a definitive interpretation of the law; that is a matter for the courts. Both the Board's website and the website of the DCMS contain general information and advice on these issues.

Internet lotteries

- 6.9** The Board noted last year that it had approved two applications to run society lotteries on the Internet. There have been two further applications approved during 2001/02. In considering such applications the Board is concerned to check the safeguards against under-age sales and sales to non-UK residents, and in particular that there is sufficient human involvement at the point of sale to provide these safeguards. (Sale solely by means of a machine or by some other fully automated process would be a breach of the Lotteries Regulations 1993.)

Unlawful lotteries, prize competitions and product promotions

6.10 For many years, the Board has reported its view that many of the prize competitions on television, in newspapers and run as product promotions, particularly some conducted by means of premium rate telephone lines, amount to illegal lotteries. The Board drew attention to this matter in its submission to the Gambling Review Body which highlighted the whole issue of prize competitions in its report. The Government in its response to the Review Body's recommendations agreed that such competitions need to be defined more precisely and should operate in a tighter regulatory environment. When the Government published its response to the Gambling Review in March it announced that further consideration and consultation were needed before deciding on the way forward. DCMS issued a consultation paper in May and asked for comments by the end of August 2002.

External Lottery Managers

6.11 Since 1994 persons wishing to operate as external lottery managers (ELMs) to run lotteries on behalf of registered societies or local authorities have been required to register with the Board. At 31 March 2002 there were eight companies and one individual registered with the Board as ELMs. One new company was registered during the year and one other application remains under consideration.

6.12 The booklet 'Lotteries and the Law', which is available on the Board's website, sets out some criteria for determining whether an organisation is acting as an external lottery manager or as a 'service provider'. Societies are advised that if they are considering employing someone to manage their lottery or part of their lottery and they have doubts about the status of that person they should approach the Board's Lotteries Section for advice, as their registration may be at risk if they use a 'service provider' which the Board believes should more properly be registered as an external lottery manager.

6.13 Societies and local authorities should be aware that even where they contract an ELM to run a lottery on their behalf, statutory responsibility for the good conduct of the lottery still rests with them.

6.14 'Lotteries and the Law' also advises societies and local authorities that they should take proper care to ensure that any contract or arrangement into which they enter with an ELM meets their requirements. Societies should ensure that the contract maximizes their fundraising potential and includes adequate safeguards against the poor performance of the lottery or the financial failure of the ELM. It is also important that any contract between the society and the ELM should include agreement about the rate of commission to be paid to the ELM. The Board also uses its power to include conditions on an ELM certificate as it sees fit in order to safeguard the interests of societies.

- 6.15** The Board welcomes the opportunity to meet with lottery managers and has had one such meeting with an ELM during 2001/02. That meeting was useful in providing a valuable insight for the Board into the commercial aspects of managing society lotteries.

Proposals for increases in ticket price, proceeds and prize limits

- 6.16** As reported in previous annual reports, following approaches from the Lotteries Council, the Board recommended to the Home Office in 1998 that it should consider, by way of deregulation, increasing the maximum price of a ticket in a society lottery from £1 to £2 and the maximum proceeds in a single lottery from £1 million to £2 million. The DCMS decided to postpone any decision pending the outcome of the Gambling Review Body's report. In its response to the GRB's report in March 2002, the Government announced its intention to lay an order to double the current limits on ticket prices and proceeds in society lotteries. This would also permit them to double their maximum prize to £200,000. The Government laid an Order in Parliament in May and the changes came into effect on 17 June 2002.

Lotteries Council

- 6.17** The Chairman of the Board addressed the annual conference of the Lotteries Council in February 2002. The theme of the conference was 'Facing the Challenge' and the Chairman spoke on the 'Aftermath and Implications of the Budd Report: a regulator's view'. Members of the Lotteries Section also ran workshops at the conference on the subject of 'Working with the Gaming Board – regulation now and in the future'. Members of the Board's Lotteries Section and Inspectorate also attended the Council's regional meetings, held throughout Autumn 2001.

Lottery statistics

- 6.18** The first table below gives details of returns received from 1 April 2001 until 31 March 2002 for lotteries registered with the Board. It shows the proceeds for society and local authority lotteries in returns received by the Lotteries Section.
- 6.19** The second table shows comparative figures for the total ticket sales on returns received for each year from 1 April 1997 to 31 March 2002 for lotteries in Great Britain for which schemes are registered with the Board.
- 6.20** The pie chart shows the distribution of proceeds among prizes, expenses and the good causes.

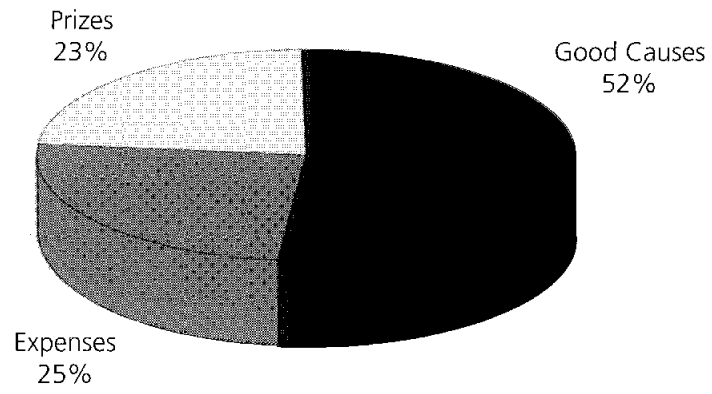
Table 28: Details of returns received in the period 1 April 2001 to 31 March 2002 for lotteries promoted in England, Wales and Scotland under schemes registered with the Board

	Number of Lotteries	Total Ticket Sales		Expenses		Prizes		Balance	
		£	£	£	%	£	%	£	%
Society Lotteries									
England and Wales	4,718	101,867,008	25,297,127	24.83	23,546,872	23.12	53,023,009	52.05	
Scotland	265	7,041,749	1,878,046	26.67	1,298,506	18.44	3,865,197	54.89	
TOTAL	4,983	108,908,757	27,175,173	24.95	24,845,378	22.81	56,888,206	52.24	
Local Authority Lotteries									
England and Wales	4	51,809	16,655	32.15	18,378	35.47	16,776	32.38	
Scotland	0	0	0	0	0	0	0	0	
TOTAL	4	51,809	16,655	32.15	18,378	35.47	16,776	32.38	
Total All Lotteries									
TOTAL	4,987	108,960,566	27,191,828	24.96	24,863,756	22.82	56,904,982	52.22	

Table 29: Total ticket sales and number of lotteries shown on returns received between 1 April 1997 and 31 March 2002

	1996/97		1997/98		1998/99		1999/2000		2000/01	
	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries	Total Ticket Sales £m	No. of Lotteries
Society Lotteries										
England and Wales	115.73	4,870	144.61	27,154	94.20	4,203	94.48	4,764	101.87	4,718
Scotland	8.93	200	16.38	180	9.30	298	12.62	285	7.04	265
TOTAL	124.66	5,070	160.99	27,334	103.50	4,321	107.10	5,049	108.91	4,983
Local Authority Lotteries										
England and Wales	0.21	11	0.11	8	0.08	4	0.07	4	0.05	4
Scotland	0	0	0	0	0	0	0	0	0	0
TOTAL	0.21	11	0.11	8	0.08	4	0.07	4	0.05	4
Total All Lotteries										
TOTAL	124.87	5,081	161.11	27,342	103.58	4,325	107.17	5,053	108.96	4,987

Table 30: Distribution of proceeds of society and local authority lotteries 2001/02



7: The Inspectorate

Introduction

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

- ◆ Inspection visits and other regulatory activities (paragraphs 7.2 and 7.3).
- ◆ Gateways (7.4).
- ◆ Assistance to and contacts with overseas authorities (7.5 and 7.6).
- ◆ Inspectorate staffing (7.7 and 7.8).
- ◆ Risk assessment (7.9 and 7.10).
- ◆ Memoranda of Understanding (7.11).
- ◆ Electronic versions of roulette (7.12 and 7.13).
- ◆ Thematic inspections (7.14).
- ◆ Head office inspections (7.15).
- ◆ Second casino table supervision trial (7.16).
- ◆ Bingo equipment trial (7.17).
- ◆ Compliance (7.18).
- ◆ Operations and Intelligence Section (7.19 to 7.21).
- ◆ Money laundering (7.22 and 7.23).
- ◆ Gaming machines (7.24 to 7.28).
- ◆ Armed robberies (7.29).
- ◆ Complaints from the public (7.30).

Inspection visits and other regulatory activities

7.2 During the year the Board's Inspectors made 2,201 supervisory visits to casinos and 1,985 to bingo clubs. In addition they made 273 inspections of certificated machine suppliers and 9 lottery inspections were completed. The Inspectorate also carried out a large number of separate investigations, the majority of which were into certificate of consent and certificate of approval applications, complaints in respect of licensed premises or other premises, and unlawful gaming. Assistance provided to the police resulted in five prosecutions/cautions in respect of gaming and lottery related offences and Inspectors were named in eight warrants issued under section 43(4) of the Gaming Act 1968.

7.3 The Board continues to provide the police, courts and other authorities with specialist assistance and advice which has proved to be of particular importance following the further relaxation of gaming legislation as a result of deregulation. During the year Inspectors gave 25 talks to police and 33 to gaming licensing and other authorities. Inspectors assisted in the instruction of two gaming courses held by the Greater Manchester Police. All members of the Inspectorate, as part of an initiative to improve general awareness and knowledge of recent developments, attended a two-day residential course on the requirements of the Police and Criminal Evidence Act. Additionally, the Chief Inspector and Inspectors from the Operations and Intelligence Section attended the Financial Fraud Investigators conference run by the National Criminal Intelligence Service, and representatives from the Inspectorate took part in Joint Action Group seminars where agencies seek to co-operate in the fight against organised crime. The Inspectorate remains a member of the Financial Fraud Information Network (FFIN) and continues to attend their periodic meetings.

Gateways

7.4 As has been highlighted in previous reports, the Board and Inspectorate remain frustrated by problems experienced with 'gateways' which generally preclude the sharing of information with other government agencies. This can lead to the situation where, having been tasked by statute to monitor the continued fitness and propriety of individuals involved in the gaming industry, the Inspectorate are unable to get information on whether or not an individual or company has been the subject of proceedings/enquiries by another regulatory body. The Board is working closely with the Department for Culture, Media and Sport to seek to correct this problem.

Assistance to and contacts with overseas authorities

7.5 Members of the Inspectorate either attended conferences, undertook enquiries or assisted gaming bodies in the following countries: United States (Nevada, Louisiana and New Jersey), the Channel Islands, Jamaica, Canada, Costa Rica, Spain, Slovenia and the Isle of Man. The Board feels strongly that these overseas visits, invariably requested and funded by the jurisdiction concerned, are beneficial in that they enable a frank exchange of information and ideas on relevant regulatory issues. Visitors to Gaming Board headquarters have included regulators and officials from the USA, Canada, Finland, Sweden, Norway, Slovenia, Isle of Man, South Africa, Switzerland, Jamaica, Australia, the Channel Islands and Denmark.

7.6 Examples of the assistance given include the following:

- (a) **Alderney** – Initial, and ongoing, assistance has been provided to the Alderney Gambling Control Commission, in the first instance into a review of the operation of its existing Internet betting licensee, and more recently into the probity of applicants for Internet gaming licences. As part of this process, and to provide appropriate authority, four members of the Inspectorate – including the Chief Inspector and his Deputy – were appointed temporary 'Inspectors' for the

Commission. Further, the two other Inspectors travelled to Canada, Nevada and Costa Rica during the course of their probity enquiries. This work has provided a valuable insight into the way Internet betting and gaming are regulated by other jurisdictions, experience which should prove useful in the future here in Great Britain.

- (b) **Jamaica** – After an initial visit by the Chief Inspector, a team of two Inspectors were seconded to the Jamaican Betting, Gaming and Lotteries Commission and spent two weeks in Kingston training the Commission's Inspectors. A third Inspector was seconded to the Island for four weeks, during which period he was appointed their 'Director of Gaming Enforcement' to review policy, intelligence and enforcement procedures.
- (c) **Slovenia** – Two members of the Inspectorate from the South East Region visited Slovenia in April 2001 and assisted with the training of twenty of the Slovenian Inspectors.
- (d) **Jersey** – The Deputy Chief Inspector and the Specialist Machines Inspector are currently advising on a machine regulatory system.
- (e) **Guernsey** – The Inspectorate are currently advising on legislation and a regulatory system.

Inspectorate staffing

- 7.7** One Inspector retired from the Inspectorate during the year. Replacements for this Inspector, the (newly titled) Machines Inspector (Compliance) and the Headquarters Inspector (Intelligence) were subsequently recruited and trained. The new Area Inspector had formerly worked for the National Audit Office, so brought with him accountancy and audit skills, whilst the new Machines Inspector is an electronics graduate with a good knowledge of computer software code. This latter skill is particularly germane given his prime responsibility to analyse and assess game play data provided to him by manufacturers for newly designed gaming machines, and the need to liaise with software engineers regarding any queries arising. The Headquarters Inspector (Intelligence) also brought a new range of skills and expertise to the Board, having previously worked in the intelligence analysis field.
- 7.8** Other changes within the Inspectorate included the promotion of the Headquarters Inspector (Money Laundering) to the post of Senior Inspector (Operations and Intelligence), the previous incumbent having been given the appointment of Senior Inspector (Special Projects) pending retirement in May 2002. As a result of this promotion, a new vacancy arose for the post of Headquarters Inspector (Money-Laundering) and appropriate recruitment procedures to find a replacement were put in train. The individual selected, who had previously worked for the Financial Services Authority, together with a replacement for the Devon and Cornwall Area Inspector – due to retire in August 2002 – were beginning their Inspectorate training course at year end.

Risk assessment

- 7.9** As previously reported, recommendations made by the National Audit Office following their inspection of the Board included that the Inspectorate formalise and operate a 'risk based' inspection strategy for the continued supervision of casino, bingo and machine operators, and lottery promoters. This was designed to replace the long established practice of routine visits to premises and operators, which had become somewhat predictable and in some cases duplicated the functions of a company compliance department.
- 7.10** Accordingly, a new risk-based inspection system was introduced by the South East Region in the early part of 2001, and then expanded to all Regions on 1 January 2002. The system in use relies on an initial assessment of each individual premises by the local Area Inspector and his Senior Inspector, with each considering a number of pre-determined risk factors, to determine risk assessments. All operators/suppliers/promoters involved have been kept informed of the new risk based style of inspection adopted by the Inspectorate.

Memoranda of Understanding (MOU)

- 7.11** Formal Memoranda of Understanding agreed between the Inspectorate, the Association of Chief Police Officers, the National Criminal Intelligence Service, the Association of Chief Police Officers (Scotland), Scottish Drug Enforcement Agency and HM Customs & Excise, to which reference was made in last year's Annual Report, remain in place and have been used to good effect during the course of the year. These documents facilitate better understanding and co-operation between the bodies concerned.

Electronic versions of roulette

- 7.12** Electronic versions of roulette, on which comment was made in the previous Annual Report, have continued to prove popular and have been introduced into the majority of British casinos. Of the variants of the game, and there are a number from both UK and overseas manufacturers, it would appear that those machines which are linked to a live table game are preferred by players, and therefore of greatest benefit for the operators.
- 7.13** Some initial technical problems with the games have now been resolved and audit records, initially poor because of a lack of familiarity with access to the electronic data by casino staff, coupled with an in-built accounting system which was not particularly 'user friendly', are now more readily available and easily understood. One other issue that has arisen with this new technology relates to the recording, for the purposes of the Money Laundering Code, of amounts of cash risked by players (see paragraph 7.24). Finally, certain models of the automated roulette machines appear to have been vulnerable to the use of counterfeit banknotes – an expensive problem for operators and one often not discovered until the machine's cash box is emptied at the end of the gaming session. A prompt solution to this problem is a high priority for the industry and the Inspectorate.

Thematic inspections

7.14 The use of thematic inspections – where Inspectors concentrate on a particular topic, or topics, of the casino, bingo or machine operation during visits to a number of premises – and major review inspections – where a small team of Inspectors undertake an in-depth inspection of a particular casino – has continued during the year. One thematic inspection, of a major machine supplier, included visits to the company's head office, a maintenance depot and machine sites. For this inspection, the inspection team was accompanied by representatives from the Board's consulting accountants who reviewed all financial aspects. Further, intelligence led, thematic inspections on a range of topics and involving casino, bingo and machine operators are planned for the coming year to complement the new risk based inspection approach.

Head office inspections

7.15 No head office inspections of casino or bingo operators were undertaken this reporting year due to other work priorities. However, the value of such inspections to both the Inspectorate and industry has been demonstrated and further inspections have been planned for the coming year.

Second casino table supervision trial

7.16 As previously reported, early in 2001 the Board agreed to a second and extended trial which reduced established table supervision to allow a single casino inspector to supervise up to four tables. At the outset the Board and operators agreed terms of reference for the trial, which included the requirement for operators to maintain an incident log of disputes – both for tables subject to conventional supervision criteria and for those tables being used for the trial – and CCTV coverage of the tables being trialled. The trial effectively ended in August 2001 after which the Board assessed matters and determined that the revised inspection procedure could become normal practice. However, it has been interesting to note that not all operators have taken advantage of the ability to reduce the level of table supervision, some opting to remain with the traditional ratio of one inspector to two tables.

Bingo equipment trial

7.17 A new hand-held device for use by bingo players and known as 'The Electronic Dauber' ('TED') was introduced, on a trial basis, to several bingo clubs at the beginning of the year. This device, which is essentially a 'dumb terminal', i.e. it has no means of communicating with other equipment, is loaded with a number of sets of bingo tickets, at player choice, at the outset and the player then takes the terminal to their seat in the club. As numbers for the games are called the player simply enters the numbers into the terminal, via a keypad,

and the device then automatically marks off the numbers for all tickets held in memory. An integral display always shows the ticket with the most numbers marked off for that game. Use of the 'TED' is free to players purchasing more than six sets of books; a small charge is made for the equipment if less than this number is purchased. The trial was set to continue at year end in order to iron out some minor technical difficulties with the equipment. It is hoped to agree a formal Code of Practice covering the use of these devices once the trial is satisfactorily completed.

Compliance

7.18 The Board continues to expect operators to take appropriate action against staff who are shown to have acted unlawfully or not in a fit and proper manner or in breach of Guidelines. Further, such instances should always be reported to the Inspectorate and, where appropriate, to police for further investigation. During the year delays in reporting such incidents to the Inspectorate, or indeed the lack of any report at all, has once again meant that follow up action against certificate of approval holders has been impaired. Operators are once again reminded of their responsibilities in this regard. A lack of prompt reporting may affect the risk grading of the premises.

Operations and Intelligence Section

7.19 The work of the Operations and Intelligence Section, established initially as the Operational Support office in July 2000, has benefitted the Inspectorate over the year. The Section, which acts as the focal point for the analysis, storage and dissemination of all information and intelligence gathered by the Inspectorate and Secretariat, provides an integrated information database for the Board. At present, and because a full IT solution has not yet been implemented, the Section has to handle a substantial amount of information manually. However, once the IT network and associated equipment is upgraded, the Section's efficiency and effectiveness will be further enhanced.

7.20 As previously reported, the Senior Inspector (Operations and Intelligence) is supported by the Headquarters Inspector (Intelligence), an intelligence analyst of considerable experience, and by the Headquarters Inspector (Money Laundering). The Headquarters (Intelligence) Inspector is responsible for the production of comprehensive profiles of individuals and companies in pursuit of the Board's role in performing the 'fit and proper' process, documents which have proved useful to both the Inspectorate and other agencies. In conjunction with her colleagues, she also compiles and circulates a monthly Intelligence Summary of information provided by Inspectors which serves to make the whole of the Inspectorate aware of what is going on in different parts of the country. As an example of the effectiveness of this improved method of communication, the Section was able to establish a link between unlawful machine operations in the North-east and similar operations in the Midlands and North-west.

7.21 In addition to her prime functions, the Senior Inspector (Operations and Intelligence) has also assumed responsibility, as the 'Risk Manager', for the collation and assessment of data arising from the new style risk management inspection regime adopted by the Inspectorate. The Headquarters Inspector (Money Laundering), together with an Area Inspector, attended and participated in the International Money Laundering Conference and Workshop for regulators, held in Montreal in October 2001.

Money laundering

7.22 The Senior Inspector (Operations and Intelligence), in conjunction with the Headquarters Inspector (Money Laundering), has for some time been attempting to repeat the successful 'Money Laundering Road Shows' provided for the casino industry when the code to prevent money laundering was first introduced. These 'shows', organised by officers from the National Criminal Intelligence Service, proved effective in educating a wide cross-section of casino operators on the requirements of the Code. However, due to other, more pressing, work priorities NCIS has been unable to provide the resources to repeat the exercise for some time and it has thus fallen to the Board to take the initiative. Accordingly, it is hoped to hold three separate 'road shows', one for the north and Scotland, one in the Midlands, and the other in the south later in the year. Details of dates and venues will be promulgated, via the two trade associations representing the casino industry, in due course. The concept of Inspectors with specialist knowledge, other than the Machines Inspectors, going out to the industry is a new approach, since previously the local Area Inspector had the responsibility for making casino management aware of what was required of them.

7.23 As stated earlier, one issue that remains to be resolved is monitoring, for the purposes of the Money Laundering Code, the amount of money put at risk by players of automated roulette games. With conventional roulette games this task is carried out by the table inspector who simply records the value of each 'buy in' by a particular player, and is quite straightforward. In contrast, this task is more difficult to achieve on automated games since it is difficult to establish how much money any identifiable player is putting into the machine or betting game to game. This shortcoming has been brought to the attention of casino operators who are currently working with the machine manufacturers to find a solution.

Gaming machines

7.24 During the year the Specialist Machines Inspector carried out over 90 visits to gaming machine manufacturers and trade shows to give advice on the acceptability of new design concepts. Visits were also made to manufacturers of electronic multi-player roulette, both in this country and abroad, to examine and provide an opinion on whether their concepts would be acceptable as casino games under the Bankers Games Regulations in Great Britain. In common with casino and bingo etc. operators, since 1 January 2002, the frequency of visits to machine manufacturers and suppliers has been based on a risk assessment strategy.

- 7.25** Further developments in the multi-choice video networked terminals, to which reference was made in the Board's previous Annual Report, have now resulted in the introduction of video-based Amusement With Prizes (AWP) variants on these terminals, albeit in relatively small numbers at present. With the inevitable increase in numbers of this type of machine in the future, and the ability to download new games and control percentage payouts from a remote central server, the Board, in conjunction with the trade association, BACTA, will need to consider and develop appropriate safeguards in order to prevent unauthorised access to game control software.
- 7.26** Throughout the year, advice and guidance on gaming machines has been given by the Specialist Machines Inspector to the Police, HM Customs & Excise and local licensing authorities. Assistance was also given to the Police in the form of lectures and practical demonstrations on gaming machines, during their gaming course at the police training college in Manchester. Additionally, the training of new Inspectors in the technical and legal aspects of gaming machines was also undertaken.
- 7.27** The Machines Inspector (Compliance) is responsible for the analysis of machine compliance test data submitted by manufacturers for Amusement with Prizes (AWP) and Jackpot machines. After an initial evaluation of the compliance test arrangements, and subsequent improvements made to the voluntary system with the cooperation and assistance of BACTA, this Inspector now receives a regular flow of new test data from manufacturers. These data are typically derived from a test run of a large number of games when a machine is 'launched' into the marketplace following successful completion of an industry site test. The Machines Inspector (Compliance) is one of the two Inspectors who have also been assisting the Alderney Gambling Control Commission with probity enquiries into applications for Internet gaming licences.
- 7.28** Several successful prosecutions, one of which was dealt with at Crown Court, with substantial fines imposed and forfeiture orders made, of individuals found to have been supplying machines unlawfully have been undertaken by different police forces across the country, invariably with the assistance of the local Gaming Board Inspector. This action is welcomed by both the Board and BACTA – who represent legitimate machine suppliers – since it goes some way to reduce the number of hard gaming machines available to young and vulnerable people in public areas.

Armed robberies

- 7.29** In last year's Annual Report the Board noted its concern at the increased incidence of robberies involving casino and bingo club premises where staff had been threatened, and in several instances assaulted, by armed assailants. This worrying trend has unfortunately not abated and further instances of robbery involving armed assault have occurred this year. Clearly the industry will need to continue to be vigilant and further develop safeguards to protect both staff and property.

Complaints from the public

7.30 Complaints received from members of the public and players in respect of gaming licensed premises and other gaming activities, both lawful and unlawful, receive full enquiry from the Inspectorate. Where possible, all complaints are acknowledged in writing and a member of the Inspectorate will generally make a personal visit to the complainant to discuss the findings. During the year investigations into 198 complaints (44 casino, 117 bingo and 37 'other') were completed. Of these 69 were found to be justified. Complaints received included: barred casino members seeking reinstatement; claims of non-payment, or low percentage return, from Jackpot and AWP gaming machines; bingo late call disputes; and reports of illegally sited gaming machines.

Appendix I

The work of the Board, its organisation and procedures

Introduction

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

- ◆ Why gaming is regulated and the objectives of regulation (paragraphs A2 to A4).
- ◆ The legislative framework in Great Britain (A5 to A8).
- ◆ The Board's purposes and functions (A9 to A11).
- ◆ The Board's composition and staffing (A12 to A14).
- ◆ The Board's procedures (A15 to A20).
- ◆ Recovery of expenditure through fees (A21).
- ◆ Audits and inspections and other links with the Home Office (A22 and A23).
- ◆ Consultation, communication with the industry and confidentiality (A24 and A25).
- ◆ Guidance to operators and others (A26 to A31).
- ◆ Conduct of Board's staff and the Inspectorate, including the handling of complaints (A32 to A34).

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

Why gaming is regulated and the objectives of regulation

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

- A3** Gambling can also be addictive for some individuals, with adverse effects for themselves, their families and society in general. The small minority of gamblers who have problems in controlling their gambling can cause damage to themselves and those near them. A significant proportion of problem gamblers also commit illegal acts to enable them to pursue their gambling.
- A4** As a consequence, gambling is regulated in all developed countries and, whilst the nature of the regulatory system varies from one country to another, the Board believes that the following objectives are common to them all:
- ◆ Gambling should be crime-free (both in terms of its operators and the players it attracts), conducted in accordance with regulation and honest.
 - ◆ Players should know what to expect and be confident that they will get it and should not be exploited.
 - ◆ There should be protection for children and vulnerable persons.

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

The legislative framework in Great Britain

- A5** In Great Britain, this regulation has been successfully achieved for gaming through the 1968 Gaming Act and for society and local authority lotteries through the 1976 Lotteries and Amusements Act.
- A6** The 1968 Act enables gaming to be carried on legally by commercial operators for profit within a regulated system which does not unduly stimulate the demand for gaming and established the Gaming Board as the dedicated regulatory body to control and monitor the industry. The Act, as amended, with its related Regulations, thus 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.

- A7** 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 for the existence of any criminal records. The provisions of the Rehabilitation of Offenders Act 1974 in relation to spent convictions do not apply in respect of applicants for Board certificates. The Gaming Act does not require the Board to reveal sources of confidential information and it does not provide an appeal mechanism against Board decisions. However, the Act prescribes in detail the criteria to which the Board should have regard in reaching decisions. Moreover, the Act lays on licensing justices the power of granting and taking away licences and on the police the responsibility for enforcement in respect of criminal offences. The Board is not a prosecuting authority. The Board's decisions are subject to judicial review.
- A8** The Lotteries and Amusements Act 1976 established the regulatory and control systems which apply to lotteries. It enables lotteries to be carried on by societies to assist good causes and by local authorities provided that statutory limits on sales, prizes and expenses are not exceeded. The Board itself is only concerned with the regulation of the larger society lotteries and those lotteries promoted by local authorities: local authorities themselves in turn regulate the smaller society lotteries. Hence, societies (for example charities or football clubs) which wish to promote individual lotteries with proceeds in excess of £20,000 or a number of lotteries with cumulative proceeds in a calendar year of more than £250,000 need to register with the Board, as do all local authorities which wish to promote public lotteries. Organisations or companies which manage lotteries on behalf of societies or local authorities also need to be registered. The Board is not responsible for regulating the National Lottery: this is done by the National Lottery Commission.

The Board's purposes and functions

- A9** The Board's purposes and functions under the 1968 and 1976 Acts can be broadly summarised as follows:
- ◆ to ensure that those involved in organising gaming and lotteries are fit and proper to do so and to keep gaming free from criminal infiltration;
 - ◆ to ensure that gaming and lotteries are run fairly and in accordance with the law; and
 - ◆ to advise the Secretary of State on developments in gaming and lotteries so that the law can respond to change.
- A10** 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; and
- ◆ 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; and
- ◆ 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; and
- ◆ maintains contact with gaming regulatory authorities abroad to inform itself of relevant developments.

A11 In carrying out its statutory duties, the Board seeks to ensure, so far as possible, that:

- ◆ licence and certificate holders know what is required of them;
- ◆ applicants, licence and certificate holders are treated impartially and with equal fairness;
- ◆ the Board's requirements and guidance do not impose unnecessary work or costs on the industry;

- ◆ the interests of the public are protected and through the Board's work and contacts with the industry players understand what they are being offered when they game;
- ◆ the work of the Board is carried out professionally, promptly, fairly and courteously.

The Board's composition and staffing

- A12** The Board consists of a part-time Chairman and four other part-time members. It is served by Secretariat staff and its Inspectorate. Secretariat staff are civil servants on loan from their parent Departments. Inspectorate staff are directly recruited and employed by the Board. Specialist legal and accountancy advice is sought from outside consultants as and when required through three year contracts agreed in 2000.
- A13** The Board's Inspectorate is arranged into five regions covering: South East England; South West England and South Wales; North of England and North Wales; Midlands; and Scotland and North East England. The individual regions are responsible for inspecting and monitoring certificate and licence holders in their regions and for dealing in the first instance with any problems or difficulties that arise. Their work is supervised and co-ordinated by the Chief Inspector and his Deputy at Board headquarters in London and is supported by a four person Operations and Intelligence Section. The Board also employs two Specialist Machines Inspectors to supervise and monitor the gaming machines industry. Secretariat staff are all located at the Board headquarters and are organised into separate sections covering casino gaming, bingo, certification of gaming employees, gaming machines, lotteries, management services, information technology and finance. Address and contact numbers of the Board's headquarters and regional offices, together with the names of senior staff, are given in Appendix III.
- A14** All executive Non-Departmental Public Bodies such as the Board are required by the Government to draw up and agree with their sponsoring Departments a code of practice for their Board members and a code of conduct for their staff, both based on model codes of best practice produced by the Treasury. The Board has thus adopted and agreed codes to reflect its own characteristics and circumstances.

The Board's procedures

- A15** As described in paragraph A10, the Board determines applications made to it for certificates of consent needed by casino and bingo licensees, for certificates relating to the sale, supply and maintenance of gaming machines, and for certificates of approval for gaming employees. In each case, it can either grant or refuse the application and it subsequently has powers of revocation if concerns arise about the activities and behaviour of the certificate holders. Although the precise tests in the Act vary to some extent between categories, with the criteria for revocation being more stringent than the criteria for the refusal of a new certificate, they generally involve examining whether, in the Board's opinion, the applicant is fit and proper and is likely to be capable of and diligent in undertaking the responsibilities concerned. The Board can also object to the grant or renewal of the gaming licences granted by licensing authorities in respect of casinos and bingo clubs and it advises the authorities on the demand for new facilities.

- A16** 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 Secretary of State for Culture, Media and Sport for a review of the decision.
- A17** All decisions relating to casino certificates of consent are taken by a panel consisting of three or more Board members (except that the Chairman has delegated powers to grant certificates in certain technical or straightforward cases). In addition, any decision to refuse or revoke a certificate or registration or to object to a licence is also taken by a panel of Board members, although in certain exceptional circumstances the Chairman acting alone can agree to the lodging of an objection to a licence. Such decisions are always accompanied by a statement of reasons. Otherwise, Board staff have delegated authority to grant certificates or registrations. Usually this is done on the basis of information provided on the relevant application forms or in other supporting documentary evidence. However, applicants for the Board's casino executive certificate of approval are normally interviewed by a panel consisting of a Board member and a senior member of the Inspectorate whilst re-applicants for certificates of approval after revocation and first-time applicants for certificates to act as casino or bingo managers are usually interviewed either by the Board's Inspectorate or by a panel consisting of a Senior Inspector and a senior Board official. If these panels believe refusal is appropriate, the case is referred to a panel of Board members. The Board carries out checks of criminal records for applicants where appropriate.
- A18** Cases to be dealt with by panels of Board members are prepared jointly by officials and the Inspectorate. With the exception of decisions to object to a licence where the Board's case must be presented to the licensing authorities, officials write to the applicants or certificate or registration holders stating the matter to be decided and the issues which the Board wishes to address and giving them the opportunity of making written representations or appearing personally before the panel to respond to those issues. It is made clear that the Board will not wish to reach a decision on applications for certificates of consent from those new to the industry or those undertaking a substantial expansion of activities without the opportunity of hearing the applicants. In other cases, for example those involving potential revocation of Board certificates or registrations, if written representations are made but no hearing is requested, or if no response is received to the letter informing the person that, and the reasons why, the Board is minded to revoke the certificate or registration, the relevant papers are put before a Board members' panel for decision.

- A19** Board panels at hearings normally consist of three members, although all five members may be present at major cases involving certificates of consent. The panel makes clear to the applicants or certificate or registration holders the purpose of the hearing and the subject matter or areas of concern, though the source of confidential information may need to be protected. The panel establishes with the applicants or certificate or registration holders the facts which are material to the decision and gives them a full opportunity to respond to each issue of concern and to make a statement at the end of the hearing. Although the hearing is essentially between the panel and the applicants or certificate or registration holders, the latter may be accompanied by advisers, whether legally qualified or otherwise, if they so wish and these advisers may comment on points at issue and are also given an opportunity to make a statement. The decision of a panel may be given at the end of the hearing or reserved for consideration and later communication in writing. If there are particular points to be followed up, the applicant will be told what they are.
- A20** The Board considers policy issues and matters on which it wishes or is requested to provide advice to Ministers at its monthly Board meetings. It promulgates its views and advice and the reasons for them as appropriate, and summarises them in the Annual Report. To the extent that the Board gives confidential advice to the Department for Culture, Media and Sport (DCMS) in connection with Government policy decisions, it is for the DCMS to promulgate this if it considers it appropriate.

Recovery of expenditure through fees

- A21** The Board is financed by grant-in-aid set by the DCMS. It is required to seek to cover its expenditure, including the costs of its Inspectorate in its regular work of supervision of, and investigation of, matters relating to casinos, bingo clubs, etc, through the fees charged for certificates and licensing. The fees charged also reflect the estimated costs to the DCMS and police and of supporting licensing authorities in relation to their involvement in the control of gaming.

Audits and inspections and other links with the DCMS

- A22** The DCMS is now the Board's sponsoring Government Department. In that role it produces and agrees with the Board a management statement and financial memorandum setting out the respective responsibilities of the Board and the DCMS 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 DCMS to discuss developments and progress in respect of the Board's work and DCMS policy. The Board produces, and provides to the DCMS for comment, an annual strategic and operational plan.
- A23** The National Audit Office is responsible for auditing the Board's accounts, although it may subcontract the detailed work of examination. From 1 April 2002, internal audit of the Board's operations is being conducted on its behalf by Deloitte and Touche. The Board has an audit committee consisting of the five Board members, under the chairmanship of one of their number (Mr Steen), which amongst other things reviews the reports produced by

the National Audit Office and the Board' internal auditors to ensure that appropriate action is taken to respond to any recommendations or other comments.

Consultation, communication with the industry and confidentiality

- A24** The Board considers that a proper distance should be maintained between a regulatory body and individual licensees and certificate holders in the regulated industry. However, the Board has regular discussions with trade associations about matters of common concern and the Board's Chairman regularly speaks at annual meetings of these associations. Working groups consisting of Board officials and representatives of the British Casino Association and the Casino Operators Association, of the Bingo Association and of BACTA (the trade association for the coin-operated amusement machine industry) respectively continue to meet at intervals and have proved valuable vehicles through which to address and make progress on specific issues of importance and current concern to the respective sides. The Board itself holds informal meetings at intervals with casino and bingo operators.
- A25** Whilst the Board promulgates its views and advice on policy matters and the reasons for them, it regards its dealings and interviews with individual operators, companies and individuals, including compliance failures, as confidential except to the extent that particular action is required e.g. with the licensing justices or the police and prosecuting authorities. Points of general concern may be raised subsequently with trade associations.

Guidance to operators and others

- A26** The Board has produced a leaflet on its work which briefly describes such matters as the Board's role and aims, the certificates, registrations, etc, needed by those who wish to organise gaming or run lotteries and the guidance and help available from the Board. Copies can be obtained free of charge from the Board's headquarters at the address in Appendix III. The information is also available in the 'Role and Aims' section of the Board's website (www.gbgb.org.uk).
- A27** 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. Copies can be downloaded from the Board's website. The application forms are designed to be as clear and comprehensive as possible and are intended to provide the Board at an early stage of the application with as much as possible of the information it needs to carry out its statutory duties and so reduce the need for follow-up enquiries. The Board emphasises that gaming and lotteries are activities in which the scope for fraud and other dishonesty is high. Those seeking to operate or benefit from such activities must therefore expect to be thoroughly investigated.
- A28** The Board provides an annual memorandum of advice to justices responsible for licensing casinos and bingo clubs, so that both justices and the industry are aware of the Board's views on issues relevant to those licences. This memorandum relates in particular to the matters on which Schedule 2 to the 1968 Act provides for the Board to give such advice,

that is the demand for gaming facilities, the places in which gaming facilities are provided, the suitability of premises and restrictions to be attached to licences. The Board publishes as an Annex to that advice the policy to which it works when considering whether to object to a casino licence on demand grounds. Copies of the memorandum can be obtained from the Board's headquarters at the address in Appendix III or on the Board's website.

A29 The Board agrees guidelines and codes of practice with the relevant trade associations which are normally promulgated by both the Board and the associations. These provide guidance on areas in which the legislation is considered to be insufficiently clear, on interpretation of the law where that is considered necessary and on standards and principles which the Board regards as defining acceptable practice. Such guidelines do not have legal force but they set out principles to which the Board expects the industry to adhere. Hence, while failures to follow the provisions of the guidelines may not of themselves be offences in law, the Board believes that such failures can legitimately be taken into account in assessing whether certificate and licence holders have acted in a fit and proper manner. This view was endorsed by the judge in a judicial review case involving the Board in 1995.

A30 The main guidelines currently in operation are:

Casino gaming The Board's Accounting and Control Guide and Notes for Guidance of new operators regarding the form of submission for operational procedures.

The Gaming Board Guidelines for the Casino Industry:

Guideline No. 1 – Acceptance of Cheques and Debit Cards.*

Guideline No. 2 – Club Activities.*

Guideline No. 3 – Competitions in Card Rooms.*

Guideline No. 4 – Socialising with Guests and visits to Casinos.*

Guideline No. 5 – Automated Teller Machines (ATMs) in Casinos*

Guideline No. 6 – Advertising*

Guideline No. 7 – Postal Applications*

The Board's Code of Practice Relating to the Prevention and Detection of Money Laundering in Casinos.

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

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

* available on Board's website.

A31 The Board has prepared a booklet on 'Lotteries and the Law' which is available free of charge to societies and local authorities responsible for, or thinking of, promoting lotteries under the 1976 Lotteries and Amusements Act. This booklet is designed to provide a plain guide to the main requirements of lottery law. It can be obtained from the Board's headquarters at the address in Appendix III or on the Board's website.

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

A32 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.

A33 The Board's staff will provide on request any advice needed by existing or potential certificate, registration and licence holders. The Board's Inspectorate discuss problems and other relevant issues with licence and certificate holders during their regular monitoring and inspection visits. Minor, isolated and/or inadvertent contraventions of gaming legislation, regulations, approved guidelines or conditions attached to licences/registrations are normally dealt with by verbal or written warnings. All staff will answer telephone enquiries as far as they are able at the time they are received: if they need to obtain further advice first, they will undertake to call back. Replies to written enquiries, other than those relating to particular applications which are handled within the arrangements for such casework, are normally sent within 20 working days. No charge is made for the provision of advice. The Board has however noted a tendency for responses to be sought at very short notice. Whilst officials will always deal as quickly and as helpfully as possible with issues relating to the work of the Board, it is often the case that an apparently straightforward request will involve research or the investigation of the legal position. It is therefore important that those requesting information recognise that an immediate answer may not always be possible; and make their enquiries in good time to meet their needs.

A34 Complaints concerning the actions or advice of the Board's staff are rare. Where problems do arise, the Board expects that in most cases the matter will be capable of resolution by further discussion between the complainant and the person concerned or an immediate superior. Where this does not resolve the matter and the complainant wishes to lodge a formal complaint, that should be sent in writing to either the Chief Inspector, in the case of Inspectorate staff, or the Secretary to the Board, in the case of other staff, at the headquarters address given in Appendix III. The Secretary or Chief Inspector will arrange for an investigation and reply. If the complainant remains dissatisfied or if the investigation identifies a matter which might require further action, the case will be referred to a member of the Board for consideration. The complaints system cannot however be used as a means of attempting to appeal against the merits of decisions taken by the Board itself to refuse or revoke a certificate or registration.

Appendix II

Table 31: Selection of Key Gaming Industry and Board Statistics: 1997/98 – 2001/02

	1997/98	1998/99	1999/00	2000/01	2001/02
Casinos					
Operating at year end	115	116	118	118	122
Drop (£million)	2,720	2,669	3,100	3,316	3,532
House win as % of drop	18	17	18	16	17
American roulette as % of total drop	61.4	62.7	63.8	66.3	64.6
Applications for certificates of consent or their continuance					
(a) made	19	15	44	49	46
(b) Determined (including withdrawn and fallen applications)	22	16	44	20	71
– of which refused	1	-	0	0	0
Bingo					
Clubs holding gaming licences at end of year	818	772	743	717	706
Amount staked on bingo: million	1,019	1,041	1,076	1,118	1,164
Application for certificates of consent					
(a) made	83	43	56	41	56
(b) determined (including withdrawn)	54	72	50	30	46
– of which refused	0	-	0	0	0
Certification of Casino and Bingo Employees					
Certificate issued or re-issued	3,574	5,056	4,106	4,906	4,777
Applications refused	3	2	0	1	2
Certificate holders revoked	73	81	58	72	51
Gaming Machines					
Jackpot (or club machines) pinball, pushers, cranes				31,000	34,000*
Amusement with prizes (AWP) Machines licensed	250,000	250,000	250,000	215,000	221,000*
Certificates to sell, supply and maintain in force at year end	800	781	773	679	678
Certificates refused or revoked	5	5	2	1	1
Lotteries					
Society scheme registrations at year end	614	628	644	655	662
Local authority scheme Registrations at year end	9	6	2	2	1
Schemes revoked	0	0	0	1	0
Number of lotteries held under Board registered schemes	5,081	27,342	4,325	5,053	4,987
Total ticket sales (£million)	124.87	161.11	103.59	107.17	108.9
Gaming Board					
Grant-in-aid (£million)	3.32	3.31	3.45	3.54	3.68
Staff	73	69	75	75	79
– of which Inspectorate	35	35	34	37	38

*Based on industry estimates for 2000.

Appendix III

The Board Members, Staff and Offices

Board Members

Peter DEAN CBE (Chairman)

Mr Dean joined the Board in 1998. He was Deputy Chairman of the Monopolies and Mergers Commission from 1990 to 1997, and from 1996 to 2001 served as the Investment Ombudsman appointed by the Investment Management Regulatory Organisation (IMRO) to handle complaints against IMRO regulated companies. Before that he was an Executive Director of Rio Tinto Plc for over 10 years. He has a legal background. Mr Dean currently chairs the International Association of Gaming Regulators.

Robert LOCKWOOD

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

Roy PENROSE OBE QPM

Mr Penrose has had a career of almost 40 years with the police service. He was Director General of the National Crime Squad from 1998 until December 2000 and was previously Deputy Assistant Commissioner in the Metropolitan Police. (He was awarded the Queens Police Medal in 1993 and was awarded an OBE in the 1998 New Year's Honours). Mr Penrose joined the Board on 1 August 2001 and holds special responsibility for the Inspectorate.

Michael STEEN

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

Marie STEVENS

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

Senior Staff of the Gaming Board at 31 March 2002

Secretary	Mr T J Kavanagh
Chief Inspector	Mr R G White
Deputy Chief Inspector	Mr D W Burns

Section Heads

Casino and Bingo	Mr D Aldridge
Lotteries and Machines	Mr C Young
Finance and Management Services	Ms A C Wilson

Table 32: The Board's staff as at 31 March 2002

	Grade	Staff in Post
Administrative Staff	5	1
	7	1
	SEO	2
	HEO*	5.94
	EO	8
	PS	1.6
	AO**	17.55
	AA	2
	Typist	0.5
	Messenger/Paperkeeper	1
Total		40.59
Inspectorate	Chief Inspector	1
	Deputy Chief Inspector	1
	Senior Inspectors	7
	Inspectors	27
	Specialist Machines Inspector	1
	Assistant Specialist Machines Inspector	1
Total		38
GRAND TOTAL		78.59

* includes an HEO accountant grade and IT Systems Administrator

** including 4 at regional offices

Offices of The Gaming Board

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

Telephone enquiry numbers

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

Regional Offices of The Board

Headquarters Operations & Intelligence

Senior Inspector Ms H Scott

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

Tel 020 7306 6250

Fax 020 7306 6268

South East Region

Senior Inspector Mr T Adams

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

Tel 020 7306 6218

Fax 020 7306 6268

South West Region

Senior Inspector Mr A Carpenter

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

Tel 01454 616687

Fax 01454 613090

Midland Region

Senior Inspector R G Nicholson, MBE

Minerva House, Spaniel Row, Nottingham NG1 6EP

Tel 0115 941 9991

Fax 0115 948 4587

Northern Region

Senior Inspector Mr P Denny

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

Tel 0161 872 6016

Fax 0161 873 8248

Scottish Region

Senior Inspector Mr I Maxwell

Portcullis House, 21 India Street, Glasgow G2 4PZ

Tel 0141 221 5537

Fax 0141 221 5494

APPENDIX IV

THE GAMING BOARD FOR GREAT BRITAIN ACCOUNT 2001/02

FOREWORD

Introduction

1. This account has been prepared in a form directed by the Secretary of State for Culture, Media and Sport (DCMS) with the approval of the Treasury in accordance with Section 50 of the Gaming Act 1968.
2. Under the Financial Memorandum on payment of the grant in aid, the Comptroller and Auditor General is the appointed auditor to the Board. The audited and certified account is published in the Annual Report of the Board which is laid before Parliament by the Secretary of State under section 50 of the Gaming Act 1968.
3. During the financial year 2001/02, responsibility for government policy on gambling was transferred to DCMS from the Home Office. Therefore, DCMS are now the Gaming Board's sponsoring Government Department. However, in this transitional year the Gaming Board has received grant from, and appropriated income to, both Home Office and DCMS. This is reflected in the various notes that follow with reference to one or both bodies according to the circumstances.

History

4. 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.

Organisational Structure

5. The Gaming Board is staffed by a Secretariat, consisting of a Secretary to the Board and administrative staff, all of whom are civil servants on loan, and an Inspectorate, to which staff are directly recruited. The administrative staff are divided into sections dealing with casinos, bingo, certification, machines, lotteries, information technology, finance and management services. The Inspectorate consists of a senior management team based at Gaming Board Headquarters in London and five regional offices covering the South East, South West, Midlands, North, and Scotland.

Principal Activities

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

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

Results for the Period

7. Between 1 April 1987 and 7 June 2001, the Board was financed by a grant in aid from the Home Office. With effect from 8 June 2001, the Board has been financed by a grant in aid from the DCMS.
8. Remuneration, pensions and other expenses of Board Members are charged in this account. Expenditure on staff (including inspectors') remuneration and other expenses incurred by the Board under section 48(1) of the Act and paid out of the grant in aid are also charged in this account.
9. Following an actuarial valuation of the liability for pensions paid to former Chairmen not provided for by the Principal Civil Service Pension Scheme (PCSPS), a prior year adjustment has been made, reducing brought forward reserves by £155,000 (see note 2 to the account).

Board Members

10. The members of the Gaming Board for Great Britain during 2001/02 were as follows:

Mr P H Dean CBE (Chairman)	
Mr D Elliott CBE, QPM	retired 31 July 2001
Mr R C Lockwood JP	
Mr R Penrose OBE QPM	appointed 1 August 2001
Mr D M C E Steen FCA	
Mrs M A G Stevens	

Fees and Charges

11. Fees received by the Board in respect of certificates and registrations are paid over to DCMS for appropriation in aid of the DCMS. Licence fees receivable under the Gaming Act are collected by Justices Clerks of Licensing Justices (Licensing Courts in Scotland) and paid over to the Lord Chancellor's Department for surrender to the Consolidated Fund.
12. At the request of DCMS, the Board advises DCMS on the levels of fees which are intended to recover the overall costs of the Board together with estimated relevant costs of Licensing Justices, Police Authorities and the DCMS itself in relation to the regulation of the industry.

13. Set out below is an estimate of the extent to which this objective has been achieved in the year to 31 March 2002.

	Gaming		Lotteries		Total	
	2001/2002	2000/2001 as restated	2001/2002	2000/2001 as restated	2001/2002	2000/2001 as restated
	£	£	£	£	£	£
FEE INCOME						
Fees collected by:						
Gaming Board	1,242,621	1,117,273	350,476	361,200	1,593,097	1,478,473
Courts (estimated)	<u>2,327,116</u>	<u>2,352,526</u>	-	-	<u>2,327,116</u>	<u>2,352,526</u>
Total Fee Income	<u>3,569,737</u>	<u>3,469,799</u>	<u>350,476</u>	<u>361,200</u>	<u>3,920,213</u>	<u>3,830,999</u>
COSTS						
Incurred by:						
Gaming Board						
Operating Expenditure	3,291,904	3,085,100	362,861	357,507	3,654,765	3,442,607
Board Members	124,877	121,243	7,967	7,735	132,844	128,978
Notional cost of capital	6,720	7,602	725	834	7,445	8,436
Notional insurance costs	2,447	2,322	288	290	2,735	2,612
Costs recovered	<u>(65,209)</u>	<u>(44,664)</u>	<u>(3,770)</u>	<u>(2,239)</u>	<u>(68,979)</u>	<u>(46,903)</u>
Gaming Board (net)	<u>3,360,739</u>	<u>3,171,603</u>	<u>368,071</u>	<u>364,127</u>	<u>3,728,810</u>	<u>3,535,730</u>
Estimated costs supplied by DCMS/Home Office:						
Courts	375,654	186,839	-	-	375,654	186,839
Police Authorities	102,481	50,373	-	-	102,481	50,373
DCMS/Home Office	<u>45,151</u>	<u>63,864</u>	<u>11,288</u>	<u>15,965</u>	<u>56,439</u>	<u>79,829</u>
Total Expenditure	<u>3,884,025</u>	<u>3,472,679</u>	<u>379,359</u>	<u>380,092</u>	<u>4,263,384</u>	<u>3,852,771</u>
(Deficit) for year	<u>(314,288)</u>	<u>(2,880)</u>	<u>(28,883)</u>	<u>(18,892)</u>	<u>(343,171)</u>	<u>(21,772)</u>

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

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

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

14. Certain of the above figures are based on estimates. In particular, estimated court fees have been calculated by using returns from the Courts regarding the number of licences granted, multiplied by the appropriate fees.
15. Figures for 2000/01 have been restated following the creation of a provision in respect of pensions for the current and former Chairmen. As a result, the deficit for the year has fallen to £21,772 (previously shown as £33,475).
16. The under-recovery for 2001/02, at £343,171, represents 8% of total expenditure. There are a number of reasons for this. First, although fees are set at the beginning of the financial year at levels which are intended to balance income and expenditure, certain fees are paid in advance of the issue of the certificate to which they relate, resulting in a time lag in the impact of the changes in fees. Hence, a substantial number of the fees brought to account in 2001/02 were paid at the lower rates, which applied in 2000/01, and therefore before the increases intended to balance income and expenditure took effect. This is estimated to have given rise to over one-third of the under-recovery. Secondly, there are inevitable variations between predicted and actual numbers

of applications for certificates, licences, etc. Such variations are estimated to have contributed around a further one-third of the under-recovery, caused entirely because the number of new casino licences was below expectations. The remainder of the under-recovery has arisen because various accounting adjustments were, in the event, at differing levels to those assumed in the fee setting exercise and because total expenditure was £40,000 more than originally expected

Charitable Donations

17. No charitable donations were made in the period ended 31 March 2002.

Change to Fixed Assets

18. In the period to 31 March 2002, the only significant change in fixed assets was expenditure of £54,834 on computer equipment, the aim being to facilitate more efficient working by enhancing information technology systems. These changes together with further planned improvements are part of a rolling programme to take forward recommendations made following a review of existing systems by a team of consultants in 2001.

Post Balance Sheet Events

19. There were no significant events to report.

Compliance with Public Sector Payment Policy

20. The Gaming Board's policy, in line with Government requirements, is to pay all invoices within 30 days of receipt unless a longer payment period has been agreed or the amount billed is in dispute. In the period to 31 March 2002, 96% (target 95%) of invoices, totalling £1,365,123, were paid within 30 days of receipt.

Staff Involvement and Development

21. The Gaming Board has been an accredited Investor in People since November 1999, receiving re-recognition during 2001. As an Investor in People, the Board strives to ensure staff are provided with appropriate information and training to enable them to develop skills, gain an understanding of their roles within the organisation, and are kept up-to-date with developments affecting the Board.

Equal Opportunities

22. The Gaming Board, in line with DCMS policy, is an equal opportunities employer, committed to providing a working environment where no one is disadvantaged and where all possible steps are taken to ensure staff are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based solely on objective and job related criteria.

Future Developments and Going Concern

23. As discussed in the main body of the Report, substantial changes in the way gambling is regulated in Great Britain are planned as a result of the proposals in the report of the Gambling Review Body published in July 2001 and then in the Government's policy statement which followed in March 2002. In particular, it is proposed that the Gaming Board should be subsumed into a new Gambling Commission with an extended range of duties and responsibilities and enhanced powers. The Government has said that the necessary legislation will not be introduced before the 2003/04 Parliamentary session at the earliest. Meanwhile the Gaming Board will continue to discharge its duties under the current law. As a result, in preparing this account, it has been assumed that there will be no material costs associated with the termination of the Gaming Board.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

20 June 2002

STATEMENT OF THE GAMING BOARD'S RESPONSIBILITIES

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

In preparing the accounts the Gaming Board is required to:

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

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

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

20 June 2002

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the Board's policies, aims and objectives, as established both by the relevant legislation and by direction of Board members, whilst safeguarding the public funds and Board assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting, and ensuring compliance with the requirements of the Board's Management Statement and Financial Memorandum.

As Accounting Officer, I also have responsibility for establishing, and reviewing the effectiveness of, the system of internal control. That system is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Board policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have all the procedures in place necessary to implement fully Treasury guidance sometime during the 2002/03 financial year. This takes account of the time needed to fully embed the processes which it has been agreed should be established and improve their robustness.

The Board has already established the following processes:

- ◆ Monthly Board meetings to consider the plans and strategic direction of the Board. (The Board meetings comprise five Board members appointed by the Secretary of State and attended by senior executive staff.)
- ◆ Bi-monthly senior management meetings which address the extent to which the Board's plans and strategy are being met.
- ◆ An internal audit committee consisting of all five Board members which meets as necessary to consider internal and external audit reports and other issues concerning internal control.
- ◆ Regular reports by internal audit, to standards defined in the Government Internal Audit Manual, based on a three year plan designed to give a comprehensive coverage of the Board's audit needs and which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Board's system of internal control together with recommendations for improvement.

The Board has held a series of meetings on risk management, attended by representatives of all grades of staff throughout the Board, during which the main risks to the achievement of the Board's policies and objectives were identified, along with the controls and processes in place to address those risks. As a result, a risk management policy statement and risk register have been prepared and distributed to each member of staff setting out the Board's approach to risk and to make them aware of the controls and processes designed to reduce risk.

Following circulation of these documents, it is proposed that:

- ◆ Risk management will be more fully integrated into corporate planning and decision making and senior managers will review and assess the adequacy of the risk control systems in place before reporting on the year ending 31 March 2003.

- ◆ Meetings of staff will be used to ensure they are aware of the risks which apply to their areas of work and their responsibilities for the controls and processes in place.
- ◆ Six-monthly exercises will be conducted to update if necessary the risk register and to consider whether any changes are needed to the controls and procedures in place to address the risks.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the Board who share with me the responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letter and other reports.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

20 June 2002

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

I have audited the financial statements on pages 98 to 109. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 101 and 102.

Respective responsibilities of the Gaming Board for Great Britain, the Secretary and Auditor

As described on page 93 the Gaming Board for Great Britain and the Secretary are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Board and the Secretary are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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

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

I review whether the statement on pages 94 and 95 reflects the Board's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal control.' I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of Audit Opinion

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

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

Opinion

In my opinion:

- ◆ the financial statements give a true and fair view of the state of affairs of the Gaming Board for Great Britain at 31 March 2002 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the directions made by the Secretary of State for Culture, Media and Sport with the approval of the Treasury; and
- ◆ in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

5 July 2002

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

INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2002

	<u>Notes</u>	<u>2001/2002</u>		<u>2000/2001</u> as restated	
		£	£	£	£
INCOME					
Grant in aid	4	3,682,741		3,544,613	
Other Income	6	<u>58,817</u>		<u>35,337</u>	
			3,741,558		3,579,950
EXPENDITURE					
Salaries and Wages	7	(2,359,138)		(2,208,187)	
Other Operating Costs	8	(1,363,924)		(1,294,621)	
Depreciation	9	<u>(64,547)</u>		<u>(68,777)</u>	
			<u>(3,787,609)</u>		<u>(3,571,585)</u>
Operating (deficit)/surplus			(46,051)		8,365
Fee Income					
Fee Income	5		1,596,928		1,482,419
Interest Receivable			10,162		11,566
Notional Cost of Capital			(7,445)		(8,436)
Loss on Disposal of Fixed Assets			(4,474)		(6,627)
Release from Deferred Government Grant					
Reserve in respect of loss on disposal of Fixed Assets	13		4,422		6,627
Release from Revaluation Reserve in respect of loss on disposal of Fixed Assets	13		<u>52</u>		<u>-</u>
Surplus for the year before appropriations			1,553,594		1,493,914
Notional cost of capital reversal			7,445		8,436
Appropriations due to DCMS	5		<u>(1,596,928)</u>		<u>(1,482,419)</u>
Retained (deficit)/surplus for the year			<u>(35,889)</u>		<u>19,931</u>
Movement on Income and Expenditure Reserve					
Surplus/(deficit) brought forward	13		16,621		(3,310)
Retained (deficit)/surplus for the year			(35,889)		19,931
Transfer from Reserves	13		<u>490</u>		<u>-</u>
(Deficit)/surplus carried forward			<u>(18,778)</u>		<u>16,621</u>

All operations are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 March 2002

	<u>Notes</u>	<u>2001/2002</u>		<u>2000/2001</u>	
		£		£	
Retained (deficit)/surplus for the year			(35,889)		17,598
Unrealised (deficit)/surplus on revaluation of assets	13		(433)		1,307
Prior Year Adjustment	2		<u>(155,000)</u>		<u>-</u>
Total Recognised (Losses)/Gains since last Annual Report			<u>(191,322)</u>		<u>18,905</u>

The notes on pages 101 to 109 form part of these accounts.

BALANCE SHEET
as at 31 March 2002

	<u>Notes</u>	<u>2001/2002</u>		<u>2000/2001</u> as restated	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	9		120,852		128,991
CURRENT ASSETS					
Debtors and prepayments	10		366,799		253,506
Cash in hand and at bank	15		451,113		300,322
			817,912		553,828
CREDITORS: Amounts falling due within one year	11		(683,701)		(381,963)
NET CURRENT ASSETS			<u>134,211</u>		<u>171,865</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			255,063		300,856
PROVISIONS FOR LIABILITIES AND CHARGES	12		(152,744)		(155,000)
			<u>102,319</u>		<u>145,856</u>
CAPITAL AND RESERVES					
Reserves	13		121,097		129,235
Income and Expenditure Account	13		(18,778)		16,621
			<u>102,319</u>		<u>145,856</u>

The notes on pages 101 to 109 form part of these Accounts.

T J Kavanagh
Accounting Officer
The Gaming Board for Great Britain

20 June 2002

CASH FLOW STATEMENT
for the year ended 31 March 2002

	<u>Notes</u>	<u>2001/2002</u>		<u>2000/2001</u>	
		£	£	£	£
Net Cash Inflow/(Outflow) from operating activities	14		101,808		(15,232)
Returns on investment and servicing of finance					
Interest received			10,362		11,615
Investing activities					
Payment to acquire tangible fixed assets			<u>(62,069)</u>		<u>(65,164)</u>
Net Cash Inflow/(Outflow) before Financing			50,101		(68,781)
Financing					
Grant in aid for capital expenditure			62,069		65,164
Fee income received	5	1,692,203		1,434,672	
Less: Fees appropriated to Home Office		<u>(1,746,430)</u>		<u>(1,371,007)</u>	
			<u>7,842</u>		<u>128,829</u>
Decrease in net debt	15		<u>57,943</u>		<u>60,048</u>

The notes on pages 101 to 109 form part of these Accounts.

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

This account has been prepared in a form directed by the Secretary of State for the Department of Culture, Media, and Sport with the approval of the Treasury. A copy of the accounts direction can be obtained from Gaming Board Headquarters.

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

Fixed Assets

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

Depreciation

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

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

The rates of depreciation are based on the assumption that the fixed assets will continue being used by a successor body, planned as a result of the proposals in the report of the Gambling Review Body published in July 2001 and then in the Government's policy statement which followed in March 2002. In particular, it is proposed that the Gaming Board should be subsumed into a new Gambling Commission with an extended range of duties and responsibilities and enhanced powers. The Government has said that the necessary legislation will not be introduced before the 2003/04 at the earliest. Meanwhile the Gaming Board will continue to discharge its duties under the current law.

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

Revaluation

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

Capital Grant in Aid and Deferred Government Grant Reserve

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

Deferred Income

Fee receipts are treated as deferred income where monies have been received at the end of the financial year in respect of applications for Bingo and Casino Certificates of Consent. The amount deferred is calculated by reference to the proportion of work undertaken at the end of the year relative to the target timescale for processing each type of application and is released back to the Income and Expenditure Account as the work is completed. Fee income received in respect of Section 27 certificates which are awaiting issue at 31 March is deferred and released back to the Income and Expenditure Account once the certificates have been issued. The Multiple Bingo fee is paid in advance for 3 years. A proportion of the income is therefore deferred and released back to the Income and Expenditure Account over this 3 year period.

Notional Charges

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

Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory.

The Gaming Board for Great Britain recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis.

Liability for payment of future benefits is a charge on the PCSPS.

The current and former Chairmen of the Board are covered by a pension scheme which is by-analogue with the PCSPS. The Board makes payments to the former Chairmen as they are due. However the expected cost of providing the pension is recognised over the period which the Board benefits from the Chairman's services through the building up of a provision for the future liability calculated using actuarially assessed assumptions.

Operating Leases

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

Value Added Tax

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

2. PRIOR YEAR ADJUSTMENT

Following the introduction of Resource Accounting by central government, the Board has changed its accounting policy in respect of the pensions payable to former Chairmen. These costs were previously accounted for on a cash basis, with the pension cost recognised when pension payments were made to the former Chairmen. The Board now recognises this cost over the period during which the Board benefits from the Chairman's services through the building up of a provision for the future liability calculated using actuarially assessed assumptions.

The Gaming Board for Great Britain**Account 2001/02**

The effect of this change of accounting policy is to reduce net assets at 31 March 2001 by £155,000 (reduce net assets at 31 March 2000 by £157,333) and to reduce the deficit for the year ended 31 March 2002 by £2,256 (year ended 31 March 2001: increase the surplus by £2,333).

3. FINANCIAL INSTRUMENTS

The Gaming Board has no borrowings and relies primarily on departmental grants for its cash requirements. It is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

4. GRANT IN AID

	<u>2001/2002</u> £	<u>2000/2001</u> £
Grant received from Home Office/DCMS	3,680,000	3,541,000
Transfer to Deferred Government Grant Reserve in respect of fixed asset acquisitions	(62,069)	(65,164)
Release of Deferred Government Grant Reserve in respect of depreciation charged	<u>64,810</u>	<u>68,777</u>
	<u>3,682,741</u>	<u>3,544,613</u>

5. FEE INCOME

Fees are received in respect of certificates and registrations and these monies are paid over to DCMS for appropriation in aid of DCMS. Receipts in the period are as follows:

	Fee Income <u>Received</u> £	Fee Income <u>Deferred</u> £	Deferred Fee Income <u>Released</u> £	Other Accruals <u>Adjustments</u> £	2001/2002 <u>TOTAL</u> £	2000/2001 <u>TOTAL</u> £
Section 19 certificates	588,188	-	-	56,830	645,018	459,740
Section 27 certificates	370,727	(24,388)	17,370	-	363,709	404,660
Certificates of Consent						
- Bingo	167,440	(98,650)	9,441	-	78,231	42,291
- Casino	68,100	(16,458)	5,108	-	56,750	111,082
Multiple Bingo	<u>144,576</u>	<u>(100,400)</u>	<u>54,737</u>	<u>-</u>	<u>98,913</u>	<u>99,500</u>
Total Gaming	<u>1,339,031</u>	<u>(239,896)</u>	<u>86,656</u>	<u>56,830</u>	<u>1,242,621</u>	<u>1,117,273</u>
Lotteries and Amusements						
Act	<u>349,271</u>	<u>-</u>	<u>-</u>	<u>1,205</u>	<u>350,476</u>	<u>361,200</u>
Total Lotteries	<u>349,271</u>	<u>-</u>	<u>-</u>	<u>1,205</u>	<u>350,476</u>	<u>361,200</u>
TOTAL FEE INCOME	<u>1,688,302</u>	<u>(239,896)</u>	<u>86,656</u>	<u>58,035</u>	<u>1,593,097</u>	<u>1,478,473</u>
Interest on fee income	<u>3,901</u>	<u>-</u>	<u>-</u>	<u>(70)</u>	<u>3,831</u>	<u>3,946</u>
TOTAL	<u>1,692,203</u>	<u>(239,896)</u>	<u>86,656</u>	<u>57,965</u>	<u>1,596,928</u>	<u>1,482,419</u>

6. **OTHER INCOME**

	<u>2001/2002</u> £	<u>2000/2001</u> £
Court Costs Awarded	27,030	33,532
Miscellaneous Income	<u>31,787</u>	<u>1,805</u>
	<u>58,817</u>	<u>35,337</u>

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

	Secretariat £	Inspectorate £	Board Members £	Total £
2001/2002				
Salaries and Wages	807,721	1,044,404	107,444	1,959,569
Social Security Costs	59,275	79,757	8,841	147,873
Other Pension Costs	<u>114,213</u>	<u>130,961</u>	<u>6,522</u>	<u>251,696</u>
TOTAL	<u>981,209</u>	<u>1,255,122</u>	<u>122,807</u>	<u>2,359,138</u>
2000/2001 (as restated)				
Salaries and Wages	763,764	967,918	102,367	1,834,049
Social Security Costs	54,756	75,846	9,179	139,781
Other Pension Costs	<u>104,443</u>	<u>123,588</u>	<u>6,326</u>	<u>234,357</u>
TOTAL	<u>922,963</u>	<u>1,167,352</u>	<u>117,872</u>	<u>2,208,187</u>

Other pension costs include £245,174 in PCSPS contributions paid to DCMS/Home Office and £6,522 accrued pension charge in respect of the current Chairman.

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

Secretariat	40	(2000/01: 37)
Inspectorate	36	(2000/01: 36)

c) **Salary and Pension Entitlements**

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

	Age	Salary including performance pay at 31 March		Real increase in pension at retirement age		Total accrued pension at retirement age at 31 March	
		2001/02 £k	2000/01 £k	2001/02 £k	2000/01 £k	2001/02 £k	2000/01 £k
Mr T J Kavanagh <i>Secretary to the Board</i>	54	70 - 75	65 - 70	0 - 2.5	0 - 2.5	25 - 30	20 - 25
Mr P H Dean CBE <i>Chairman</i>	62	40 - 45	35 - 40	0 - 2.5	0 - 2.5	0 - 5	0 - 5

“Salary” includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. It has been assumed that the Chairman will retire at the end of his appointment in June 2006.

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

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi employer defined benefit scheme but the Gaming Board for Great Britain is unable to identify its share of the underlying assets and liabilities.

A full actuarial valuation was carried out at 31 March 1999 and details can be found in the separate scheme statement of the PCSPS.

For 2001/02, normal employer contributions of £245,174 were payable to the PCSPS (2000/01 £228,031) at rates in the range of 12% to 18.5% of pensionable pay. It has been agreed that contributions will remain at that level for the next two years. Employer contribution rates are reviewed every three years following a scheme valuation by the Government Actuary.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

Benefits for the PCSPS scheme accrue at the rate of $1/80^{\text{th}}$ of pensionable salary for each year of service. In addition a lump sum equivalent to 3 years’ pension is payable on retirement. Members pay contributions of $1\frac{1}{2}\%$ of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member’s pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse’s pension. The enhancement for members of the PCSPS depends on length of service and cannot exceed 10 years. Early retirement is possible in the event of serious ill-health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

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

8. **OTHER OPERATING COSTS**

	<u>2001/2002</u>	<u>2000/2001</u>
	£	£
Rent and Rates	509,773	479,859
Maintenance	143,313	121,157
Professional and Consultancy Fees	128,029	122,617
Travelling and Subsistence - Gaming Board staff	238,199	216,593
- Board members	10,037	11,106
Training/Recruitment and Agency Staff	139,519	143,072
Postage and Telephone	64,050	62,203
Office Supplies, Printing and Stationery, Publications	31,037	34,072
Hospitality	4,637	2,835
IT Expenditure	38,204	52,849
Home Office Service Charges	16,484	17,690
Gaming Regulators European Forum	5,823	1,653
Audit Fee	22,362	17,000
Diminution in value of fixed assets	754	(2,108)
Miscellaneous and Bank Charges	<u>11,703</u>	<u>14,023</u>
	<u>1,363,924</u>	<u>1,294,621</u>

Of the operating costs, an amount of £444,553 (£435,644 in 2000/2001) was paid under operating leases and is included in the headings for Rent and Rates, Maintenance, Postage and Telephone, and Office Supplies.

9. **TANGIBLE FIXED ASSETS**

	<u>Computers</u>	<u>Furniture</u>	<u>Office Equipment</u>	<u>Telecoms</u>	<u>Total</u>
	£	£	£	£	£
Cost					
At 31 March 2001	171,508	145,759	68,820	23,879	409,966
Revaluations	(1,066)	(784)	(293)	(218)	(2,361)
Additions	54,834	2,703	4,532	-	62,069
Disposals	<u>(24,060)</u>	<u>(2,629)</u>	<u>(19,744)</u>	-	<u>(46,433)</u>
At 31 March 2002	<u>201,216</u>	<u>145,049</u>	<u>53,315</u>	<u>23,661</u>	<u>423,241</u>
Depreciation					
At 31 March 2001	111,595	107,034	56,684	5,662	280,975
Revaluations	(353)	(571)	(198)	(52)	(1,174)
Provided in year	42,441	14,559	5,181	2,366	64,547
Disposals	<u>(23,511)</u>	<u>(2,048)</u>	<u>(16,400)</u>	-	<u>(41,959)</u>
At 31 March 2002	<u>130,172</u>	<u>118,974</u>	<u>45,267</u>	<u>7,976</u>	<u>302,389</u>
Net Book Value at 31 March 2002	<u>71,044</u>	<u>26,075</u>	<u>8,048</u>	<u>15,685</u>	<u>120,852</u>
Net Book Value at 31 March 2001	<u>59,913</u>	<u>38,725</u>	<u>12,136</u>	<u>18,217</u>	<u>128,991</u>

In accordance with the accounting policy set out on page 101, fixed assets acquired by the Gaming Board during the period were not revalued at 31 March 2002.

10. **DEBTORS**

	<u>2001/2002</u>	<u>2000/2001</u>
	£	£
Staff Season Ticket Loans and Expense Imprests	41,169	50,480
Bank interest accrued	114	383
Other Debtors	20,698	60
Fee Income prepaid to DCMS/Home Office	185,029	35,527
Other Prepayments	<u>119,789</u>	<u>167,056</u>
	<u>366,799</u>	<u>253,506</u>

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

	<u>2001/2002</u>	<u>2000/2001</u>
	£	£
Trade Creditors	28,870	4,585
Payroll	108,201	40,832
Other Creditors	34,703	88,987
Bank overdraft	205,035	112,187
Accruals	58,552	40,272
Deferred Income	<u>248,340</u>	<u>95,100</u>
	<u>683,701</u>	<u>381,963</u>

The bank overdraft represents unpresented cheques. There was no actual overdraft on the bank account at 31 March 2002.

12. **PROVISIONS**

	£
At 1 April 2001	-
Prior year adjustment [note 2]	<u>155,000</u>
At 1 April 2001 as restated	155,000
Charge in Year	6,522
Paid in Year	<u>(8,778)</u>
At 31 March 2002	<u>152,744</u>

This provision recognises the accruing pension liability for the current Chairman of the Gaming Board together with payments due in respect of three former chairmen. The opening provision has been calculated by the Government Actuary's Department in September 2001 and assumes a real rate of return of 3.5% which is consistent with the assumptions normally used for a funded pension scheme. The accruing cost of the current Chairman's pension is calculated at 15.9% of salary and assumes he will retire at the end of his appointment in June 2006, receiving PCSPS-type benefits.

13. **RESERVES**

	Income & Expenditure Reserve £	Deferred Government Grant Reserve £	Revaluation Reserve £	TOTAL £
At 31 March 2001	171,621	127,928	1,307	300,856
Prior Year Adjustment [note 2]	(155,000)	-	-	(155,000)
Restated at 31 March 2001	16,621	127,928	1,307	145,856
Deficit for the year	(35,889)	-	-	(35,889)
Revaluation of assets	-	-	(433)	(433)
Transfer on Reserves	490	(279)	(211)	-
Grant deferred for additions	-	62,069	-	62,069
Release for depreciation	-	(64,810)	-	(64,810)
Release for disposals	-	(4,422)	(52)	(4,474)
At 31 March 2002	(18,778)	120,486	611	102,319

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

	<u>2001/2002</u> £	<u>2000/2001</u> as restated £
Operating (Deficit)/Surplus	(46,051)	8,365
Depreciation provided in year	64,547	68,777
Diminution in value of fixed assets	754	(2,108)
Release of Deferred Government Grant	(64,810)	(68,777)
(Decrease) in provision relating to operating activities	(2,256)	(2,333)
Decrease/(Increase) in debtors relating to operating activities	35,880	(47,943)
Increase in creditors relating to operating activities	113,744	28,787
Net cash inflow/(outflow) from operating activities	<u>101,808</u>	<u>(15,232)</u>

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

	<u>2000/2001</u> £	<u>Cash Flow</u> £	<u>2001/2002</u> £
Cash at bank and in hand	300,322	150,791	451,113
Bank overdraft [see note 11]	(112,187)	(92,848)	(205,035)
	<u>188,135</u>	<u>57,943</u>	<u>246,078</u>

16. **CAPITAL COMMITMENTS**

There were no capital commitments at 31 March 2002.

17. **COMMITMENTS UNDER OPERATING LEASES**

	2001/2002		2000/2001	
	Land and <u>Buildings</u> £	<u>Other</u> £	Land and <u>Buildings</u> £	<u>Other</u> £
Leases expiring:				
< 1 year	189,308	850	-	207
2 to 5 years	-	-	388,718	821
> 5 years	<u>15,350</u>	<u>-</u>	<u>15,350</u>	<u>-</u>
Total	<u>204,658</u>	<u>850</u>	<u>404,068</u>	<u>1,028</u>

18. **RELATED PARTY TRANSACTIONS**

The Gaming Board for Great Britain is a Non-Departmental Public Body financed by grant in aid from the Department for Culture, Media, and Sport (previously Home Office).

The Department for Culture, Media, and Sport/Home Office are regarded as related parties. During the year, the Gaming Board has had various material transactions with DCMS and Home Office, comprising largely grant in aid, payment of salaries, and appropriation of fee income. These transactions are shown in the Income and Expenditure Account.

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

19. **CONTINGENT ASSETS AND LIABILITIES**

The Board has not recognised as debtors potential fee income in respect of monies requested for machine licences because no amounts are due unless applicants wish to finalise their requests for new or renewal licences. At 31 March 2002, the estimated amount of income requested is £95,475 (£38,790 in 2000/2001).

At 31 March 2002, the Gaming Board anticipates a requirement for legal representation at licence hearings resulting from Casino applications for Certificates of Consent granted during 2001/2002. It is estimated that the costs in relation to these hearings will be in the region of £6,000. The Board seeks to recover these costs from the applicants wherever possible.

20. **FINANCIAL TARGETS**

No financial targets were set for the Gaming Board for the year ended 31 March 2002.

Appendix V

Table 33: Gaming and lotteries fees

	England & Wales From 1 April 2002 (Scotland from 15 July 2002)
	£
Casino Licences	
Grant	28,915
Renewal	7,950
Transfer	7,665
Bingo Licences	
Grant	3,800
Renewal	1,450
Transfer	1,545
Casino certificate of consent	
New licence	8,000
Transfer of licence	5,000
Bingo certificate of consent	
New licence	7,500
Transfer of licence	5,000
Certificate to organise games of multiple bingo	
Grant	167,000
Renewal (for 3 years)	160,000
Registration of club or institute	
Part II	235
Renewal of registration	120
Part III	115
Renewal of registration	70
Employees certificate of approval (Section 19)	
Certificate of approval	160
Gaming Machines	
Grant of certificate for the sale, supply or maintenance of gaming machines	5,800
Renewal of certificate for the sale, supply or maintenance of gaming machines	3,970
Lotteries	
Application for registration of society or local authority lottery scheme	4,600
Renewal of registration of society or local authority lottery scheme (three yearly)	180
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)	100
More than £10,000 to £20,000 (no fee payable for eighth and subsequent lotteries in same calendar year)	100
More than £20,000 to £50,000	100
More than £50,000 to £200,000	290
More than £200,000	435
Application for certification as a lottery manager under Schedule 2A	14,220
Inspection of lottery return by member of the public	10

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

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

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

Appendix VI

Table 34: 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 2001 and 31 March 2002

	1 April 2001	31 March 2002
England		
That area which is within the area specified in the licensing (Metropolitan Special Hours Area) Order 1961 – plus the City of Westminster and the Royal Borough of Kensington and Chelsea	23	23
The areas of the Former County Boroughs, Non-County Boroughs and Urban Districts of:		
Birkenhead	1	1
Birmingham	5	5
Blackpool	2	2
Bolton	1	1
Bournemouth	2	2
Bradford	2	2
Brighton	2	3
Bristol	3	3
Coventry	2	2
Derby	2	2
Dudley	1	1
Great Yarmouth	2	2
Hove	1	1
Huddersfield	1	1
Kingston-upon-Hull	2	2
Leeds	4	4
Leicester	2	2
Liverpool	3	3
Luton	2	3
Lytham St Annes	1	1
Manchester	5	5
Margate	2	2
Newcastle upon Tyne	2	2
Northampton	1	1
Nottingham	2	3
Plymouth	2	2
Portsmouth	3	3
Ramsgate	1	1
Reading	2	2
Ryde	0	0
Salford	2	2
Sandown/Shanklin	0	0
Scarborough	1	1
Sheffield	3	3
Southampton	2	2
Southend-on-Sea	2	2
Southport	1	1
Stockport	1	1
Stoke-on-Trent	1	1
Sunderland	1	1
Teesside/Middlesbrough	1	1
Torbay	1	1
Walsall	2	2
Warley	0	0
West Bromwich	0	1
Wolverhampton	1	1

Table 35: (Continued)

	1 April 2001	31 March 2002
Wales		
The Areas of the Former County Boroughs of:		
Cardiff	2	2
Swansea	1	1
Scotland		
The Areas of the Former Counties of the Cities of:		
Aberdeen	2	2
Dundee	1	1
Edinburgh	4	4
Glasgow	5	5
TOTAL:	118	122

Appendix VII

Gaming Board Response to Gambling Review Body Report

D Bawden, Esq
Gambling Review
3rd Floor
Department for Culture, Media and Sport
2-4 Cockspur Street
London SW1Y 5DH

30 October 2001

Dear Dave

RESPONSE TO GAMBLING REVIEW BODY REPORT

I am writing to give the Gaming Board's response to the Department's invitation to comment on this Report.

As the Board made clear at the time of publication, it welcomes the Gambling Review Report. That Report eloquently sets out the case for legislative change, which is something for which the Board has been arguing for some time. Taken as a whole the Report covers the issues that needed to be addressed comprehensively and the Review Body has produced a well-balanced and sensible set of proposals. Its recommendations will, if implemented, bring about long overdue modernisation of British gambling legislation.

The Board particularly supports the proposals in the Review Report for a single regulatory authority for gambling (which the Report calls the Gambling Commission) which would encompass and build on the Board's work. The need for a strong, coherent system of regulation for gambling remains as strong as ever if the industry is to maintain its enviable reputation for integrity.

The purpose of the balance which the Review Body has striven to achieve in its Report, largely in the Board's view successfully, is to increase consumer choice for adults, while affording greater protection for young people and the minority who have problems with their gambling; and at the same time ensuring the highest standards of probity and social responsibility in those who provide commercial gambling. The Board believes that it is important to maintain this balance even if not all recommendations are acted on in their entirety. Too eclectic an approach to the proposals in the Report will risk upsetting the balance fundamentally.

Publication of the Report has highlighted the inadequacy of the current law and generated widespread uncertainty about the future for the gambling industries. Such uncertainty makes the task of regulating more difficult and the Board trusts therefore that decisions on implementation will be made as quickly as possible, with subsequent legislation to follow without undue delay.

As you know, I am a member of the Project Board established by the Department to take forward work on the Report and the Board welcomes the opportunity this will give for it to provide comment and advice in line with its statutory duty under the 1968 Gaming Act. Nonetheless, it does have comments on the way in which some aspects of the Review Body's recommendations should be implemented which it felt should be made known at this stage more generally, and in particular to the industry trade associations to which it is copying this response. These are set out in the Annex to this letter.

Yours sincerely

T KAVANAGH
(Secretary to the Board)

Response by the Gaming Board to the Gambling Review Body Report

Introduction

- 1 As the Board makes clear in the covering letter to this Annex, it welcomes the Review Body's Report's conclusions and in particular the proposals for a single regulator for all gambling (the Gambling Commission). In this Annex, it seeks essentially to make some comments about the way in which it considers certain aspects of the Review Body's recommendations should be implemented in the hope that these will be helpful as work on the Report is taken forward. It is in three sections.
 - a) Planning for the proposed Gambling Commission, in particular for its responsibilities for the pursuit of illegal gambling and for the regulation of on-line gambling (paragraphs 2-5)
 - b) The need for the Gambling Commission to have adequate powers for its role (paragraphs 6 – 11)
 - c) Recommendations in the Report covering areas of regulation where further consideration seems necessary (paragraph 12)

Planning for the proposed Gambling Commission

- 2 The Review Report recommends the establishment of the Gambling Commission as the single regulator to encompass and build on the Board's work. The Commission will have, if the Report's proposals are implemented, a considerably wider role than the Gaming Board currently enjoys. The transition will need to be well planned and managed. It will be important to begin initial consideration and preparations at an early stage to enable the new Commission to be in a position to start its work without undue delay and so that the required structure is properly reflected in the legislation. It seems likely that a 'shadow' Commission will be needed initially and careful thought will be required as to its appropriate form. There are models in other areas from which experience can be garnered. Additional resources (financial, staffing and accommodation) will have to be provided. The Board would welcome the chance to discuss as soon as sensible with the Department when such preparatory work should begin and what is involved. The Board, as the Department knows, is in any case preparing a separate paper for submission before the end of the year on its estimates of the workload and resource needs of the Gambling Commission if it takes on the full responsibilities suggested for it in the Review Report.

- 3 There are two major responsibilities which the Report suggests should fall to the Gambling Commission which have not previously been within the ambit of any regulatory body and where particular thought and planning will be necessary on the structure of the new arrangements. These are the pursuance of illegal gambling in all its forms and the licensing of on-line gambling. Currently, for understandable reasons, the investigation of illegal gambling comes low down the list of Police Service priorities and it is sensible that responsibility should be transferred to a dedicated gambling regulator. But it is an area fraught with physical enforcement difficulties and the regulator will need to look for support from others such as the Police, Customs and Excise and Trading Standards. In particular, the involvement of the Police will be necessary at times because of their responsibilities and powers in respect of potential allied public order disturbances, and possibly because of other on-going investigations into those involved.
- 4 The regulation of on-line gambling is new to most jurisdictions in the world and brings with it a raft of issues which do not arise in traditional premises based gambling. The Review Report itself provides an indication of these, which cover such areas as access to the game systems, payment methods (including the implications for money laundering), protection of the vulnerable and identification and age verification of players. The Gambling Commission is likely to need a specialist section to handle the licensing and monitoring of on-line operators and thought will again be needed as to structure and timing and the gathering of appropriate expertise, so that the Commission is ready to fulfill its role.
- 5 Unless careful and proper consideration is given to these two subjects in advance, the risks of inadequate preparation and legislation are high. Some interim provision of resources is likely to be required.

The Gambling Commission's fundamental powers

- 6 The Review Body Report generally successfully identifies the powers that the Gambling Commission will need if it is to undertake its role successfully. There are four particular areas fundamental to the Commission's new role which the Board would wish to highlight where clear provision will need to be made in legislation.
- 7 First, the Review Body sensibly suggests that 'future legislation should be in the form of an enabling act which delegates the detailed provisions to subordinate regulation and to codes issued by the Gambling Commission' (paragraph 18.23 of the Report). Such codes will, the Board believes, need statutory backing to provide them with unequivocal formal status on which the Gambling Commission can rely when enforcing them.
- 8 Secondly, the Board is currently hampered in its work by limitations on the extent to which information can be shared between enforcement bodies. It therefore fully supports the Review Body's conclusion that the powers of the Gambling Commission 'must include the ability to exchange information with the Police, Customs & Excise, the Inland Revenue, the Financial Services Authority and other regulators' and its recommendation that 'gateways are established to ensure that this free exchange of information can take place, both for

licensing and investigative purposes' (paragraph 19.13). Without adequate 'gateways' to all regulatory authorities and Government bodies responsible for the prevention of crime, the Gambling Commission's ability to ensure the probity of the industry will be severely hindered.

- 9 Thirdly, it is crucial that the Gambling Commission should have access to records relating to licensed operations **wherever held**. At the moment, the Gaming Board's Inspectorate are hindered in their work because for instance they only have formal rights of access to records on the **licensed premises** themselves in the case of casino and bingo operations and in theory **not at all** on the premises of certificated machine suppliers.
- 10 Fourthly, the Report recommends that 'the Gambling Commission should have powers of machine testing sufficient to satisfy it that the machines are fair and otherwise comply with regulations' (paragraph 23.76). BACTA have understandably raised concerns that the machine testing regime should not hamper the manufacturers' ability to produce and site AWP's in what is a dynamic and fast changing market. The Board sympathises with this and takes the view that the best approach as far as AWP machines are concerned would be to develop and formalise the current voluntary machine testing regime under which manufacturers provide game play data to the Board's Inspectorate once a machine has been site-tested and is being marketed. No prior approval would be required for these machines but the Gambling Commission would have powers to test and verify already sited machines, which would most likely be done on a sample basis, and to require removal of, or otherwise apply sanctions in respect of, any non-compliant machines. To ensure that they can properly verify the test data, and analyse any irregularities, the Commission's staff will require **powers of access to game software**. Prior approval of casino slot machines would however be required, given the wholly different nature of these machines in terms of stakes and prizes.
- 11 The Report also says that, subject to the establishment of a satisfactory machine testing regime and the continuing power to certificate machine suppliers, the Review Body 'do not consider that, in addition, it is necessary to license manufacturers' (paragraph 19.63). However the Board now believes that a system of post-siting AWP machine testing, as outlined above, will only operate successfully under a regime which **requires Gambling Commission certification of machine manufacturers**. Without such certification, there is a real risk that unscrupulous manufacturers will supply non-compliant machines knowing that, even if the breach is discovered, they would be free to continue to supply machines simply by dint of establishing another company which would again be free of any direct regulatory control. The Board therefore asks that new gambling legislation should require the certification of gaming machine manufacturers. If so, certification should extend to all gaming machine manufacturers as it would not be sensible to seek to apply it just to manufacturers of AWP's. The number of such manufacturers is not large and the Board understands that BACTA support the proposal.

Areas of regulation where further consideration seems necessary

- 12 The Board has identified a number of areas where further consideration or some development of the Review Body's recommendations seems necessary. No doubt others will become apparent as work proceeds but it seemed worth highlighting the following at this stage. They are listed broadly in the order in which the recommendations appear in the Report, rather than order of importance.
- (i) If the Gambling Commission is to take on responsibility for certification and regulation of bookmakers (paragraph 19.35), thought will need to be given to the timing and transition arrangements. Some method of 'fast tracking' those already holding permits would seem essential: the simplest method might be to certificate automatically those concerned, subject perhaps to a criminal records check.
 - (ii) The Report recommends that operators of amusement arcades should be licensed by the Gambling Commission (paragraph 19.58). It is not entirely clear what this encompasses. Whilst the owner of the arcade may also run it, often companies own substantial numbers of arcades. It would seem appropriate that the arrangements should be similar to those proposed for betting. Thus, certification would apply to both the operating company and the arcade manager.
 - (iii) It is envisaged that 'low stake/low prize' machines will continue in future to be available in 'family entertainment centres' and travelling fairs (paragraphs 23.18, 23.27, 23.52 and 23.53), neither of which will be subject to certification by the Gambling Commission. A corollary of that, the Board assumes, is that, as these are regarded as 'innocent' amusement machines, they do not need to be subject to direct regulatory control at all i.e. they would not be subject to testing nor would they need certificated suppliers. There is a risk that some manufacturers might seek to make such machines more attractive to children by, for instance, incorporating 'enriched' periods during which the machines pay out a sequence of wins, thus effectively negating the £5 prize limit. As long as the legislation makes clear which controls will continue to apply to such machines, the Board believes that it will probably be sufficient that the Gambling Commission will be able to act under its proposed powers of investigating and pursuing 'illegal gambling', assuming of course these are implemented.
 - (iv) The Report also proposes that 'machines such as cranes should not fall in the category of gaming machines' (paragraph 23.28). The difficulty with this is that such machines would consequently be subject to no regulatory controls whatsoever and could thus be sited anywhere (including public places). Further, they could incorporate very attractive prizes to entice players as there would be no statutory limits on such matters as levels of stakes and prizes.
 - (v) The Board understands that there is an extensive campaign against the recommendation that private clubs should no longer be permitted jackpot machines (paragraph 23.38). The Board would simply note that, under the current regime, there

is no regulatory access to such machines to check that they operate properly and that play by children is controlled and no proper arrangements to ensure that a genuine 'membership system' is in place. If clubs are to be allowed to retain jackpot machines, the applicable regulatory regime should be tightened to cover these deficiencies.

- (vi) The Report suggests that 'electronic roulette and other similar machines should be caught by the definition of gaming machines in new legislation' (paragraph 23.73). This formulation may not go far enough. Whilst some versions of automatic roulette are clearly 'machines', others simply involve betting by terminal on a live game. Further, modern table games often incorporate other machine driven features such as progressive jackpots. The Board believes that the Gambling Commission should have the power to issue codes setting out the categorisation and level of regulatory control appropriate to all 'electronic gaming devices'.
- (vii) The Report makes no comment on whether gaming machines should be subject to formal minimum payout ratios, as is common elsewhere in the world and exist informally under Gaming Board guidelines now (Chapter 23). The Board believes that provision for such minimum ratios should be retained and set out in a Gambling Commission Code.
- (viii) The Board is content with the recommendations that alcohol should be permitted on the gaming floor (paragraph 24.19) and tipping allowed in casinos (paragraph 24.23). However it thinks that the Gambling Commission should be able to stipulate how each should operate in practice. Hence, the Board believes alcohol should only be provided on request, rather than by bar staff approaching players. And tips should be pooled to help minimise the risks of collusion. These are matters for a Gambling Commission code.
- (ix) The Report suggests that equal chance gaming (such as bingo) in pubs and clubs should be subject to regulation by the Gambling Commission if it pays out more than £1,000 per week in prizes (paragraph 25.18). This is a substantial figure and the Board presumes that it was not the intention of the Review Body to suggest that gambling up to such levels on a single occasion was somehow to be considered as either normal or appropriate in unlicensed venues. It therefore considers that a limit of £150 on any one day would be better. The Board also strongly believes that the restrictions in section 6 of the 1968 Gaming Act intended to keep gaming in public houses low key and incidental should be retained.
- (x) The Report recommends that 'all societies wishing to promote societies lotteries should register with the Gambling Commission' (paragraph 28.22). Societies wishing to run small lotteries currently register with local authorities. The Board understands that there may be as many as 40,000 such registrations, which compares with the 600 or so current Board registered societies. Although a simple registration system could be designed, the resource implications would remain large. The Board wonders therefore whether there might not be a 'de minimis' limit below which societies, although remaining subject to the same legislative controls as other lotteries, do not

need to register with the Gambling Commission. Such lotteries would then be treated in a similar way to private lotteries and small lotteries incidental to an exempt entertainment where registration is neither required nor proposed.

- (xi) The Report says that competitions which involve 'the exercise of a substantial degree of skill' should be permitted but not subject to regulatory control (paragraph 28.65). The Board agrees but would wish to see a formal definition of what is meant by the term. An objective definition, such as one specifying the minimum proportion of entrants who must be eliminated by skill, would be the most appropriate.



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