The Gambling Commission regulates gambling in the public interest. It does so by keeping crime out of gambling, by ensuring that gambling is conducted fairly and openly, and by protecting children and vulnerable people. The Commission also provides independent advice to government on gambling in Britain.

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#### **GAMBLING** COMMISSION

Annual Report
2005 | 06

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H.C. 577 (1995/96)

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Presented pursuant to Cambling Act 2005 para 16 of Schedule 4 incorporating the accounts of the Caming Board for Creat Britain for the period until 30 September 2005, presented pursuant to Caming Act 1968 section 50

# Report of the Cambling Cambling Commission 2005|06

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Presented pursuant to Gambling Act 2005 para 16 of Schedule 4 incorporating the accounts of the Gaming Board for Great Britain for the period until 30 September 2005, presented pursuant to Gaming Act 1968 section 50

Ordered by the House of Commons to be printed 12 July 2006

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The Commission also provides independent advice to government on gambling in Britain.

#### **Members of the Gambling Commission 2005**|06

Peter Dean, CBE, Chairman
Ben Gunn, CBE, QPM
Bill Knight
Robert Lockwood, JP (retired 31 December 2005)
Gill Milburn, JP
Roy Penrose, OBE, QPM
Eve Salomon
Michael Steen
Jenny Williams (Chief Executive)

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### The Cambling Commission

\* provisional figures from HM Revenue and Customs for 2005/06

gnildmaD :noissimmo	Cost of operations Cost of transition work Number of staff	noillim 2.0[3 noillim 2.43 E9
Charity lotteries:	Ticket sales Number of registered societies Number of local authorities	noillim 7.8813 030 0
	Money retained by suppliers and site owners Number employed Duty paid*	noillid 01.53 000,52 noillim 4213
:sənihəsm gnimsƏ	Number of machines Number certificated to sell, supply or maintain machines	232,000
:sqnlɔ oɓuig	Number operating Money staked Number employed Duty paid*	728 noillim 328,13 002,81 noillim 3.183
:soniss	Number operating Drop (money exchanged for gaming chips) Number employed Duty paid*	040 noillim [82,43 018,81 noillim 8413

# The gaming industry 2005/06 Some key statistics at a glance

### The gaming industry 2005|06

Some key statistics at a glance

Casinos:	Number operating Drop (money exchanged for gaming chips) Number employed Duty paid*	140 £4,231 million 16,310 £143 million
Bingo clubs:	Number operating Money staked Number employed Duty paid*	657 £1,826 million 18,500 £81.6 million
Gaming machines:	Number of machines Number certificated to sell, supply or maintain machines Money retained by suppliers and site owners Number employed Duty paid*	235,000 670 £2.10 billion 22,000 £154 million
Charity lotteries:	Ticket sales Number of registered societies Number of local authorities	£138.7 million 660 0
Gambling Commission:	Cost of operations Cost of transition work Number of staff	£10.2 million £4.2 million 93

<sup>\*</sup> provisional figures from HM Revenue and Customs for 2005/06

### **Chairman's statement**

### Annual Report of the Gambling Commission

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 and of paragraph 16 (1) of Schedule 4 to the Gambling Act 2005 I have the honour to present the first report of the Gambling Commission, covering the period 1 April 2005 to 31 March 2006.

The Gambling Commission came into existence on 1 October 2005 and from that date took over the duties and functions of the former Gaming Board for Great Britain. This Report therefore covers the activities of the last six months of the former entity and the first six months of the new.

It will fall to the Gambling Commission to implement the wide-ranging and welcome reforms introduced by the Gambling Act 2005, and in particular to promote the three objectives spelt out in the Act: to keep gambling crime-free, to ensure that gambling is conducted fairly and openly and to protect children and other vulnerable persons. The new provisions are due to come into full effect in September 2007, and the period under review has been one of transition and intensive preparation as regards premises, people and policies.

The Commission is among the first of a number of public sector bodies moving out of London as a result of the Lyons review. We identified Birmingham as the clearly preferred location for our new head office and have secured premises in the heart of the city. These are being fitted out to enable us to perform our functions in a modern and efficient way.

Our move to Birmingham, coupled with the much wider remit of the Commission as compared with its predecessor, has necessitated the recruitment of a range of new staff at all levels. An excellent new senior echelon is already in place and other posts will be filled over the coming months. At the same time we are sadly but inevitably losing most of our London-based staff. We have built into the transition programme sufficient overlap to ensure that vital knowledge and skills are transferred to the new team. I take this opportunity to pay tribute to the highly professional way in which this difficult and sensitive exercise has been carried out, and to record my thanks to those staff who have left after many years of loyal service to the Gaming Board.

The Commission has been and is still engaged in extensive policy development and consultation. The Gambling Act 2005 sets the framework of the new regulatory regime, leaving much detail to be dealt with in licence conditions, codes of practice and other documents. In recent months we have published several draft policy papers, making clear in each case that we welcome comments from interested parties. All comments will be taken into account before definitive policies are set.

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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

Annual Report of the Cambling Commission

### Chairman's statement

The Cambling Commission Chairman's statement | 05

June 2006

Chairman Peter Dean

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nudue difficultγ. them to adapt to the new regime, once settled, without that gambling must be strictly regulated, and I expect for probity. All responsible British operators recognise gambling industry in Britain enJoys a good reputation necessary to achieve our statutory purposes. The ensure that the regulatory burden is no heavier than onr approach will be proportionate: we will aim to strict compliance with regulation. The second is that the very considerable powers conferred on it to enforce Commission will not hesitate, where necessary, to use Two themes run through our policies. One is that the

The results will be published in summer 2007. of gambling generally and of problem gambling. scale national studies of the prevalence and nature We have also launched the first of a series of large-

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Two themes run through our policies. One is that the Commission will not hesitate, where necessary, to use the very considerable powers conferred on it to enforce I would like to thank my fellow Commissioners strict compliance with regulation. The second is that our approach will be proportionate: we will aim to ensure that the regulatory burden is no heavier than necessary to achieve our statutory purposes. The gambling industry in Britain enjoys a good reputation for probity. All responsible British operators recognise that gambling must be strictly regulated, and I expect them to adapt to the new regime, once settled, without undue difficulty.

Meanwhile, until the Gambling Act comes into full effect in September 2007, the Commission continues to regulate under the provisions of the previous legislation. Regulation in this twilight period is not always straightforward. One example of the difficulties concerns advertising by remote gaming operators, such as those offering gaming sites on the internet. The current law on this is to be found in the Gaming Act 1968, which obviously pre-dated any notion of internet gambling. In effect, the Act does not ban the advertising of online gaming sites but strictly limits its content. During the year it became clear that these limits were being breached.

The Department for Culture, Media and Sport and the Gambling Commission issued a joint statement in March 2006 giving formal guidance to advertisers, publishers and operators on what is and is not allowed under current legislation. The guidance makes clear that, where appropriate, breaches will be prosecuted.

and all the staff for their hard work and dedication over an extraordinarily busy and exciting period. Robert Lockwood retired as a Commissioner on 31 December 2005, having given valuable service for eight years. Incoming and outgoing staff have worked together with commitment and energy under the able leadership of Jenny Williams. As a result of their combined efforts our demanding transition plan is on track, so that we may with confidence look forward to full implementation next year of the new regime, meanwhile maintaining effective regulation under the old.

**Peter Dean** Chairman

June 2006

The Gambling Commission Chairman's statement | 05

### 1 Introduction and general

#### Introduction

- 1.1 This is the first annual report of the Gambling Commission. The Commission was formally launched on 1 October 2005 under provisions in the Gambling Act 2005 which received Royal Assent on 7 April last year. The Act establishes the Commission as the new independent regulator for all commercial gambling (except the National Lottery and spread betting) in Great Britain. It took over the role previously held by the Gaming Board for Great Britain in regulating casinos, bingo clubs, gaming machines and the larger society (charitable) lotteries and will also have responsibility for regulating betting and remote gambling. Its core objectives as a regulator, enshrined in the 2005 Act, are to keep crime out of gambling, to ensure that gambling is conducted fairly and openly and to protect children and other vulnerable people.
- 1.2 This Report covers the year 1 April 2005 to 31 March 2006, and therefore the activities of the Gaming Board for the first half of the year and those of the Commission since. Where, however, significant events have occurred between the end of March and production of the Report, these have also been included. For convenience, the term Gambling Commission is used throughout except where the context makes it misleading. The Report contains in particular:
- > an overview of the main developments during the year, the issues of most current interest or concern to the Commission and certain other general matters (this chapter);
- > a description of the work in train to implement the new regulatory regime contained in the 2005 Act (Chapter 2);
- > a more detailed report on work and performance in each area of the Commission's responsibilities (Chapters 3 to 8); and
- > the Commission's financial statement.

- 1.3 The gambling industry in Great Britain is a substantial one. According to the latest available figures, published by the National Audit Office, gambling generated turnover of over £53 billion in 2003/04. Gross gambling yield (i.e. the amount retained by operators after the payment of winnings but before the deduction of the costs of the operation) was put at just over £8 billion in 2003, 20% higher than in 1999. Other estimates suggest that, of this £8 billion, about one-third was generated by the National Lottery and most of the remainder by those industries which are or will be regulated by the Commission.
- 1.4 An introductory guide to the gambling industry in Great Britain is being published by the Commission at the same time as this Report ("Introduction to the Gambling Sector", available on the Commission's website): this gives a range of figures and information on different aspects of gambling. In respect of the sectors which the Commission currently regulates, a selection of key industry and Commission statistics is given at Appendix I and more detailed information is given in the individual chapters in this Report relating to each sector.

### The Gambling Act 2005 and the Gambling Commission

- 1.5 As mentioned above, the Gambling Act 2005 received Royal Assent on 7 April last year. That Act modernises and consolidates in a single piece of legislation the regulatory structure relating to commercial gambling and charitable lotteries. It replaces three earlier Acts which were 30 years or more old and inadequate for dealing with the modern gambling industry.
- 1.6 The main proposed reforms in the Act are in summary as follows:
- It sets out three basic licensing objectives which underpin the whole structure of the Act and the regulatory and licensing structure it creates. These objectives are, in shorthand, to keep crime out of gambling; to ensure that gambling is fair and open; and to protect children and other vulnerable persons.
- > It establishes the Gambling Commission as the new national regulator for all forms of commercial gambling except the National Lottery (which is regulated by the National Lottery Commission) and spread betting (regulated by the Financial Services Authority).

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Introduction

### I Introduction and general

The Cambling Commission I Introduction and general | 07

1.10 As part of its work in monitoring remote gambling, the Commission includes a number of questions in a quarterly omnibus survey conducted by Independent Communications and Marketing Research Ltd (ICM). Between 2000 and 2006, the percentage of adults in those surveys who reported having gambled via the internet in the previous month rose from just under 1% to just over 2%. By comparison, over a similar period, home access to the internet rose from a third to over a half of all households. In terms of gambling activity, just under 1% stated that they had placed bets whilst just under 1% stated that they had placed bets whilst sround 0.75% had played casino type games.

1.9 As mentioned above, under the Cambling Act 2005, British based operators will be allowed to offer all types of remote gambling, whether via the internet, interactive television or any other media, within an effective system of licensing and regulation under the control of the Cambling Commission. Meanwhile, however, until the Act comes into effect in September 2007, the current unsatisfactory situation remains. Hence, no online casino gaming site can currently be lawfully established in the United Kingdom although overseas sites, and those sites can accept bets from overseas sites, and those sites can accept bets from here without breaking any British laws. In contrast, betting sites can be located in Creat Britain, where betting sites can be located in Creat Britain, where they are currently subject to no central regulation.

#### Remote gambling

1.8 The Commission's new responsibilities and powers will be taken up in stages as the provisions of the Cambling Act are brought into effect by government and it will be fully operational by autumn 2007. A description of the work underway by the Commission to prepare for the new regulatory regime is given in Chapter 2.

> In addition, the Commission is tasked with providing advice to both local and central government on issues related to gambling.

> The Commission will monitor licence holders and levy fines or revoke licences as necessary, and it will have significant new legal powers to prosecute illegal gambling.

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> The Commission has been given wide discretion to apply licence conditions, both generally to all holders of a type of licence and to individual businesses. It will also regulate by issuing codes of practice. The codes and the licence conditions will be devised with a view to furthering the three licensing objectives.

> Businesses offering gambling in Creat Britain will need to be licensed by the Commission.
 From January 2007 the Commission will accept applications for new operating licences from these businesses, and for personal licences required by certain categories of people working in the gambling industry.

I.7 The Act charges the Cambling Commission with the overriding duty of pursuing the three licensing objectives listed in the previous paragraph and to permit gambling insofar as the Commission thinks it is reasonably consistent with them. To fulfil this remit:

> There will be four categories of gaming machines, defined by different levels of stakes and prizes, with the higher the category the more limited the locations in which the machines may be sited. Category A machines for example, with unlimited stakes and prizes, will be allowed only in the one regional casino.

> Remote gambling (i.e. online, by mobile phone, etc.) will be permitted, subject to licensing and regulation.

> There will be three categories of casino – regional, large and small – defined in terms of such factors as minimum gambling and non-gambling areas and minimum number of gaming tables. Initially, there will be no more than one, eight and eight casinos in each category respectively. Existing casinos will, however, be able to continue to operate (see Chapter 3).

> Some of the restraints currently applicable to commercial gambling (such as in relation to advertising) will be eased.

A number of measures in the Act provide protection for children and vulnerable adults. It will be an offence to invite or permit a child or young person to gamble contrary to the Act's provisions. And socially responsible gambling will be promoted through licence conditions and codes of practice directed at those who provide gambling facilities.

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- > The Commission will monitor licence holders and levy fines or revoke licences as necessary, and it will have significant new legal powers to prosecute illegal gambling.
- In addition, the Commission is tasked with providing advice to both local and central government on issues related to gambling.
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- 1.10 As part of its work in monitoring remote gambling, the Commission includes a number of questions in a quarterly omnibus survey conducted by Independent Communications and Marketing Research Ltd (ICM). Between 2000 and 2006, the percentage of adults in those surveys who reported having gambled via the internet in the previous month rose from just under 1% to just over 2%. By comparison, over a similar period, home access to the internet rose from a third to over a half of all households. In terms of gambling activity, just under 1% stated that they had placed bets whilst around 0.75% had played casino type games.

The Gambling Commission 1 Introduction and general | 07

### 1 Introduction and general

#### continued

- 1.11 The Commission continues to deal with numbers of enquiries about remote gambling, in particular in respect of the extent to which operations or aspects of operations may be based in Britain. Often the issues are far from straightforward: in particular gaming via digital television raises complex issues about where and by whom the gaming is being organised and managed. As reported last year, Sky TV had prepared and agreed with the Commission a code for the guidance of those operating on its satellite broadcasting platform who wish to offer gaming products. During the year, Sky produced an updated policy to reflect both developments in services offered interactively and the growing need to cover all forms of gambling and not simply gaming and fixed odds games. The revised policy was agreed with the Commission and published on 27 April 2006.
- 1.12 The question of the extent to which offshore online casino and other gaming sites may be advertised here has raised further problems. The (pre-Gambling Act 2005) legislation does not ban such advertising but strictly limits its content. In brief, advertisements giving simple details of the existence of internet casinos and the facilities they offer are legal but those which encourage the public to subscribe money or even to apply for information about facilities for subscribing money are not – a distinction which is in practice not always clear. During the year, the Commission and DCMS became increasingly concerned that the advertisements being published by certain foreign-based internet gambling companies clearly went beyond what is permitted. After various informal attempts to control the flow of such advertising had failed, the Commission and DCMS issued formal joint guidance in March 2006 to advertisers, publishers and remote gaming operators on what is and is not permitted under current legislation. The guidance also made clear that the Government would work with the Commission to refer cases to the Crown Prosecution Service where it was considered that advertisements were in breach of the legislation. A copy of the guidance is available on the Gambling Commission's website (www.gamblingcommission.gov.uk).

#### Problem gambling

- 1.13 A small minority of people gamble to excess and so can cause themselves financial and other problems such as damage to their families and the disruption of personal relationships. For some of them, excessive 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 people, aged 16 or over in Britain were problem gamblers. In absolute terms, this is a substantial number, albeit relatively low by international standards. As set out in paragraphs 2.9 and 2.10, the Commission is currently arranging the first of a series of large scale prevalence studies for which it will have responsibility and which will update the figures from the 1999 study.
- 1.14 Given this potential for harm from gambling, the Commission welcomes the fact, as mentioned above, that protection of children and the vulnerable is one of the three fundamental licensing objectives in the Gambling Act 2005 and that the Gambling Commission will have a duty to pursue the objective in its work. This contrasts with the situation under the preceding legislation where the Gaming Board, as the Commission's predecessor, had no statutory duty in this regard, although it had long taken a keen informal interest in the matter.
- 1.15 Thus, unlike its predecessor, the Gambling Commission will have a significant, formal role in seeking to protect vulnerable people from the potential harmful effects of gambling. In particular the Commission will be responsible for issuing licence conditions and codes of practice to which licensed gambling operators will be required to adhere. The Commission published for consultation the first draft of these conditions and codes in March 2006. They cover such matters as the provision of information to customers on how to gamble responsibly and how to access information about problem gambling; the development by operators of policies on the types of behaviour that their employees should be expected to recognise as indicating potential problem gambling amongst their customers; the development of intervention strategies in such cases; and robust systems which allow customers to self-exclude from gambling. The Commission will be responsible for ensuring compliance with the licence conditions and codes.

ensuring compliance with the licence conditions gambling. The Commission will be responsible for systems which allow customers to self-exclude from intervention strategies in such cases; and robust amongst their customers; the development of to recognise as indicating potential problem gambling of behaviour that their employees should be expected development by operators of policies on the types to access information about problem gambling; the to customers on how to gamble responsibly and how cover such matters as the provision of information of these conditions and codes in March 2006. They Commission published for consultation the first draft gambling operators will be required to adhere. The conditions and codes of practice to which licensed the Commission will be responsible for issuing licence potential harmful effects of gambling. In particular in seeking to protect vulnerable people from the Commission will have a significant, formal role 1.15 Thus, unlike its predecessor, the Gambling

I.14 Civen this potential for harm from gambling, the Commission welcomes the fact, as mentioned above, that protection of children and the vulnerable is one of the three fundamental licensing objectives in the Cambling Act 2005 and that the Cambling Commission will have a duty to pursue the objective in its work. This contrasts with the situation under the preceding legislation where the Caming Board, as the Commission's predecessor, had no statutory duty in this regard, although it had long taken a keen informal interest in the matter.

and which will update the figures from the 1999 study. prevalence studies for which it will have responsibility is currently arranging the first of a series of large scale As set out in paragraphs 2.9 and 2.10, the Commission number, albeit relatively low by international standards. gamblers. In absolute terms, this is a substantial people, aged 16 or over in Britain were problem of the population, or between 275,000 and 370,000 industry bodies, suggested that about 0.6% to 0.8% auspices of CamCare and with support from gambling Prevalence Study conducted in autumn 1999, under the gambling is an addiction. The large scale British Cambling of personal relationships. For some of them, excessive such as damage to their families and the disruption so can cause themselves financial and other problems 1.13 A small minority of people gamble to excess and

#### Problem gambling

website (www.gamblingcommission.gov.uk). guidance is available on the Cambling Commission's were in breach of the legislation. A copy of the Service where it was considered that advertisements Commission to refer cases to the Crown Prosecution made clear that the Government would work with the permitted under current legislation. The guidance also and remote gaming operators on what is and is not guidance in March 2006 to advertisers, publishers failed, the Commission and DCMS issued formal joint attempts to control the flow of such advertising had went beyond what is permitted. After various informal foreign-based internet gambling companies clearly that the advertisements being published by certain Commission and DCMS became increasingly concerned is in practice not always clear. During the year, the Tor subscribing money are not – a distinction which money or even to apply for information about facilities but those which encourage the public to subscribe of internet casinos and the facilities they offer are legal advertisements giving simple details of the existence such advertising but strictly limits its content. In brief, (pre-Gambling Act 2005) legislation does not ban advertised here has raised further problems. The online casino and other gaming sites may be 1.12 The question of the extent to which offshore

.000 LingA 72 no policy was agreed with the Commission and published not simply gaming and fixed odds games. The revised the growing need to cover all forms of gambling and developments in services offered interactively and Sky produced an updated policy to reflect both who wish to offer gaming products. During the year, of those operating on its satellite broadcasting platform agreed with the Commission a code for the guidance As reported last year, Sky TV had prepared and whom the gaming is being organised and managed. television raises complex issues about where and by tar from straightforward: in particular gaming via digita operations may be based in Britain. Often the issues are respect of the extent to which operations or aspects of of enquiries about remote gambling, in particular in I.I. The Commission continues to deal with numbers

confinued

### I Introduction and general

.VI xibn9qqA ni A full list of current gaming and lotteries fees is given These increases in fees took effect from 1 April 2006. at 10%) and lottery registrations and certificates. and 4% on casinos (except for casino licence renewal and bingo (except for bingo licence renewal at 10%), of approval, 6% on gaming machine supplier certificates were necessary of 5.5% for gaming industry certificates the estimates produced it was decided that increases fees under the new licensing regime. On the basis of recoverable will be taken into account when setting with the transition process as any such costs deemed 2006/07. No account was taken of costs associated activity, and the Commission's operational costs for of the level of licensing, certification and compliance prepared for the 2006/07 year based upon an estimate accordance with past practice, a schedule of fees was for certification and licensing. During the year, in of licensing authorities, through the fees charged out by the Government, the police and in support work on gaming and lotteries related issues carried expenditure on operations, along with the costs of 1.20 The Commission is required to cover its

to the transition process amounted to £4.2 million. 2005 to 31 March 2006. In addition, costs attributable Cambling Commission in the period from 1 October Board for the period to 30 September 2005, and the £10.2 million were incurred, split between the Caming new IT systems. For 2005/06 total operational costs of accommodation in Birmingham and the installation of Cambling Commission, including relocation to new with the transition of the Gaming Board to the Commission in 2005/06 but also the costs associated running for each of the Caming Board and Cambling only the operational costs associated with the part year 31 March 2008. This funding is designed to cover not Agreement which covers the period I April 2005 to from the DCMS as set out in the Commission's Funding Commission's activities are funded by grant-in-aid 1.19 The operating and capital costs of all the

### Commission funding and fee levels

a statutory scheme, for which provision has been made in the Cambling Act 2005 should it prove necessary. One of the Commission's proposed social responsibility code of practice provisions will require operators to demonstrate how they will contribute to treatment of, education about and research into problem gambling. Contributing to the Trust will be one way in which operators can demonstrate their commitment.

1.18 The Commission applauds what the industry has so far achieved through the Trust. It knows that some of those who contribute are concerned about the additional burden that might fall on them because others refuse to do so under a voluntary scheme and that there are some more general concerns that funding will be inadequate to meet needs. The Board shares such concerns and hopes that the problems can shares such concerns and hopes that the problems can be resolved in order to avoid the Covernment imposing be resolved in order to avoid the Covernment imposing

The Commission's Deputy Chief Executive is one of the independent trustees, one of its Commissioners (Cill Milburn) is a member of the Trust's Communications and External Affairs Committee and a member of the Commission's staff serves on the Trust's research panel.

> allocated £500,000 to a research programme, which the Economic and Social Research Council matched with a further £500,000, and commissioned six research projects in accordance with its agreed research strategy.

 commissioned a leading supplier of educational resources to produce material for use with school children and other young people on the risks inherent in irresponsible gambling;

> made grants of £1.1 million to GamCare and £0.4 million to Cordon House, the two main charities which provide support for problem gamblers;

> raised £2.2 million in donations from the gambling industry;

1.17 Separately the gambling industry has established the Responsibility in Cambling Trust which seeks to raise awareness about problem gambling and to commission treatment, prevention and education, and research into problem gambling, for the country as a whole. The Trust is chaired by an independent Chairman, has a majority of independent trustees and has a full-time Director with three support staff. During 2005/06 amongst other things it:

1.16 In addition the Commission will have responsibility more broadly for monitoring the social impact of the increased access to gambling products and services which the new legislation will permit. It will also have a duty to respond to findings concerning changes in problem gambling and, in the light of this, to make appropriate adjustments to its regulatory approach and to advise the Covernment on any other necessary legislative changes. The regular large scale prevalence studies mentioned above will be one key prevalence studies mentioned above will be one key element of the monitoring arrangements.

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- > made grants of £1.1 million to GamCare and £0.4 million to Gordon House, the two main charities which provide support for problem gamblers;
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### Commission funding and fee levels

- 1.19 The operating and capital costs of all the Commission's activities are funded by grant-in-aid from the DCMS as set out in the Commission's Funding Agreement which covers the period 1 April 2005 to 31 March 2008. This funding is designed to cover not only the operational costs associated with the part year running for each of the Gaming Board and Gambling Commission in 2005/06 but also the costs associated with the transition of the Gaming Board to the Gambling Commission, including relocation to new accommodation in Birmingham and the installation of new IT systems. For 2005/06 total operational costs of £10.2 million were incurred, split between the Gaming Board for the period to 30 September 2005, and the Gambling Commission in the period from 1 October 2005 to 31 March 2006. In addition, costs attributable to the transition process amounted to £4.2 million.
- 1.20 The Commission is required to cover its expenditure on operations, 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. During the year, in accordance with past practice, a schedule of fees was prepared for the 2006/07 year based upon an estimate of the level of licensing, certification and compliance activity, and the Commission's operational costs for 2006/07. No account was taken of costs associated with the transition process as any such costs deemed recoverable will be taken into account when setting fees under the new licensing regime. On the basis of the estimates produced it was decided that increases were necessary of 5.5% for gaming industry certificates of approval, 6% on gaming machine supplier certificates and bingo (except for bingo licence renewal at 10%), and 4% on casinos (except for casino licence renewal at 10%) and lottery registrations and certificates. These increases in fees took effect from 1 April 2006. A full list of current gaming and lotteries fees is given in Appendix IV.

The Gambling Commission 1 Introduction and general | 09

### 1 Introduction and general

#### continued

1.21 For 2006/07 DCMS will continue to fund the Commission through grant-in-aid in line with the Funding Agreement covering again the costs of ongoing operations as well as the transition project. This means of funding will remain in place until the Gambling Commission implements the new licensing system, reflecting the provisions of the Gambling Act 2005, in 2007. When the new system comes into effect, the Commission will be required to fund directly its work through the fees collected, rather than surrendering the fees to the DCMS as in the past.

### Commission's operations and performance targets

1.22 The names of the Commissioners, who are appointed by the Secretary of State for Culture, Media and Sport and include the Commission's Chief Executive, are given at the beginning of this Report. Brief biographical details are in Appendix II. Robert Lockwood retired as a Commissioner on 31 December 2005: the Commission is grateful to him for the contribution he made to its work during his term of office. Commissioners take collective

responsibility for all areas of the Commission's operations although Michael Steen is tasked with taking a special interest in relation to all aspects of the gambling industries in Scotland. To this end, he made two visits to Scotland during which he met Scottish Executive officials and visited a number of gaming premises.

1.23 The staffing structure of the Commission is inevitably undergoing substantial change as work in preparation for the new regulatory regime proceeds. The Gaming Board directly recruited its Inspectorate but all administrative staff were civil servants seconded from the Department for Culture, Media and Sport or other government departments. In contrast, the Gambling Commission will recruit all its staff directly, albeit it may use secondees where the nature of the work suggests that is the best course.

1.24 The work of the Commission and its staff is described in the following chapters. The Commission has set performance targets for some of the regular duties carried out by its staff for which fees are charged. These targets and the performance achieved against them are given in the following table:

Section and certificate/registration	Target %	Achieved 9
<b>Casino Section</b> Determination of certificate of consent applications within 12 weeks of receipt where the applicant already holds an earlier certificate	90	*64
<b>Bingo Section</b> Determination of certificate of consent applications within six weeks of receipt where the applicant already holds an earlier certificate	80	94
<b>Certification Section</b> Issue of dealers' certificates of approval to first time applicants within six weeks of receipt	85	**78
<b>Machines Section</b> Determination of applications for new certificates within three months of receipt	80	8
Determination of renewal applications before expiry date	90	9

<sup>\*</sup> A large increase occurred in 2005/06, in advance of the deadline for applications under the 1968 Gaming Act (see Chapter 3), in the volume of applications received and determined both for applicants who already held a certificate and those that did not. The consequential increase in workload resulted in some delays.

\*\* Continued delays in receipt of disclosures from the Criminal Records Bureau was the main reason for the failure to meet the target (see paragraph 5.12).

10 | 1 Introduction and general The Gambling Commission

#### 10 | 1 Introduction and general The Cambling Commission

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% bəvəidəA	Target %	able 1a Performance targets 2005/06 ection and certificate/registration
†9 <sub>*</sub>	06	<b>Easino Section</b> Determination of certificate of consent applications within 2 weeks of receipt where the applicant already holds an earlier certificate
<del>7</del> 6	08	ingo Section Determination of certificate of consent applications within x weeks of receipt where the applicant already holds an earlier certificate
8Z**	82	<b>ertification Section</b> Issue of dealers' certificates of approval to first me applicants within six weeks of receipt
88	08	<b>Iachines Section</b> Determination of applications for new certificates vithin three months of receipt
86	06	etermination of renewal applications before expiry date
100	06	<b>otteries Section</b> Determination of applications to register lottery chemes within six weeks of receipt

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### Introduction and general

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Caming Board to Cambling Commission (June 2005); and the audit implications of the transition from arrangements for the move to Birmingham with other internal databases and considered the discussed the reconciliation of the accounting system

checklist (April 2005); recommendations made, considered a NAO paper 2004/05 year and the action being taken on the assurance statement on its work during the

the Committee:

> discussed internal audit's reports and annual assurance statement on its work during the 2004/05 year and the action being taken on the recommendations made, considered a NAO paper on audit key risks and examined its work against a NAO Audit Committee good practice self-assessment checklist (April 2005);

1.25 The Comptroller and Auditor General (C & AG)

Gambling Commission and the National Audit Office

(NAO) carries out audits on his behalf. The audit of the 2005/06 account was in two parts; an audit of the

Gaming Board's closing account covering the period

Commission's opening account from 1 October 2005

to 31 March 2006. The two audits were completed

in June 2006 and the audited accounts are given in

1.26 Deloittes act as the Commission's internal

auditors. They drew up and agreed a programme

of work based on an analysis of the key risks to

the Commission's operations identified in the risk

purchasing and payments, payroll, the transition

project risk register and information technology.

either have been or are in the process of being

All resulting recommendations were accepted and

actioned. Deloittes were able to attach a substantial

1.27 The Commission's Audit Committee (consisting

of four Commissioners, Michael Steen as Chairman.

auditors attended as appropriate. At those meetings,

Bill Knight, Gillian Milburn and Robert Lockwood

until his retirement in December 2005) met five

times during the year. The external and internal

level of assurance to all the areas they examined.

audits were conducted in respect of business

planning, risk management, finance controls,

management strategy and risk register. In 2005/06,

1 April 2005 to 30 September 2005 and an audit of the

has been appointed as external auditor to the

**Audits** 

Appendix III.

the Committee:

> approved the Gaming Board's account for 2004/05, discussed the reconciliation of the accounting system with other internal databases and considered the staffing arrangements for the move to Birmingham and the audit implications of the transition from Gaming Board to Gambling Commission (June 2005);

> discussed a memorandum of key issues from its external auditors, monitored the progress in addressing the findings and recommendations of the 2004/05 internal audit programme, and considered the proposed internal audit workplan

for 2005/06 (October 2005);

- > discussed the Gambling Commission's anti-fraud policy, continued to check on progress in implementing the 2004/05 internal audit recommendations, and gave further consideration to the 2005/06 internal audit programme (December 2005);
- > considered two NAO strategy documents, dealing respectively with the audit of Gaming Board and Gambling Commission accounts (February 2006).
- 1.28 The Commission also has a Remuneration Committee made up of three Commissioners, Bill Knight as Chairman, Ben Gunn and Eve Salomon.

#### International activities

1.29 During the year, the Commission maintained its contacts with regulators and others concerned with gambling throughout the world. The Commission considers such contact to be essential in facilitating the exchange of views and information on what is an international industry. The Commission's Deputy Chief Executive is Chairman of the Gaming Regulators European Forum (GREF). The Commission was represented at GREF's annual meeting in Brussels, Belgium in May 2005. Representatives from a total of 23 countries attended. The Commission was also represented at the annual conferences of the International Association of Gaming Attorneys (IAGA) and Regulators (IAGR) in Vancouver, Canada in September 2005. Two Commissioners attended the G2E gaming show and convention in Las Vegas, also in September 2005.

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### 2 Implementation of the Gambling Act 2005

#### Introduction

- 2.1 As explained in Chapter 1, the Gambling Act 2005 received Royal Assent in April last year and it is due to be implemented in full in September 2007. In preparation, the Gambling Commission, as the new industry regulator, was formally established on 1 October 2005. The Commission is now pushing ahead with the large volume of work needed to achieve effective implementation of the Act.
- 2.2 The Gaming Board's annual reports in previous years have looked forward to the arrangements covering the transition to the Gambling Commission. The planning undertaken in earlier years by the Board has enabled the transition to the Commission to start quickly and run smoothly. There are two main strands to the work that the Commission is conducting in preparation for the new regulatory regime.

### (i) Establishing the regulatory structure

- 2.3 The 2005 Act provides a substantially different regulatory structure to that under previous legislation. In addition to widening the Gambling Commission's remit to cover more sectors than the Gaming Board, the legislation is less prescriptive and leaves much more to regulations prepared by the Secretary of State and to licence conditions and codes of practice prepared by the Commission. In addition it requires the Commission to prepare various statements both on the way it will be conducting its duties under the new Act and which provide guidance to (local) licensing authorities on their functions and duties under the 2005 Act.
- 2.4 Reflecting all this, the Commission has undertaken formal and informal consultation on the policy and procedural details of the new Gambling Act regulatory regime with the industry, interested parties, media and Government and in doing so has published a range of formal consultation papers as well as had regular informal meetings and discussions on the detailed practical arrangements it proposes to establish from 1 January 2007. In particular, the Commission has published:

- > its draft statement of the principles on licensing and regulation which it intends to apply in conducting its duties in licensing and regulating gambling (17 October 2005);
- > both the draft (16 December 2005) and final (28 April 2006) versions of the first part of its guidance to licensing authorities, which is primarily designed to help those authorities draw up their three-year statements of licensing policy and to prepare for their new licensing duties;
- > a major document giving first draft versions of the licence conditions and codes of practice that the Commission intends to apply to operating and personal licences (10 March 2006);
- > draft guidance to licensing authorities on their duties in respect of the administration of small society lotteries (4 April 2006); and
- > a paper (intended to be the first in a series of papers on specific issues) on problem gambling which sets out the Commission's approach to carrying out its responsibilities to protect the vulnerable.

Copies of all these publications can be found on and downloaded from the Commission's website.

### (ii) Establishing the Gambling Commission infrastructure

- 2.5 The role of the Gambling Commission has been considerably enhanced over that of the Gaming Board and will require a substantially larger organisation. Furthermore the Government decided that the new body should be established outside London and the South East. After careful analysis of several options the Commission resolved to establish its headquarters in Birmingham.
- 2.6 In preparing for all this, the Commission has so far:
- > closed the Gaming Board's systems and accounts and replaced them with new Gambling Commission arrangements without disruption to licensees or the public;

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Introduction

# 2 Implementation of the Cambling Act 2005

2.8 All this work on transition has been undertaken with minimal disruption to the Commission's operations during a period when the work of regulating the casino, bingo, machines and lotteries sectors under the pre-2005 Act regime has continued as before.

Commission's IT systems was well advanced. These are being designed to produce significant operational being designed to produce significant operational savings both for the Commission and for applicants and licensees by automating much of the licensing and compliance work. The Commission also expects to enable the industry to meet much of the regulatory information burden online with savings for them as well as the Commission.

> introduced a system whereby lotteries returns can be submitted electronically online (see paragraph 7.7).

> facilitated the relocation of those Caming Board staff not moving to Birmingham to other jobs; and

> trained the new operations staff in the certification and licensing work still necessary under the 1968 Caming Act and 1976 Lotteries and Amusements Act and transferred that work to Victoria Square House;

> recruited a new senior management team and the kernel of the larger operations directorate as well as Human Resources and Finance departments;

> closed the Caming Board's London offices and in June 2006 relocated to new offices in Victoria Square House, Birmingham;

established a new Gambling Commission website – www.gamblingcommission.gov.uk – which contains more information than the Gaming Board site (which had not been invested in due to the expected creation of the Commission). This has also enabled licensees, the public and others to register interest in receiving email alerts from the Commission on transition and other issues. The Commission is continually striving to improve the flow of information on its work to the industry, media and wider public;

- > explore attitudes towards gambling.
- > investigate the socio-demographic factors associated with gambling; and
  - of problem gamblers;
- > estimate the prevalence of problem gambling and look at which activities have the highest prevalence
- > measure the prevalence of participation in all forms of commercial and private gambling (including estimates of expenditure and information on venue);
- 2.10 Following a competitive tendering process, the Commission has contracted with the National Centre for Social Research (NatCen), who conducted the previous 1999 prevalence study (see paragraph 1.13), to undertake the survey work and engaged the academic, industry and other sectors in detailed discussions on both methodology and question content. The fieldwork for the survey will get underway this summer, with the results published some time this summer, with the results published some time the summer, with the results published some time next year. The sims of the study are to:
  - Propher major piece of work has been the preparation for the Cambling Prevalence Study. This is to be the first in a series of such studies by the Commission intended to measure the prevalence of gambling and problem gambling to be used as benchmarks against which to measure the impact of gambling and its regulation.

#### Cambling Prevalence Study

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- > established a new Gambling Commission website www.gamblingcommission.gov.uk which contains more information than the Gaming Board site (which had not been invested in due to the expected creation of the Commission). This has also enabled licensees, the public and others to register interest in receiving email alerts from the Commission on transition and other issues. The Commission is continually striving to improve the flow of information on its work to the industry, media and wider public;
- > closed the Gaming Board's London offices and in June 2006 relocated to new offices in Victoria Square House, Birmingham;
- > recruited a new senior management team and the kernel of the larger operations directorate as well as Human Resources and Finance departments;
- > trained the new operations staff in the certification and licensing work still necessary under the 1968 Gaming Act and 1976 Lotteries and Amusements Act and transferred that work to Victoria Square House;
- > facilitated the relocation of those Gaming Board staff not moving to Birmingham to other jobs; and
- > introduced a system whereby lotteries returns can be submitted electronically online (see paragraph 7.7).
- 2.7 At the time of going to press, the building of the Commission's IT systems was well advanced. These are being designed to produce significant operational savings both for the Commission and for applicants and licensees by automating much of the licensing and compliance work. The Commission also expects to enable the industry to meet much of the regulatory information burden online with savings for them as well as the Commission.
- 2.8 All this work on transition has been undertaken with minimal disruption to the Commission's operations during a period when the work of regulating the casino, bingo, machines and lotteries sectors under the pre-2005 Act regime has continued as before.

#### Gambling Prevalence Study

- 2.9 Another major piece of work has been the preparation for the Gambling Prevalence Study. This is to be the first in a series of such studies by the Commission intended to measure the prevalence of gambling and problem gambling to be used as benchmarks against which to measure the impact of gambling and its regulation.
- 2.10 Following a competitive tendering process, the Commission has contracted with the National Centre for Social Research (NatCen), who conducted the previous 1999 prevalence study (see paragraph 1.13), to undertake the survey work and engaged the academic, industry and other sectors in detailed discussions on both methodology and question content. The fieldwork for the survey will get underway this summer, with the results published some time next year. The aims of the study are to:
- > measure the prevalence of participation in all forms of commercial and private gambling (including estimates of expenditure and information on venue);
- > estimate the prevalence of problem gambling and look at which activities have the highest prevalence of problem gamblers;
- > investigate the socio-demographic factors associated with gambling and with problem gambling; and
- > explore attitudes towards gambling.

Singleton Operators

Clockfair Ltd

and I dedicated card club

17 casinos (4 in London)

Z casinos (none in London)

### 3 Casino gaming

#### Introduction

- 3.1 This chapter examines significant developments in 3.3 There were 165 licensed casinos in Great Britain the casino industry and its regulation during 2005/06.
- 3.2 The Gambling Act 2005 changes fundamentally the regulatory and licensing regime for casinos. Until now, casinos could be established in 53 permitted areas in England, Wales and Scotland providing that licensing justices are content to grant a licence in the light of prospective demand. Under the 2005 Gambling Act, only 17 further casinos will be permitted. The 17 casinos will be much larger in terms of facilities offered than those currently permitted and will be in three categories (one regional, eight large and eight small, defined in terms of gambling and non-gambling areas). The final date for applications under the 1968 Gaming Act was 28 April 2006. Casinos established under the 1968 Act will be allowed to continue in operation when the new Act is implemented.

#### Number of licensed casinos

- at 31 March 2006 (17 more than a year earlier) of which 140 (two more) were trading at that date. This compares with 118 trading five years ago at 31 March 2001. One of the operating casinos provides card room games only. The distribution of individual operating casinos by location is given in Appendix V.
- 3.4 13 new licences in respect of entirely new additional casinos were granted during 2005/06. None of these was operational by 31 March 2006. A further eight clubs licensed in earlier years were also still not operational (see paragraph 3.6).
- 3.5 During the year two new concurrent licences were granted in respect of premises that were being expanded or relocated. In total, there were four casinos with concurrent licences at 31 March 2006.

Company	No. of licensed casinos	Developments and changes during 2004/05
Stanley Leisure Group Plc	45 casinos (4 in London)	Walsall casino remains closed but licence has been retained. A continuance application is in progress following Stanley's purchase of RJ Bown's 3 casinos
Rank Group Plc	44 casinos (6 in London)	New casinos in Dundee, Swansea, Warley, Reading, Birmingham, Aberdeen, Birkenhead and Stockton licensed but not yet trading
Gala Group	32 casinos (5 in London)	New casinos in Bristol and Derby licensed but not yet trading. Gala purchased Leo's Casino, Liverpool, in February 2006
London Clubs International Plc	12 casinos (5 in London)	New casinos in Manchester, Nottingham, Glasgow and Leeds and London licensed but not yet trading
A & S Leisure Group	6 casinos (1 in London)	
Aspinall's	3 casinos (1 in London)	New casino in Newcastle began trading in October 2005 New casino in Swansea licensed but not yet trading
Blue Chip Casinos Ltd	3 casinos (none in London)	
Clockfair Ltd	2 casinos (none in London)	New casino in Birmingham began trading in April 2005
Singleton Operators	17 casinos (4 in London) and 1 dedicated card club	Four singleton operators are licensed but not yet trading

14 | 3 Casino gaming The Gambling Commission

Slue Chip Casinos Ltd	3 casinos (none in London)	
²ll₅niq2A	3 casinos (1 in London)	New casino in Newcastle began trading in October 2005 New casino in Swansea licensed but not yet trading
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Сотрапу	No. of licensed casinos	Developments and changes during 2004/05

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3.2 The Cambling Act 2005 changes fundamentally

Introduction

the new Act is implemented.

### 3 Casino gaming

3.13 During 2005/06 certificate of consent applications from operators not previously known to the Commission continued at higher levels than previously. A total of 35 certificate of consent applications were submitted from 14 potential new operators, one of whom had overseas connections, six were bingo operators seeking to diversify and two aimed to operators seeking to diversify and two aimed to operator submitted 16 applications, all for casinos in hotels. Investigating the soundness and probity of in hotels. Investigating the soundness and probity of significantly more resources than the consideration significantly more resources than the consideration of routine applications from operators already known.

### Operators not previously known to the Commission

3.12 At 31 March 2006, there were 65 outstanding applications for certificates of consent, consisting of 23 for new casinos (of which four were for substitute or extended premises), three for transfer of a licence and 34 were continuance applications. In addition, a further 58 applications for new certificates (of which 12 were for substitute or replacement premises) were received by the final date of 28 April 2006 for such applications. Detailed figures on the outcome of applications. Detailed figures on the outcome of applications in the tables at the end of this chapter.

3.11 61 consent applications had been outstanding at 31 March 2005. 17 were for proposed new additional casinos, and 44 were continuance applications. Of the latter, 42 were in respect of Centings' purchase of 17.5% of the share capital of Stanley plc and a further application resulted from Centings' sale of a 50% share in Maxim's casino to Stanley. The other continuance application outstanding from last year was of a spplication outstanding from last year was of a its shareholding. All these outstanding to re-structure applications were approved during 2005/06. Of the 17 new certificate of consent applications outstanding, 11 were approved during 2005/06, three were 11 were approved during 2005/06, three were 31 March 2006.

3.10 A further 31 continuance applications were received during the year following the purchase by Permira, a private equity firm, of a 28.59% stake in the Cala Croup. These applications were outstanding at 31 March 2006.

3.9 The three transfer applications received during the year were outstanding at 31 March 2006. They followed Stanley's purchase of RJ Bown's three casinos, including the stake held in the Bristol casino by MCM (see paragraph 2.5 of the Caming Board's 2003/04 report). Following rationalisation of its shareholdings in respect of these casinos, Stanley subsequently also submitted three continuance applications for them. All the applications in respect of this purchase were granted in April 2006.

3.8 Of the 65 applications received for new certificates of consent, 56 were in respect of proposed new casinos and two were for new card clubs to operate under casino licences. Three were from applicants wishing to move their casinos to substitute premises and four were from applicants wishing to make major alterations and extensions to existing premises. Of these applications two were withdrawn, 39 were approved during the year and 24 were outstanding at 31 March 2006.

3.7 The Commission and its predecessor, the Caming Board, received 105 applications during 2005/06, of which 67 were for new certificates, 35 were continuance applications and three were for transfer of licences. This compares with 75 applications for for certificates of consent or their continuance during 2004/05, comprising 29 applications for new certificates, 45 continuance applications and one application for a certificate to transfer a licence to a different operating company.

### Applications for certificates of consent and their continuance

3.6 During the year the number of casino operators increased from 24 to 26 with two newcomers to the business. The overall structure of casino ownership at 31 March 2006 was as shown in Table 3a.

#### Structure of casino ownership

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### Applications for certificates of consent and their continuance

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- 3.11 61 consent applications had been outstanding at 31 March 2005. 17 were for proposed new additional casinos, and 44 were continuance applications. Of the latter, 42 were in respect of Gentings' purchase of 17.5% of the share capital of Stanley plc and a further application resulted from Gentings' sale of a 50% share in Maxim's casino to Stanley. The other continuance application outstanding from last year was of a technical nature, from a company wishing to re-structure its shareholding. All these outstanding continuance applications were approved during 2005/06. Of the 17 new certificate of consent applications outstanding, 11 were approved during 2005/06, three were withdrawn, and three were still outstanding on 31 March 2006.
- 3.12 At 31 March 2006, there were 65 outstanding applications for certificates of consent, consisting of 23 for new casinos (of which four were for substitute or extended premises), three for transfer of a licence and 34 were continuance applications. In addition, a further 58 applications for new certificates (of which 12 were for substitute or replacement premises) were received by the final date of 28 April 2006 for such applications. Detailed figures on the outcome of consent and licensing applications during 2005/06 are given in the tables at the end of this chapter.

### Operators not previously known to the Commission

3.13 During 2005/06 certificate of consent applications from operators not previously known to the Commission continued at higher levels than previously. A total of 35 certificate of consent applications were submitted from 14 potential new operators, one of whom had overseas connections, six were bingo operators seeking to diversify and two aimed to operate poker clubs with casino licences. The overseas operator submitted 16 applications, all for casinos in hotels. Investigating the soundness and probity of companies new to the British casino industry requires significantly more resources than the consideration of routine applications from operators already known.

### 3 Casino gaming

#### continued

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

- 3.14 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 help the licensing authorities in this exercise, the Act empowers the Commission to provide advice on demand to the authorities and requires these authorities to take that advice into account. It is also open to the Commission to lodge an objection on grounds of lack of demand should it be considered appropriate.
- 3.15 In June 2002, in the light of developments in policy towards casinos, the Commission's predecessor, the Gaming Board, looked again at the approach it should take on applications for new casino licences or for increases in facilities at existing casinos, and decided that it would in future only object to such applications if a situation arose where, as a regulator, it had reasons to believe that problems of control would result. The Gambling Commission has continued that policy and is thus now generally neutral towards all such applications unless there are issues of regulatory concern relating to the individual case. The lack of objection on demand grounds does not however mean the Commission necessarily supports the grant of a licence. Its position in such cases is that it remains for the applicants to establish the existence of unmet demand if they seek a licence on that ground.
- 3.16 Last year's report (paragraph 2.14) suggested that the prospect of expansion of the industry might lead to a decline in trade objections on demand grounds from casino operators to their rivals' applications for new casino licences. This has not proved to be the case.
- 3.17 Until the last of the applications under the 1968 Gaming Act has been dealt with, the demand criterion remains a consideration for licensing authorities in deciding applications. The Commission will therefore in appropriate cases continue to produce demand advice in writing to the Clerk to the Justices (or Licensing Board in Scotland) in advance of each licence application hearing. It will endeavour to do so two weeks beforehand to enable the members of the committee to give it due consideration before the hearing.

- 3.18 Although the Commission is likely to object only rarely at licensing hearings, it will continue to be represented at hearings in cases where it judges this to be helpful, either by one of its Inspectors or if necessary by its legal advisers.
- 3.19 The Commission's policy and the powers available to licensing authorities under existing legislation on demand and residual discretion are set out in its advice to licensing authorities for the 2006 sessions, a copy of which is available on the Commission's website.

### New licence applications for additional casinos

- 3.20 During the year 13 applications for additional casino licences were granted. The Commission did not object at any of the licence hearings. The 13 applications were:
- > Aberdeen an application from Grosvenor Casinos (part of the Rank Group)
- > Birkenhead an application from Grosvenor Casinos
- > Birmingham (Acocks Green) an application from Grosvenor Casinos
- > Coventry an application from Isle of Capri Casinos
- > Derby an application from the Gala Group
- > Leeds an application from London Clubs International plc
- > London (Leicester Square) an application from London Clubs International plc
- > London W2 an application from Paddington Casino Ltd
- > Nottingham an application from the Stanley Leisure Group plc
- > Reading an application from Grosvenor Casinos
- > Stockton an application from Grosvenor Casinos
- > Swansea an application from Lanes Casino Ltd
- > Warley (Oldbury) an application from Grosvenor Casinos.

#### Casinos.

- > Warley (Oldbury) an application from Grosvenor
- > Swansea an application from Lanes Casino Ltd
- > 2fockton an application from Grosvenor Casinos
- > Reading an application from Crosvenor Casinos
  - Leisure Group plc
  - > Nottingham an application from the Stanley
    - Casino Ltd
  - > London W2 an application from Paddington
    - London Clubs International plc
- > London (Leicester Square) an application from
  - International plc
  - > Leeds an application from London Clubs
  - > Derby an application from the Cala Croup
- > Coventry an application from Isle of Capri Casinos
  - Crosvenor Casinos
- > Birmingham (Acocks Green) an application from
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Demand for casino gaming and the Commission's approach to licensing hearings

continued

3 Casino gaming

#### The Cambling Commission 3 Casino gaming | 17

3.28 The Commission had hoped to continue the programme of informal meetings with casino operators to discuss various regulatory and other issues. It was not, however, possible to arrange any such meetings during 2005/06 as priority had to be given to formal certificate of consent hearings for applicants new to the industry (see paragraph 3.13 above). There were six such formal hearings during the year.

3.27 The Commission is pleased to note that all the new operators entering the casino industry have joined a trade association and that only one company is unrepresented by the associations. The Commission values the role of the BCA and COA in providing a channel of communication between the industry and its regulator.

casino customers. on biased roulette wheels, and money lending between anti-drugs policies, players ability to predict outcomes companies as employers to have clearly understood legislation. Other issues included the need for casino and progress in implementing the new gambling money laundering (see paragraphs 3.42 and 3.43) industry continued to be the new regulations on matters discussed, those of most concern to the during the period covered by this Report. Amongst and COA representatives met formally four times The Working Group of Commission officials and BCA and the Casino Operators' Association of the UK (COA). associations, the British Casino Association (BCA) officials and representatives of the two trade dialogue was maintained between the Commission's 3.26 Throughout the year, regular and constructive

### Meetings with the trade associations and casino operators

sonisas llama 8:	750 square metres (8,073 square feet)
8 large casinos:	1,500 square metres (16,146 square feet)
onisso lanoigay l	5,000 square metres (53,820 square feet)

3.25 As mentioned in paragraph 3.2 above, only 17 new casinos in three categories will be permitted under the Cambling Act 2005. The DCMS has said that the minimum total customer area requirements for these categories will be as follows:

excess of 5,000 square feet. They included three for new casinos in the 20,000 square feet range.

Paragraph 2.20 of last year's report said that only 3.24 Paragraph 2.00 of last year's report said that only nine British casinos had gaming areas exceeding 5,000 square feet (464 square metres) and that the club with the largest gaming area in Creat Britain was Stanley's Birmingham Star City casino, whose gaming area of 21,000 square feet (1,950 square metres) was almost double the size of its nearest rival. Most certificate of consent applications for new casinos approved during 2005/05 were for premises with gaming areas well in 2005/05 were for premises with gaming areas well in

#### Caming areas

If all outstanding applications were to be successful, there would thus be nine card clubs and 250 casinos licensed under the 1968 Act. In addition there are two outstanding appeals against refusal to issue a licence.

872	Total
62	Awaiting outcome of certificate of consent application (of which eight were for card clubs and 17 were for card clubs and some premises)
32	Awaiting outcome of licensing application (of which two were for substitute or extended premises)
72	Licensed but not operating
140	Operating casinos (includes one card club)

3.23 As mentioned earlier, the final date for applications under the 1968 Act was 28 April 2006. Thus, at the end of April, the position in respect of casino licences under the 1968 Act was:

# Ending of applications for new casinos under the 1968 Gaming Act

3.22 At 31 March 2006, there were 32 applications for new licences awaiting determination by licensing justices and boards, of which one was for substitute or extended premises.

3.21 In recent years some casino operators have sought to improve their business by relocating their casinos to more attractive and larger premises. In the reporting period two new licences were granted in respect of applications to relocate existing casinos to new premises.

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#### Ending of applications for new casinos under the 1968 Gaming Act

3.23 As mentioned earlier, the final date for applications under the 1968 Act was 28 April 2006. Thus, at the end of April, the position in respect of casino licences under the 1968 Act was:

Total	278
Awaiting outcome of certificate of consent application (of which eight were for card clubs and 17 were for substitute or extended premises)	79
Awaiting outcome of licensing application (of which two were for substitute or extended premises)	32
Licensed but not operating	27
Operating casinos (includes one card club)	140

If all outstanding applications were to be successful, there would thus be nine card clubs and 250 casinos licensed under the 1968 Act. In addition there are two outstanding appeals against refusal to issue a licence.

#### Gaming areas

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excess of 5,000 square feet. They included three for new casinos in the 20,000 square feet range.

3.25 As mentioned in paragraph 3.2 above, only 17 new casinos in three categories will be permitted under the Gambling Act 2005. The DCMS has said that the minimum total customer area requirements for these categories will be as follows:

1 regional casino:	5,000 square metres (53,820 square feet)
8 large casinos:	1,500 square metres (16,146 square feet)
8 small casinos:	750 square metres (8,073 square feet)

### Meetings with the trade associations and casino operators

3.26 Throughout the year, regular and constructive dialogue was maintained between the Commission's officials and representatives of the two trade associations, the British Casino Association (BCA) and the Casino Operators' Association of the UK (COA). The Working Group of Commission officials and BCA and COA representatives met formally four times during the period covered by this Report. Amongst matters discussed, those of most concern to the industry continued to be the new regulations on money laundering (see paragraphs 3.42 and 3.43) and progress in implementing the new gambling legislation. Other issues included the need for casino companies as employers to have clearly understood anti-drugs policies, players' ability to predict outcomes on biased roulette wheels, and money lending between casino customers.

- 3.27 The Commission is pleased to note that all the new operators entering the casino industry have joined a trade association and that only one company is unrepresented by the associations. The Commission values the role of the BCA and COA in providing a channel of communication between the industry and its regulator.
- 3.28 The Commission had hoped to continue the programme of informal meetings with casino operators to discuss various regulatory and other issues. It was not, however, possible to arrange any such meetings during 2005/06 as priority had to be given to formal certificate of consent hearings for applicants new to the industry (see paragraph 3.13 above). There were six such formal hearings during the year.

The Gambling Commission 3 Casino gaming | 17

### 3 Casino gaming

#### continued

### Easing of restrictions on casino gaming

- 3.29 The period covered by this Report has seen some further easing of the restrictions on casinos. These are in addition to those reported in previous years.
- 3.30 From 1 October 2005 new casino members no longer have to wait 24 hours to take part in gaming (making it easier for tourists on a short visit to join a casino), and more generous allowances for jackpot (gaming) machines in casinos were introduced. Hence, a Commencement Order made under the 2005 Gambling Act (S.I. 2005 No. 2455) amended the 1968 Gaming Act to increase the number of jackpot machines allowed in a casino to 20. From 31 October 2005 further changes took place. The Gaming Machines (Maximum Prizes) Regulations 2005 (S.I. 2005 No. 2775) increased the prizes for jackpot machines in casinos to a maximum of £4,000. The Gaming Act (Variation of Monetary Limits) Order 2005 (S.I. 2005 No. 2776) increased the related maximum stake to £2 and also allows casinos to offer a new style of gaming machine with a maximum stake of £100, and a maximum prize of £500. The new style machines count towards the overall entitlement of 20 jackpot machines that a casino may now offer.
- 3.31 Over the years, the Gaming Board opposed the granting of casino licences if there was direct internal access to the casino from other (non-public) premises. This restriction was intended to support the separation of gaming from other leisure activities. Now that casinos may offer alcohol on the gaming floor and, in England and Wales, provide live entertainment, the Commission considers the restriction is no longer appropriate in every case. For example, a hotel may wish to offer residents access to its adjoining casino without forcing them to go out into the street. In future the Commission will not oppose casino entrances from other premises as long as certain criteria are met, including the casino having at least one entrance, which is demonstrably the main entrance, from a public thoroughfare and reception arrangements which ensure that all customers are properly screened to check their identity and age.

### Gaming under section 21 of the 1968 Gaming Act

3.32 As reported previously, the industry has developed a type of machine gaming that can be operated under section 21 of the 1968 Act. The Commission and the DCMS have concerns about this type of gaming (see paragraphs 6.6 to 6.8). Section 21 machines can be sited in casinos without limits to numbers subject to controls on stakes and prizes of maxima of 50p per chance, £25 for any single cash prize and £500 for the aggregate value of all stakes and prizes in a single game. The Commission's advice to licensing authorities for 2006 makes it clear that automated gaming systems under section 21 of the Act can only be played during normal gaming hours and within the designated gaming area. When Part 10 of the 2005 Gambling Act is implemented, machines currently operating under section 21 of the 1968 Act will be subject to the same controls on numbers, stakes and prizes as any other type of gaming machine.

#### Casinos adjacent to bingo clubs

3.33 Last year's report (paragraph 2.26) mentioned certificate of consent applications for new casinos from a company operating both casinos and bingo clubs, utilising spare capacity in existing bingo premises. The joint bingo and casino premises share common services such as catering. During 2005/06 another bingo operator, seeking to enter the casino market, submitted a similar application. The Commission has no objection to casino and bingo clubs sharing a building provided that, in order to ensure there is no confusion between separate licensed gambling premises, there is no internal customer access from one club to the other and that there are separate entrances and membership.

# Involvement of Commission certificated companies in gaming overseas

3.34 Casino gaming is an international industry. Whilst the Commission has no objections to operators licensed in Britain having overseas interests or to foreign ownership of British casinos, subject to meeting the relevant legislative requirements, it nevertheless expects that:

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## Involvement of Commission certificated companies in gaming overseas

5.33 Last year's report (paragraph 2.26) mentioned certificate of consent applications for new casinos from a company operating both casinos and bingo clubs, utilising spare capacity in existing bingo premises. The joint bingo and casino premises share common services such as catering. During 2005/06 another bingo operator, seeking to enter the casino market, submitted a similar application. The Commission has no objection to casino and bingo clubs sharing a building provided that, in order to ensure there is a building provided that, in order to ensure there is no confusion between separate licensed gambling premises, there is no internal customer access from one club to the other and that there are separate entrances and membership.

#### Casinos adjacent to bingo clubs

prizes as any other type of gaming machine. subject to the same controls on numbers, stakes and operating under section 21 of the 1968 Act will be 2005 Cambling Act is implemented, machines currently within the designated gaming area. When Part 10 of the can only be played during normal gaming hours and automated gaming systems under section 21 of the Act to licensing authorities for 2006 makes it clear that and prizes in a single game. The Commission's advice prize and £500 for the aggregate value of all stakes maxima of 50p per chance, £25 for any single cash numbers subject to controls on stakes and prizes of machines can be sited in casinos without limits to type of gaming (see paragraphs 6.6 to 6.8). Section 21 Commission and the DCMS have concerns about this operated under section 21 of the 1968 Act. The developed a type of machine gaming that can be 3.32 As reported previously, the industry has

### Caming under section 21 of the 1968 Caming Act

screened to check their identity and age. which ensure that all customers are properly public thoroughtare and reception arrangements which is demonstrably the main entrance, from a met, including the casino having at least one entrance, trom other premises as long as certain criteria are the Commission will not oppose casino entrances without forcing them to go out into the street. In future wish to offer residents access to its adjoining casino appropriate in every case. For example, a hotel may the Commission considers the restriction is no longer in England and Wales, provide live entertainment, casinos may offer alcohol on the gaming floor and, of gaming from other leisure activities. Now that This restriction was intended to support the separation access to the casino from other (non-public) premises. granting of casino licences if there was direct internal 3.31 Over the years, the Gaming Board opposed the

20 Jackpot machines that a casino may now offer. machines count towards the overall entitlement of £100, and a maximum prize of £500. The new style style of gaming machine with a maximum stake of stake to £2 and also allows casinos to offer a new (S.l. 2005 No. 2776) increased the related maximum Caming Act (Variation of Monetary Limits) Order 2005 machines in casinos to a maximum of £4,000. The (S.I. 2005 No. 2775) increased the prizes for Jackpot Machines (Maximum Prizes) Regulations 2005 2005 further changes took place. The Gaming machines allowed in a casino to 20. From 31 October 1968 Gaming Act to increase the number of Jackpot Cambling Act (S.I. 2005 No. 2455) amended the a Commencement Order made under the 2005 (gaming) machines in casinos were introduced. Hence, a casino), and more generous allowances for Jackpot (making it easier for tourists on a short visit to Join longer have to wait 24 hours to take part in gaming 3.30 From 1 October 2005 new casino members no

3.29 The period covered by this Report has seen some further easing of the restrictions on casinos. These are in addition to those reported in previous years.

Easing of restrictions on casino gaming

S Casino gaming continued

3.40 It is possible for a genuine social club to offer poker and other gaming as an ancillary amenity for its members on a non-profit making basis under Part II or Part IV of the 1968 Caming Act. Cuidance is available from the Commission's website.

3.39 The Commission receives regular requests for advice on the operation of card clubs to be run on a commercial basis. There is a particular interest currently in poker clubs. Officials advise enquirers that a casino licence is necessary for anyone wishing to do this. Eight certificate of consent applications under the 1968 Act from operators seeking new casino licences in order to operate such card clubs were under consideration at the time this Report was being prepared. No further applications under the 1968 Act can be accepted following the deadline of 28 April Act can be accepted following the deadline of 28 April Act can be accepted following the deadline of 28 April Act can be accepted following the deadline of 28 April Preding under a casino licence. There is also a pending prosecution of a club operating without such a licence.

#### Card clubs and poker

3.38 During the year, the Commission and DCMS became increasingly concerned with the proliferation of advertisements for online gaming sites in breach of the requirements of section 42 of the 1968 Gaming Act, which severely restrict the way in which casinos may advertise. Officials held meetings with the Advertising Standards Authority (ASA) and the Committee for Advertising Practice (CAP) which resulted in guidance being issued by the CAP in June 2005. More comprehensive guidance was issued jointly by the Commission and DCMS in March 2006 (see paragraph 1.12).

into effect in September 2007, the way will be open for the public to gamble on sites regulated by the Commission.

3.37 The 1968 Act was not designed to cover modern developments in IT and telecommunications. However, the problems (referred to in previous reports) in deciding how old legislation relates to the latest developments in remote gambling will be resolved with the implementation of the relevant provisions of the Cambling Act 2005. These will enable the Commission to issue licences for remote gambling by such means as the internet, digital TV and mobile phones, thus allowing companies who wish to offer casino gaming by such means to establish their operations in Creat by such means to establish their operations in Creat Britain lawfully for the first time. When the Act comes

3.36 The 1968 Caming Act precludes online or remote casino gaming operations being established in Creat Britain. The Act requires British-based casinos to be clubs with premises, and customers must attend the premises to game. The effect on the British gambling market of internet gaming sites based in overseas jurisdictions has continued to be monitored, and officials answer enquiries from companies who plan to offer gaming from offshore sites. Officials also receive telephone calls and emails from dissatisfied users of overseas gaming sites, who often wrongly believe the Commission has the authority to resolve their complaints.

### Internet and other remote casino gaming

3.35 In all cases the Commission expects licensees to keep it fully informed about their gaming activities outside Britain.

b) In cases where licensees enter into contracts with other organisations, such licensees are fully aware of the control and ownership of their partners are and satisfy themselves that their partners are not involved in or associated with criminal activity. Licensees are also advised to ensure that any contractual obligations can be cancelled in the event of a partner being found unsuitable.

a) Licensees will as a minimum ensure that their foreign operations fully comply with the local law and regulations though it accepts that as far as gaming is concerned some jurisdictions may have less restrictive regulatory requirements. In addition, in order to ensure that the standing, reputation and continued suitability of British operators are not adversely affected, competent and professional management operations and procedures need to be maintained, and in particular these need to be sufficient to prevent criminal activity, fraud or sufficient to prevent criminal activity, fraud or sufficient to prevent criminal activity, fraud or

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- 3.40 It is possible for a genuine social club to offer poker and other gaming as an ancillary amenity for its members on a non-profit making basis under Part II or Part IV of the 1968 Gaming Act. Guidance is available from the Commission's website.
- 3.41 The Commission is concerned about the growing trend towards poker games in pubs and is preparing appropriate guidance to licensing authorities, the pub trade and other interested parties. The 1968 Act provides for pubs to apply for permits for small scale gaming but there is a risk that such poker games could involve high stake gambling if not properly run within the parameters permitted by legislation.

The Gambling Commission 3 Casino gaming | 19

### 3 Casino gaming

#### continued

#### Money laundering controls in casinos

3.42 Previous reports have referred to the 2nd European Union Directive on Money Laundering as a result of which new statutory regulations came into effect in March 2004 that require casino operators to obtain satisfactory evidence of identity of any person before allowing that person to use the casino's gaming facilities. During the year Gambling Commission officials continued to hold meetings with officials of the Treasury to discuss a revised Code of Practice to reflect the new requirements for the casino industry, but final agreement has not yet been reached. Among the steps taken by the industry during the year to help in meeting the new requirements was a review by one of the casino trade associations of various suppliers of electronic identity verification equipment in order to provide advice on systems acceptable for use in casinos.

3.43 Last year's report said that the European Commission had issued preliminary draft articles for a 3rd Money Laundering Directive on 22 March 2004. The aim of this Directive is to consolidate and revise the previous EU directives to take account of improved international standards in this area. The Directive was ratified in November 2005, and two years are allowed for implementation of its provisions. A key issue to be resolved in respect of the 3rd EU Directive is whether identification should be verified on entry to a casino or alternatively could be done at a later stage.

#### Money lending in casinos

3.44 A particular issue of concern to the Commission which emerged during the year was allegations of money lending between casino customers. Although money lending between customers is not of itself illegal, and it is appreciated that informal money lending among friends is traditional in some cultural groups, there is a point at which money lending activities become commercial in nature and have the potential to be used for money laundering. The matter has been discussed at the regular working group meetings

with the casino industry and guidance for dealing with the issue has been prepared by the Commission and agreed with the two trade associations.

#### Numbers of gaming machines in casinos

3.45 The results of annual surveys, set out in Table 3b, show how the number of jackpot machines in casinos has increased in response to deregulatory measures easing the controls on numbers.

3.46 Under section 32 of the 1968 Act a casino may apply to substitute, for the 20 jackpot machines authorised under section 31 with prizes up to £4,000. a larger number of amusement with prizes machines, all to be used for smaller prizes (up to £25). At 31 March 2006, no casino held a section 32 direction.

#### **Employment within casinos**

3.47 The trade associations have told the Commission that in 2005/06 their members employed 16,310 staff in their casinos throughout Great Britain. Of these, 9,360 were directly involved in the conduct of gaming (i.e. croupiers, inspectors and casino managers) and 6,950 were non-gaming staff dealing with ancillary activities such as restaurant, bar, reception and security work. This compares with totals of around 15,300 staff in 2004/05, 13,000 in 2003/04 and 11,500 in 1997/98.

#### Casino attendance

3.48 The figures on casino attendances for the last five years are given below. There were 13.9 million visits to casinos in Great Britain in 2005/06, an increase of 13% over 2004/05: to some degree this significant growth is a consequence of the abolition of the 24 hour rule in October 2005 (see paragraph 3.30). [See Table 3c.]

Table 3b Gaming machines in casinos									
As at 31 March	1998	1999	2000	2001	2002	2003	2004	2005	2006
Jackpot machines	612	582	795	814	841	894	976	1,009	1,941
Maximum prize machines included in above	N/A	297	326	367	N/A	116	289	607	1,124

**20 | 3 Casino gaming** The Gambling Commission

sənidəsm əzirq mumixsM ∍vods ni bəbuləni	∀/N	<b>Z6</b> Z	978	<b>498</b>	∀/N	911	682	۷09	⊅Z1,1
Jackpot machines	219	285	S6Z	<b>⊅</b> 18	l <del>1</del> 8	<b>₽</b> 68	926	600'l	l †6' l
As at 5 lb sA	866 L	666 L	2000	2001	2002	2003	700₹	2002	5000
zəninəsm gnimsə d£ əldsT	onizso ni	S							

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#### Casino attendance

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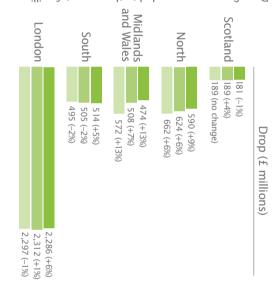
3 Casino gaming

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Great Britain Total	Z18'18Z'11	11,865,453	654'588'11	044'808'71	864,656,51
пориол	£9Z'96Z'Z	2,766,323	5,798,755	109,487,2	162,278,2
lstot-du2	8,985,554	081,660,6	<del>1</del> 02'980'6	691' <del>+</del> 25'6	<b>Z0Z</b> '990'11
ynog	161,498,2	I 47,895,5	827,228,2	089'614'7	2,650,705
Nidlands & Wales	967'981'7	SS+'+Z1'Z	910,272,2	2,536,676	ZE9'666'Z
Иоґі	147,878,8	19ቱ'८८ቱ'ᢄ	0۲۲,134,8	ZZS'06S'E	tt1'852't
Scotland	1,061,326	٤٧٦, ٢٩٥, ١	061,080,1	98Z'ZZ0' I	1,158,226
	20/1002	2002/03	\$003\0 <del>4</del>	50/4/05	90/\$007
Table 3c Casino atter	ndance by regio	ս։ <mark>ഗ</mark> րաթեւ օէ <mark></mark>	stisi		

3.51 The proportion of drop for each game for the last five years is shown in Table 3f.

Drop figures are rounded to the nearest £ million. Figures do not include Casino Stud Poker Jackpot wagers.



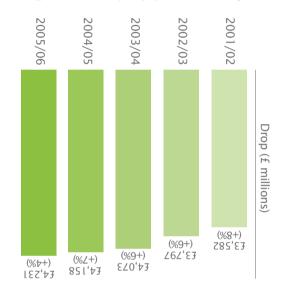
#### **Chart 3e Drop per year by region** (change from previous year in brackets)

3.50 Drop in London casinos during the year was £2,297 million, fractionally down on 2004/05, while drop for the provinces increased by £92 million. Approximately 55% of the total drop produced by all the casinos in Great Britain occurred in the London casinos. The drop figures by region for the last three years are shown in Chart 3e.

A comprehensive picture is required, including machines income in venues such as pubs, clubs and bookmakers' premises, as well as casinos.

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Drop figures are rounded to the nearest £ million. Figures do not include Casino Stud Poker Jackpot wagers.



**Chart 3d Drop per year overall** (change from previous year in brackets)

3.49 The total drop (money exchanged for gaming chips) in casinos in Creat Britain during the financial year 2005/06 was £4,231 million, an increase of £73 million on the 2004/05 figure. The totals for the last five years are set out below. These figures exclude income from gaming machines, which, with greater numbers of machines being permitted, could in future represent a significant proportion of many in future represent a significant proportion of many machines furnover is given in the Caming Machines chapter of this Report (paragraph 6.4) but the Commission is considering how money gambled on machines might be recorded more precisely.

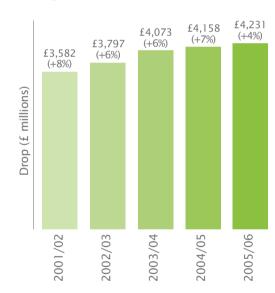
#### Financial performance

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**Chart 3d Drop per year overall** (change from previous year in brackets)

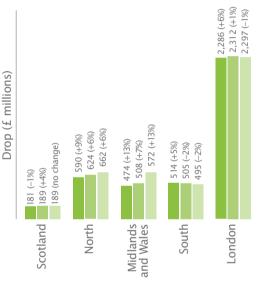


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3.51 The proportion of drop for each game for the last five years is shown in Table 3f.

Table 3c Casino attendance by region: Number of visits

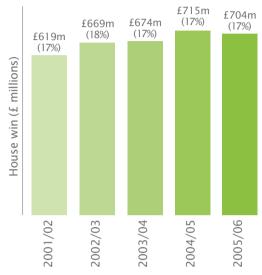
Great Britain Total	11,781,817	11,865,453	11,885,459	12,308,770	13,939,498
London	2,796,263	2,766,323	2,798,755	2,734,601	2,872,791
Sub-total	8,985,554	9,099,130	9,086,704	9,574,169	11,066,707
South	2,364,191	2,399,741	2,322,728	2,419,680	2,650,705
Midlands & Wales	2,186,296	2,174,455	2,272,016	2,536,676	2,999,632
North	3,373,741	3,477,461	3,461,770	3,590,577	4,258,144
Scotland	1,061,326	1,047,473	1,030,190	1,027,236	1,158,226
	2001/02	2002/03	2003/04	2004/05	2005/06

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### 3 Casino gaming

#### continued

#### **Chart 3g 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

3.52 Although the total retained by casinos as house win was fractionally down on 2004/05 (£704m compared to £715m), the overall win percentage was still much the same as in four of the five preceding years. The figures for house win over the last five years were as shown in Chart 3g.

### Numbers of certificates of consent and licence applications

3.53 Tables 3h to 3j show the results of consent applications made to the Commission and its predecessor, the Gaming Board, during the period 1 April 2005 to 31 March 2006 and the number and outcome of new licence applications.

	100.0	100.0	100.0	100.0	100.
Big Six/Sic Bo		0.2	0.1	0.0	0.
Craps	0.9	0.8	0.6	0.5	0.
Casino Stud Poker	5.5	4.8	3.1	2.0	1.
Three Card Poker		3.0	5.1	5.8	5.
Punto Banco (including Baccarat)	9.2	9.4	9.2	8.7	8
Electronic roulette	3.3	8.7	11.7	13.9	15
Blackjack	16.5	16.4	17.9	17.2	18
American roulette	64.6	56.7	52.3	51.9	50
	2001/02	2002/03	2003/04	2004/05	2005/0

Notes: The figures for each financial year do not include the unallocated drop received at the cash desk. Table 3d, however, does include unallocated drop. Figures are shown to one decimal place.

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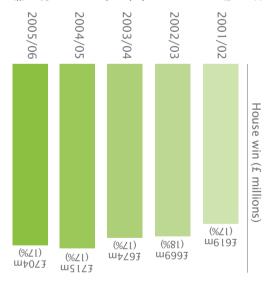
	0.001	0.001	0.001	0.001	0.001
Big Six/Sic Bo		2.0	Γ.0	0.0	0.0
Craps	6.0	8.0	9.0	2.0	2.0
Casino Stud Poker	2.2	8.4	Γ.ε	D.S	9. ľ
Three Card Poker		9.8	ſ.2	8.2	8.2
Punto Banco (including Baccarat)	Z <sup>.</sup> 6 (	⊅'6	2.6	Z.8	0.8
Electronic roulette	5.5	7.8	Z. l l	6 <sup>.</sup> E1	0.2 l
Blackjack	S:91	<b>4</b> .81	6 <b>.</b> 71	2.71	Z.8 I
American roulette	9.49	7.82	5.23	6.12	۵۵.4
2	20/1002	2002/03	70/800Z	2004/02	5002/00
Table 3f Percentage distribut	orb <mark>To noi</mark> tu	b pλ dswes			

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**Chart 3g House win** (overall percentage of drop in brackets)

3 Casino gaming

#### The Cambling Commission 3 Casino gaming | 23

lstoT	89	11	64
Applications not determined by 31 March 2006	82	۷	<b>Σ</b> Ε
bezułen refused	_	_	_
nws1bdiw znoijs2ilqqA	_	_	_
bewolls anoifsoilqqA	07	Þ	<b>ヤ</b> ヤ
lstoT	89	11	62
New applications received ni bovisos renoifications	82	۷	32
Applications outstanding on 31 March 2005	04	Ъ	<b>ヤ</b> ヤ
	bnsland saleW bns	Scotland	Total
Table 3j Continuance of certificates of consent			

lstoT	3	-	3
Applications not determined by 31 March 2006	٤	_	٤
bəsufər snoitsəilqqA			_
Applications withdrawn	_	_	_
bauzzi zatroifitaa		_	_
lstoT	8	-	8
00/2002 ni bəviəcər received	٤	_	٤
2002 Harcations outstanding on 31 March	_	_	_
	bnslpn3 selsW bns	Scotland	lstoT
Table 3i Certificates of consent to transfer a licence			

latoT	12	13	₽8
Applications not determined by 18 March 2005	52	Ζ	72
bəsufər aroitsəilqqA	_	_	_
nwarbdtiw znoitszilqqA	S	_	S
bənzzi zətsəflirlə	l⊅	L L	25
[sto]	LZ	ει	₽8
30\Z00S ni bəviəsər snoitssilqqs wəV	95	L L	<b>Z</b> 9
2005 AzısıM 15 no gnibnatztuo znoitazilqqA	SI	7	<b>Z</b> L
	bnslpn3 eslsW bns	Scotland	Total
Table 3h New certificates of consent			

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#### Jenti Oi Oi Text / Sig: 12 / Plate A

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	15	2	17
New applications received in 2005/06	56	11	67
Total	71	13	84
Certificates issued	41	11	52
Applications withdrawn	5	_	5
Applications refused	_	_	_
Applications not determined by 31 March 2006	25	2	27
Total	71	13	84

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	_	_	
New applications received in 2005/06	3	_	3
Total	3	_	3
Certificates issued	_	_	_
Applications withdrawn	_		
Applications refused	_	_	_
Applications not determined by 31 March 2006	3	_	3
Total	3	_	3

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	40	4	44
New applications received in 2005/06	28	7	35
Total	68	11	79
Applications allowed	40	4	44
Applications withdrawn	_	_	_
Applications refused	_		_
Applications not determined by 31 March 2006	28	7	34
Total	68	11	79

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### 4 Licensed bingo

#### Introduction

4.1 This chapter reports on significant developments in the bingo industry and its regulation. The procedures for licensing bingo under the 2005 Gambling Act will be broadly similar to those existing under the 1968 Gaming Act.

#### Size and structure of the industry

- 4.2 The number of bingo clubs holding the Commission's certificate of consent at 31 March 2006 was 679 (see Table 4a), a decrease on the number holding a certificate at 31 March 2005 (700). The number of clubs actually operating at 31 March 2006 was 657 compared to 678 at 31 March 2005 and 696 at 31 March 2004. There has been a long term steady downward trend in the number of clubs. Hence the net reduction in the number of bingo clubs between 1 April 1997 and 31 March 2001 amounted to 17% of the total number of clubs operating and, although closures between April 2001 and March 2003 were matched or surpassed by the number of new clubs opening, reductions in numbers during the last two reporting years have amounted to 3% of the total number of clubs in each year. One third of closures in the current reporting period were holiday parks that decided to surrender their Part II gaming licences and operate bingo under section 40 of the 1968 Act instead (see paragraph 4.22).
- 4.3 Gala Leisure, the dedicated bingo division of the Gala Group with 175 operating clubs, and Mecca Bingo Limited, a subsidiary of the Rank Group with 118 operating clubs, remained the major owners with a combined 45% share of all bingo clubs. Other multiple site operators include Top Ten Bingo (44 operating clubs), Bourne Leisure Limited (36 operating clubs), and Carlton Clubs plc (18 clubs). A further 16 bingo

companies held between four and 12 bingo licences; the remaining operating 178 bingo clubs were owned by singleton operators or in groups of fewer than four clubs. 73 clubs are in holiday parks, some of which operate purely on a seasonal basis.

#### Changes to the industry

- 4.4 A number of changes of ownership occurred during the reporting period, the most significant being Top Ten Bingo Limited's acquisition of three bingo operating companies, namely the Walker Leisure bingo estate in August 2005 (13 clubs), Apollo Bingo Limited in January 2006 (4 clubs) and Bravo Bingo Limited in February 2006 (3 clubs): Top Ten have now replaced Bourne Leisure as the third biggest operator in Great Britain, owning 45 clubs, one of which is not yet operational. Bourne Leisure, which operates bingo exclusively from holiday parks, surrendered 13 licences during the reporting period, instead electing to play section 40 bingo at those outlets (see paragraph 4.22). In January 2006, Gala Leisure purchased County Properties and Developments Limited's bingo estate (10 clubs), thus strengthening their position as the largest bingo operator in Great Britain with 175 operating clubs. This purchase was investigated by the Office of Fair Trading (OFT), which was concerned that competition in one area had been significantly weakened as a result of the acquisition. Having been given an undertaking by Gala to divest itself of the club in the area concerned, the OFT decided not to refer the matter to the Competition Commission.
- 4.5 A recent trend within the industry has been the emergence of private investment companies buying into bingo operations, the latest instance of this being Alchemy Partners LLPs' acquisition of the Cambos Group bingo estate (10 clubs) in January 2006.

	England		
	and Wales	Scotland	Tota
Holding Commission certificates at 31 March 2006	580	99	679
	(601)	(99)	(700
Holding gaming licences at 31 March 2006	582	95	67
	(599)	(99)	(700
Known to be operating at 31 March 2006	567	90	657
	(586)	(92)	(678

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(829)	(Z6)	(98S)	Known to be operating at 31 March 2006
259	06	Z9S	
(00Z)	(66)	(266)	Aolding gaming licences at 31 March 2006
ZZ9	\$6	(285	
(00Z)	(66)	(109)	Andling Commission certificates at 31 March 2006
6Z9	66	280	
lstoT	Scotland	bnslgn3 salsW bns	
	(	(2005 in brackets	Table 4a Number of bingo clubs at 31 March 2006

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#### Changes to the industry

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#### Size and structure of the industry

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#### Introduction

### 4 Licensed bingo

Source: H M Revenue and Customs. As a result of a change in the method of calculating bingo duty announced in the Budget 2003 and implemented later that year, the figures for the amounts staked from then onwards are on a somewhat different basis to earlier years. The main difference is that figures for November 2003 and later include participation fees.

978'I	8005 harch 2005 lingA
۷۷۷' ا	2005 Aarch 2005 lingA
*18E'I	4002 harch 2004
222,1	E002 harch 2003 lingA
<del>7</del> 91'l	2002 darich 2002 lingA
bəsis innomA noillim3 ni	
	noillim3 ni \$\frac{1}{2} \tau \text{18E, I} \\ \text{777, I}

Table 4b Amount staked on licensed bingo by year

4.11 The National Bingo Came Association Limited is currently the only holder of the Cambling Commission's certificate of approval to operate multiple bingo. The NBCA has operated what is known as the National Came daily for the past 19 years. The number of NBCA clubs registered to play in its National Cames was 510 clubs registered to play in its National Cames was 510 at 31 March 2006 compared to 476 a year earlier.

4.10 Multiple bingo can be played by commercial bingo clubs across the country under the terms of the Caming (Bingo) Act 1985. All clubs participating in multiple bingo play to a single set of numbers determined before the game commences. Currently the maximum amount that may be paid as a prize in a game of multiple bingo is £2,000,000 (The Caming (Bingo) Act (Variation of Monetary Limit) Order 2002) and the maximum number of games of multiple bingo and the maximum number of games of multiple bingo period of 24 hours is five (Caming Clubs (Multiple Bingo) period of 24 hours is five (Caming Clubs (Multiple Bingo)).

#### Multiple bingo

4.9 Bingo clubs are required to display a charges to play notice which shows the maximum charge by way of participation fee. This figure should reflect a realistic maximum charge. There is a tendency for some operators to show an absolute maximum charge which is rarely, if ever, applied. The Cambling Commission believes that this does not demonstrate sufficient transparency to players and means that operators are not complying with the good practice guidance notes drawn up in March 2002. The Bingo Association has reminded its members of the advice given in the relevant section of the Code of Conduct.

### Transparency of charges to play notices

4.8 Last year's Report commented on the growth in bingo clubs of electronic machine gaming played under section 21 of the Caming Act 1968 (see also paragraphs 6.6 to 6.8 of this Report). The Commission has been monitoring developments in this sector and the result of a survey of bingo clubs during March 2006 showed that there were 1,556 section 21 terminals in operation, a major increase on the March 2005 figure (267).

### Caming under section 21 of the Caming Act 1968

4.7 Last year's Report mentioned the development of electronic bingo ticket minders (EBTs) which can be used as an alternative to paper tickets in bingo. The Cambling Commission and the bingo industry formulated a new code of practice for the use of EBTs which came into effect on 1 June 2005. A survey which came into effect on 1 June 2005. A survey conducted in April 2006 showed that five bingo clubs were using hard wired EBT units, whilst 41 clubs had introduced hand held radio frequency units, averaging about 80 units per site. The Mecca Bingo Club at Fountain Park, Edinburgh is unique in its exclusive Fountain Park, Edinburgh is unique in its exclusive use of EBTs for all types of bingo.

#### Electronic bingo terminals

4.6 Table 4b below gives H M Revenue and Customs figures for the amount of money staked in licensed bingo clubs over the last five years. The amount of money staked in 2005/06 was £1.83 billion, an increase of nearly 3% on 2004/05. The figures for money staked do not include cash staked on gaming machines.

#### Money staked

Jenti Oi Oi Text / Sig: 13 / Plate A

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- 4.10 Multiple bingo can be played by commercial bingo 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. Currently the maximum amount that may be paid as a prize in a game of multiple bingo is £2,000,000 (The Gaming (Bingo) Act (Variation of Monetary Limit) Order 2002) and the maximum number of games of multiple bingo that may be played on any licensed bingo club in any period of 24 hours is five (Gaming Clubs (Multiple Bingo) (Amendment) Regulations 2002).
- 4.11 The National Bingo Game Association Limited is currently the only holder of the Gambling Commission's certificate of approval to operate multiple bingo. The NBGA has operated what is known as the National Game daily for the past 19 years. The number of NBGA clubs registered to play in its National Games was 510 at 31 March 2006 compared to 476 a year earlier.

#### Table 4b Amount staked on licensed bingo by year

	Amount staked in £million	Percentage change from previous year
April 2001 to March 2002	1,164	4.1
April 2002 to March 2003	1,222	5.0
April 2003 to March 2004	1,381*	*see note below
April 2004 to March 2005	1,777	*see note below
April 2005 to March 2006	1,826	2.8

<sup>\*</sup> Source: H M Revenue and Customs. As a result of a change in the method of calculating bingo duty announced in the Budget 2003 and implemented later that year, the figures for the amounts staked from then onwards are on a somewhat different basis to earlier years. The main difference is that figures for November 2003 and later include participation fees.

The Gambling Commission 4 Licensed bingo | 25

Jenti Oi Oi Text / Sig: 13 / Plate A

### 4 Licensed bingo

#### continued

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 higher prizes have also been successfully run, the largest national prize being almost £1,000,000. Upgraded digital equipment has permitted improved audio-visual quality for the customer; in particular the "talking heads" system used in some clubs, which transmits images of celebrities calling the game numbers, has contributed to the game's continuing success. Following the increase in the permitted number of games in 1998 the NBGA 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.

4.12 LinkCo Limited provided multiple bingo games exclusively for Mecca clubs from March 2000 until December 2005 at which point the Gambling Commission was advised LinkCo would not renew its certificate of approval when due in February 2006.

#### Linked bingo

4.13 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 greater number of participants in the game thus allows the operators to offer larger prizes. The total number of clubs participating in some form of linked bingo increased during the period from 504 to 561. Two specialist companies provide digitally linked systems allowing for large numbers of clubs to network easily and simply, with minimal disruption. The maximum aggregate weekly prize money in linked bingo games played in any club is currently £500,000 (The Gaming Act (Variation of Monetary Limits) Order 2002). As linked mechanised cash bingo is now played across a number of licensed bingo premises, the mechanised cash bingo Code of Practice was modified in July 2004 to reflect this.

### Meetings with the Bingo Association and operators

4.14 The Joint Working Group, attended by Gambling Commission officials and representatives of the Bingo Association, continues to provide a useful forum for discussions between the Gambling Commission 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 Commission and the industry on a range of operational and regulatory issues. The Group met on three occasions during 2005/06.

4.15 Over the last decade the Gaming Board held a series of informal meetings with operators from different sectors of the bingo industry so as to maintain regular and constructive dialogue. One such meeting with a bingo operator took place in April 2005. Pressures on resources as the Gambling Commission was established prevented further such meetings during the year.

### Mixing of types of gaming machines

4.16 The Deregulation (Bingo and other Gaming) Order 2002 (S.I. No. 2002/460) allows for bingo clubs to apply to their licensing authority for a direction under which they are entitled to install up to four club (jackpot) machines with maximum stakes and prizes of 50p and £500 respectively in addition to the number of AWP machines (up to 30p/£25) approved by the licensing authority. Since the introduction of this deregulation order most clubs have exercised this right on the grant or renewal of their gaming licence.

### The number of gaming machines in bingo clubs

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

### Table 4c Numbers and types of gaming machines in bingo clubs at 31 March 2006 (figures for the previous year in brackets)

AWP (whether all-cash or cash/token)	£250 Jackpot	£500 Jackpot	Total
17,636 (15,588)	622 (864)	1,196 (843)	19,454 (17,296)

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9002	go clubs at 31 March		Table 4c Numbers and types of ga (figures for the previous year in b
lstoT	Jackpot Jackpot	£250 Jackpot	AWP (whether all-cash or cash/token)
(967,71) 484,91	(848) 961,1	(864)	(885,21) 858,71

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continued

### 4 Licensed bingo

The Cambling Commission 4 Licensed bingo | 27

Total	8	7	10
Applications not determined by 31 March 2006	L	_	L
bezufer znoitszilqqA	L	_	L
Applications withdrawn	L	L	7
beussi seoneoil weM	S	L	9
lstoT	01	L	11
00\2002 ni bəviəsər znoitsəilqqs wəM	6	L	01
Applications outstanding on 31 March 2005	L	0	L
	bnslgn3 səlsW bns	Scotland	lstoT
Table 4e New licences			

latoT	15	L	13
Applications not determined by 31 March 2006	8	_	3
bezu1er refisions bezu1er bezu1er filoge A	_	_	
Applications withdrawn	_	_	
Certificates issued	6	L	01
lstoT	71	L	13
00/2002 ni bəviəcər received	L L	L	15
Applications outstanding on 31 March 2005	L	0	L
	bnalgn3 salaW bna	Scotland	lstoT
Table 4d New certificates of consent			

4.19 Industry estimates are that the number of admissions to bingo clubs in 2005/06 was in the region of 81.5 million, a 3% decrease on the revised figure of 83.8 million for 2004/05.

#### Attendance at bingo clubs

4.18 No objections were lodged in 2005/06.

#### Objections to bingo licences

As mentioned in paragraph 4.8, clubs in addition had 1,556 machines at 31 March 2006 (267 at 31 March 2005) operating under section 21 of the Act.

4.21 The following tables show the results of consent applications made to the Commission during the period 1 April 2005 to 31 March 2006 and the number and outcome of licence applications.

### consent and licence applications 4.21 The following tables show the results of consent

Numbers of certificates of

4.20 No definitive figures are available, but industry estimates are that some 18,500 people are employed in the bingo industry.

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#### Employment in the industry

Jenti Oi Oi Text / Sig: 14 / Plate A

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#### Employment in the industry

4.20 No definitive figures are available, but industry estimates are that some 18,500 people are employed in the bingo industry.

### Numbers of certificates of consent and licence applications

4.21 The following tables show the results of consent applications made to the Commission during the period 1 April 2005 to 31 March 2006 and the number and outcome of licence applications.

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	1	0	1
New applications received in 2005/06	11	1	12
Total	12	1	13
Certificates issued	9	1	10
Applications withdrawn	_	_	
Applications refused	_	_	_
Applications not determined by 31 March 2006	3		3
Total	12	1	13

Table 4e New licences			
	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	1	0	1
New applications received in 2005/06	9	1	10
Total	10	1	11
New licences issued	5	1	6
Applications withdrawn	1	1	2
Applications refused	1	_	1
Applications not determined by 31 March 2006	1	_	1
Total	8	2	10

The Gambling Commission 4 Licensed bingo | 27

### 4 Licensed bingo

#### continued

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005*	2	0	2
New applications received in 2005/06	8	0	8
Total	10	0	10
Certificates issued	9	0	9
Applications withdrawn	_	_	_
Applications refused	_	_	
Applications not determined by 31 March 2006	1	_	1
Total	10	10	10

<sup>\*</sup> There were two applications outstanding at 31 March 2005, not three as reported last year.

	England and Wales	Scotland	Total
Applications outstanding on 31 March 2005	3	0	3
New applications received in 2005/06	10	0	10
Total	13	0	13
Licences issued	11	0	11
Applications withdrawn	_	_	_
Applications refused	_	_	_
Applications not determined by 31 March 2006	2	0	2
Total	13	0	13

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

4.22 In addition to licensed commercial 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 noncommercial. 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 remain at, for section 40, a maximum charge per player per day of 60p. For section 41 the limits are a maximum payment per player of £4 per entertainment, a maximum total value of prizes per entertainment of £400, and the maximum prize in the last of a series of entertainments taking place over a two day period of £700.

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

ls3oT	13	0	13
Anglications not determined by 15 March 2006	7	0	7
Applications refused	_	_	_
Applications withdrawn	<del>-</del>	_	_
bənssi səɔnəɔid	L L	0	LL
lstoT	13	0	13
00\2002 ni bəviəsər receitons wəN	01	0	01
Applications outstanding on 31 March 2005	8	0	٤
	bnslgn∃ salsW bns	Scotland	IstoT
Table 4g Transfer of licences			

\* There were two applications outstanding at 31 March 2005, not three as reported last year.

latoT	01	01	01
Applications not determined by 31 March 2006	L	_	L
bəsufər snoitsəilqqA	_	_	_
Applications withdrawn	_	_	_
bənzzi zəfinə D	6	0	6
lstoT	01	0	01
00/2002 ni bəviəcər received in 2005/06	8	0	8
*2005 Aarch 15 no gaibnestano anoisealiqqA	Z	0	7
	bnslgn3 salsW bns	Scotland	lstoT
Table 4f Certificates of consent to transfer a licence			

### 4 Licensed bingo

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#### The Cambling Commission 5 Certification of employees | 29

5.8 Casino gaming is an international business and it is understandable that staff may 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 but difficulties in obtaining information from abroad can lead to delays in the issue of certificates.

checks or obtain reports from the appropriate authorities on all new applicants for certificates of authorities on all new applicants for certificates of approval, in accordance with paragraph 3 of Schedule 5 to the Caming Act 1968. Awaiting responses to these checks can delay the processing of applications. During the year 78% of all first time applicants for the dealers' and other casino gaming employees' (red) certificates and other casino gaming employees' of receipt received their certificates within six weeks of receipt of the application by the Commission.

#### Issue of certificates

5.6 There was a decrease in the number of applications handled in 2005/06, and in the number of certificates issued, due in some part to the reduction of movement of staff within the industry.

 $^{\ast}$  The numbers of applications dealt with and certificates issued in each year do not necessarily relate to applications received in the same year.

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

۷۷۷ کا	022,2	20/50/15 - 10/40/10
177,2	811,8	80/80/18 - 30/40/10
129'E	902'₺	t0/60/15 - 50/t0/10
982'8	9 <b>Z</b> Z'Þ	20/04/04 - 31/03/02
651'8	184,8	90/80/18 - 50/40/10
ło nadmuM certificates baussi	Number of applications dealt with	

Table 5a Applications\* for certificates of approval 2001/02 to 2005/06

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

Applications

5.4 The Cambling Act 2005 retains individual certification in the form of personal licences and provides for its expansion to cover other areas of gambling. Under its terms, there will be two types of personal licences: licences which authorise an individual to perform the functions of a specified management office and licences which authorise an individual to perform a specified operational function. The Act requires each licensed operational function. at least one personal management licence holder, with an exemption for 'small scale operators' to be defined by the Secretary of State.

pink: for bingo managers

white: for casino executives; and

grey: Tor casino managers

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

of approval as follows:

5.3 The Commission currently issues certificates

.13(1) of the 1968 Act. of these procedures commits an offence under section A licence holder who employs staff in contravention organisational or supervisory duties to be certificated. to require certain others performing managerial, by the Commission, and gives the Commission power certain functions to hold a certificate of approval issued in that capacity. The Act requires those who perform who manage such employees are fit and proper to act that those who work on the gaming floor and/or approval procedure, which is designed to ensure part of this process is the section 19 certificate of those involved in the gaming industry. An important to ensure that high standards of probity exist amongst 1968 and of the Cambling Commission continues to be 5.2 One of the main objectives of the Gaming Act

#### Requirements for certification

5.1 This chapter reports on the certification of employees in the bingo and casino industries.

Introduction

### 5 Certification of employees

### **5 Certification of employees**

#### Introduction

5.1 This chapter reports on the certification of employees in the bingo and casino industries.

#### Requirements for certification

5.2 One of the main objectives of the Gaming Act 1968 and of the Gambling Commission 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 Commission, and gives the Commission power to require certain others performing managerial, organisational or supervisory duties to be certificated. A licence holder who employs staff in contravention of these procedures commits an offence under section 23(1) of the 1968 Act.

5.3 The Commission currently issues certificates of approval as follows:

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

grey: for casino managers
white: for casino executives; and
pink: for bingo managers

5.4 The Gambling Act 2005 retains individual certification in the form of personal licences and provides for its expansion to cover other areas of gambling. Under its terms, there will be two types of personal licences: licences which authorise an individual to perform the functions of a specified management office and licences which authorise an individual to perform a specified operational function. The Act requires each licensed operator to have at least one personal management licence holder, with an exemption for 'small scale operators' to be defined by the Secretary of State.

#### **Applications**

5.5 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 5a Applications\* for certificates of approval 2001/02 to 2005/06

	Number of applications dealt with	Number of certificates issued
01/04/05 – 31/03/06	3,481	3,159
01/04/04 – 31/03/05	4,276	3,736
01/04/03 – 31/03/04	4,206	3,671
01/04/02 – 31/03/03	3,113	2,771
01/04/01 – 31/03/02	5,220	4,777

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.
- 5.6 There was a decrease in the number of applications handled in 2005/06, and in the number of certificates issued, due in some part to the reduction of movement of staff within the industry.

#### Issue of certificates

- 5.7 It remains the Commission'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. Awaiting responses to these checks can delay the processing of applications. During the year 78% of all first time applicants for the dealers' and other casino gaming employees' (red) certificates received their certificates within six weeks of receipt of the application by the Commission.
- 5.8 Casino gaming is an international business and it is understandable that staff may 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.

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### 5 Certification of employees

#### continued

Following discussions with the British Casino Association and the Casino Operators' Association it was agreed that the casino employer wishing to employ the applicant would in future supply the reference from the overseas employer and the new system came into effect on 1 November 2005. A total of 406 overseas enquiries were made up to 1 November 2005. In addition, from 1 May 2004 nationals from 10 new member states of the European Economic Area (EEA) became eligible to work in the United Kingdom. Nationals from Malta and Cyprus were given free movement rights but members of the other eight Accession States are required to apply to the Home Office under the new Worker Registration Scheme once they have secured work in the UK. Following an initial surge in the number of applications, the number of first time applicants from these new member states has now decreased (283 in the first half year, 147 in the second half year). Most of these applicants have experience in the gaming industry outside Great Britain.

- 5.9 When the Commission 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 asks the certificate holders to inform the Commission of any convictions and/or formal cautions that they might receive. The letter also requires certificate holders to notify the Commission 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 Commission certificate: each case is examined on its merits. On each application for a certificate the applicant is required to declare all findings of guilt, including juvenile, convictions, formal police reprimands, warnings, cautions, and minor motoring offences, no matter how long ago, as well as any pending prosecutions.
- 5.10 A certificate, once issued, remains valid for the employee in respect of the casinos identified on it unless and until it is revoked. 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 Commission considers that the section 19 certificate relates to the individual holder rather than their employer and that there are circumstances in which moves of location in the same grade do not require a new section 19 certificate.

5.11 The Commission has no record of the number of certificate holders actually in employment, as it has no comprehensive records of staff resignations or departures. It has completed the process, where appropriate, of transferring old paper records concerning certificate of approval applicants to computer records. The section's database has been improved to allow better online record keeping.

## Criminal Records Bureau (CRB) and Scottish Criminal Records Office (SCRO)

- 5.12 Previous reports commented on the problems encountered by the Commission following the introduction on 11 March 2002 of the Criminal Records Bureau (CRB), which assumed from that date responsibility for carrying out criminal records checks on applicants resident in England and Wales. The CRB has made some progress towards improving its performance but is still a factor in the delays in issuing certificates. In 2005/06 over a third of all checks took more than four weeks before a disclosure was received from the CRB, which in turn makes it difficult for the Commission to meet its target of issuing certificates within six weeks of receipt of the application. No such issues have emerged with the Scottish Criminal Records Office (SCRO).
- 5.13 Further details on the procedures and other section 19 certificate of approval matters are available on the Commission's website under 'Certificates of Approval'.

#### Quality of managerial applicants

5.14 The Commission expects particularly high standards of applicants for its casino executives' white certificate. All applicants are subject to probity checks and those who are new to the industry and have not previously held a grey certificate are normally interviewed by a panel consisting of a Commission member and a senior member of the Inspectorate.

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# Criminal Records Bureau (CRB) and Scottish Criminal Records Office (SCRO)

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### 5 Certification of employees

The Cambling Commission 5 Certification of employees | 31

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Certificate holders

The principal reason is shown in each case.

Visiting and gaming in another casino

(previous year's figures in brackets)

Involvement with drugs (including drug related convictions)

Breaches of the Caming Act or other relevant legislation/guidelines

Failing to declare convictions in breach of s.23 (6) of the Caming Act

Table 5b Reasons" for revocation of certificates: 1 April 2005 – 31 March 2006

#### Revocation of certificates

Jenti Oi Oi Text / Sig: 16 / Plate A

the year ending 31 March 2006 were as follows: by letter. Reasons for revocation of certificates in are drawn to its attention, either at the hearing or will consider any extenuating circumstances that to Commissioners for a decision. The Commission actions. In either situation, the case is then referred make written representations to explain his or her to appear before a panel of Commissioners or to In it, the certificate holder is offered the opportunity certificates, a "minded to revoke" letter is issued. to continue to hold one or more of the Commission's decision calls into question the holder's suitability who decide what action should be taken. If that considered by officials in the Commission's Secretariat, fitness or propriety of the certificate holder, the case is hold the certificate. Where doubts are raised about the the Act is the broad one of fitness and properness to may take revocation action. The test provided for in dismissed or committed an illegal act, the Commission employees. Even if the certificate holder has not been disciplinary proceedings are taken against certificated operators to notify its Inspectorate immediately if report on the certificate holder. The Commission expects receipt from the Commission's Inspectorate of an adverse 5.16 Revocation procedures are normally prompted by

applicants into line with those for white certificates. available. This has brought the procedures for these where clear evidence of competence is already certificates. An interview is no longer held in cases tests of knowledge and ability for grey and pink changed its procedures in respect of routine interview were issued. In November 2004 the Commission for pink certificates were 56 interviewed, all of which during the year, all of which were issued. The figures 33 applicants for grey certificates were interviewed managers' (pink) certificates also remain high. for casino managers' (grey) certificates and bingo 5.15 The standards expected of first-time applicants

and all 14 were issued with a white certificate. 14 applicants were interviewed during the year guidance before they apply for their certificate. operators to ensure that senior staff receive adequate Commission is pleased by the continued efforts of the regulations and guidelines made under it. The his or her knowledge of the Caming Act 1968 and deferred by agreement to allow the applicant to improve meet the required standard, the application is normally the rules they must follow. Where an applicant does not behind the Act and Regulations, and the reasons for certificate should understand the reasons which lie standards are maintained and that holders of this The Commission regards it as important that

#### Collusion with players the regulations and guidelines made under it. The Theft from colleague/casino member Commission is pleased by the continued efforts of (excluding drug-related convictions) guidance before they apply for their certificate. Incurring convictions after the issue of a 519 certificate 14 applicants were interviewed during the year and all 14 were issued with a white certificate. Socialising Theft from employers/falsifying records/misappropriating company funds

**Total** 

Others

Accepting gratuities

(see paragraph 5.25)

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. 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 operators to ensure that senior staff receive adequate

The Commission regards it as important that

5.15 The standards expected of first-time applicants for casino managers' (grey) certificates and bingo managers' (pink) certificates also remain high. 33 applicants for grey certificates were interviewed during the year, all of which were issued. The figures for pink certificates were 56 interviewed, all of which were issued. In November 2004 the Commission changed its procedures in respect of routine interview tests of knowledge and ability for grey and pink certificates. An interview is no longer held in cases where clear evidence of competence is already available. This has brought the procedures for these applicants into line with those for white certificates.

#### Revocation of certificates

Jenti Oi Oi Text / Sig: 16 / Plate A

5.16 Revocation procedures are normally prompted by receipt from the Commission's Inspectorate of an adverse report on the certificate holder. The Commission expects operators to notify its Inspectorate immediately if disciplinary proceedings are taken against certificated employees. Even if the certificate holder has not been dismissed or committed an illegal act, the Commission may take revocation action. The test provided for in the Act is the broad one of fitness and properness 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 Commission'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 Commission's certificates, a "minded to revoke" letter is issued. In it, the certificate holder is offered the opportunity to appear before a panel of Commissioners or to make written representations to explain his or her actions. In either situation, the case is then referred to Commissioners for a decision. The Commission will consider any extenuating circumstances that are drawn to its attention, either at the hearing or by letter. Reasons for revocation of certificates in the year ending 31 March 2006 were as follows:

Table 5b	Reasons* for	revocation of	f certificates: 1	I April 2005 –	31 March 2006
previous	year's figures in	brackets)		-	

	Certific	ate holders
Theft from employers/falsifying records/misappropriating company funds	8	(11)
Socialising	4	(3)
Incurring convictions after the issue of a \$19 certificate (excluding drug-related convictions)	3	(6)
Theft from colleague/casino member	2	(0)
Collusion with players	1	(5)
Failing to declare convictions in breach of s.23 (6) of the Gaming Act (see paragraph 5.25)	1	(6)
Breaches of the Gaming Act or other relevant legislation/guidelines	1	(2)
Visiting and gaming in another casino	1	(1)
Involvement with drugs (including drug related convictions)	1	(11)
Accepting gratuities	1	(0)
Others	3	2
Total	26	(47)

<sup>\*</sup> The principal reason is shown in each case

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### 5 Certification of employees

#### continued

5.17 The Commission 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 unacceptable and may 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.

5.18 The Commission has consistently adopted a tough line towards certificated casino staff's involvement with drugs, whether at work or elsewhere. Following a case in 2004/05 the Commission asked all companies to reinforce that message by having a clear statement of their anti-drugs policy which is communicated to their staff and refers to the real risk of dismissal and loss of certificates of approval if in breach. Whilst it is entirely a matter for individual companies whether they have a drugs testing policy, the Commission also requested that in cases where they do, that should be clearly communicated to staff and contained in their terms and conditions, including that refusal to take the test would allow an adverse inference to be drawn. The Commission's letter sent to all certificate holders on grant was amended to add a reference to the likely consequences of refusal to take a test. The Commission is pleased that following these steps, the number of revocations for involvement with drugs fell to just one in 2005/06.

### Hearings and interviews with Commission officials

5.19 During the period 1 April 2005 to 31 March 2006, a total of 110 hearings or interviews were held in connection with certificates of approval.

#### Attendance at hearings

5.20 Certain applicants for certificates of approval are invited to an interview to discuss their cases with officials or a hearing before Commissioners, and all those subject to revocation action are given the opportunity to appear before a panel of Commissioners. Although the Commission's invitation letter indicates that those attending hearings may be accompanied by their (prospective) employer or an adviser, in practice few employers attend. The Commission asks employers to give active consideration to attending such hearings or 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

5.21 In cases where the Commission is considering revocation of certificates, and the holder does not wish to attend a hearing or to make written representations, or the Commission's recorded delivery letter is returned undelivered by the Post Office, the Commission must consider the certificate holder's suitability to hold the Commission's certificates on the available information. During the year, 25 cases were considered by panels of Commission members where the certificate holder was not present. 21 had all their certificates revoked, three kept all certificates and one retained some certificates.

Type of certificate	Number of hearings and interviews	Remarks
Casino Executive (white)	14	All were granted
Casino Manager (grey)	33	All were granted
Bingo Manager (pink)	56	All were granted
Gaming Employee (red)	2	1 first-time application was granted 1 re-application after revocation was granted
Existing certificate holders who had received "minded to revoke" letters	5	<ul><li>2 had all certificates revoked</li><li>2 retained some certificates</li><li>1 retained all certificates</li></ul>

**32** | **5 Certification of employees** The Gambling Commission

у в правит в	Number of hearings smainterviews	9te of certificate
All were granted	ħΙ	(white)
All were granted	33	(yerey) hanager (grey)
All were granted	26	ingo Manager (pink)
I first-time application was granted I re-application after revocation was granted	7	(ben) əəyolqm3 gnimsi
S had all certificates revoked S retained some certificates I retained all certificates	S	zisting certificate holders who had received "minded o revoke" letters

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5.1.7 The Commission 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 unacceptable and may 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.

### 5 Certification of employees

Jenti Oi Oi Text / Sig: 16 / Plate B

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action, although this is rare.

written warning. The police may also decide to take

previous convictions etc, the matter is addressed by

the Rehabilitation of Offenders Act 1974 (Exceptions)

even though the application form makes it clear that

disclose a full record of their convictions or cautions,

on all applications. A number of applicants failed to

convictions, police cautions, pending prosecutions, etc.

5.25 It is a requirement that all applicants declare all

Contravention of section 23(6)

on ex-staff joining their casinos, but this is not a

industry. Casino operators may wish to set limits employed in a certificated capacity in the casino or guests only apply at times when they are actually

certificated persons visiting casinos as members

Jenti Oi Oi Text / Sig: 17 / Plate A

view is that the restrictions in Guideline 4 on

of the Caming Act 1968

matter for the Commission.

the Commission with the applicant, either at a hearing,

where retusal or revocation is considered, or as a

such disclosure. In all cases of failure to disclose

Order 1975 authorises the Commission to require

remains in force for life unless revoked. The Commission's are not permitted. A certificate of approval, however, VISITS to other casinos by section 19 certificate holders Industry (Number 4) make it clear that unauthorised 5.24 Cambling Commission Guidelines for the Casino

#### by certificate holders Social visits to casinos

confirming that they still hold a Commission certificate. to the agency, employer or individuals concerned employment. These are dealt with by issuing letters holding the Commission's certificate were seeking the year from other countries where British staff 2.23 The Commission received 20 enquiries during

#### Enquiries from overseas

to revoke.

the Commission's written notification of its decision Revocation takes effect 21 days after the date of the date of revocation of the previous certificate(s). successful until at least 12 months have elapsed from an application for a new certificate is unlikely to be unless he or she has been advised to the contrary, individual has had his or her certificate(s) revoked, each case is considered on its merits, where an 5.22 The Commission's general advice is that whilst

#### revocation action Reapplication after

#### Reapplication after revocation action

5.22 The Commission's general advice is 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 Commission's written notification of its decision to revoke.

#### Enquiries from overseas

5.23 The Commission received 20 enquiries during the year from other countries where British staff holding the Commission'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 Commission certificate.

#### Social visits to casinos by certificate holders

5.24 Gambling Commission Guidelines for the Casino Industry (Number 4) make it clear that unauthorised visits to other casinos by section 19 certificate holders are not permitted. A certificate of approval, however, remains in force for life unless revoked. The Commission's

view is that the restrictions in Guideline 4 on certificated persons visiting casinos as members or guests only apply at times when they are actually employed in a certificated capacity in the casino industry. Casino operators may wish to set limits on ex-staff joining their casinos, but this is not a matter for the Commission.

Jenti Oi Oi Text / Sig: 17 / Plate A

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

5.25 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 Commission to require such disclosure. In all cases of failure to disclose previous convictions etc. the matter is addressed by the Commission with the applicant, either at a hearing, where refusal or revocation is considered, or as a written warning. The police may also decide to take action, although this is rare.

The Gambling Commission 5 Certification of employees | 33

### **5 Certification of employees**

#### continued

#### Decisions by outcome and issues by type, 2005/06

5.26 The outcome of applications for section 19 certificates, and certificates issued by type, for 2005/06 were as set out in tables 5d and 5e:

C	New certificates issued	Existing certificates *re-issued	Total certificates issued	Applications refused	Applications withdrawn	**Revocations
Casino Executive (white certificate)	11	7	18	0	0	0
Casino Manager (grey certificate)	0	135	135	0	6	3
Casino Gaming Employee (red certificate)	1,788	1,123	2,911	0	314	23
Bingo Manager (pink certificate)	59	36	95	0	2	0
Total	1,858	1,301	3,159	0	322	26

<sup>\*</sup> Includes re-issues, re-issues after revocation, changes of name and changes of company name.

<sup>\*\* 26</sup> individuals had a total of 41 certificates revoked.

<b>Table 5e Section 19 certificates: Iss</b>	ues by ty	pe 2005/06					
New ap	pplications	Transfers	Promotions	Re-issues	Total certificates issued		
Casino Executive (white certificate)	11	3	4	0	18		
Casino Manager (grey certificate)	0	50	77	8	135		
Casino Gaming Employee (red certificate)	1,788	1045	2	76	2911		
Bingo Manager (pink certificate)	59	23	5	8	95		
Total	1,858	1,121	88	92	3,159		

3128	76	88	1,121	1,858	lstoT
6	8	S	53	69	Singo Manager (pink certificate)
167	92	7	1042	88Z'L (	Casino Gaming Employee (red certificate)
133	8	<b>LL</b>	20	0	Casino Manager (grey certificate)
31	0	7	8	LL	Executive (white certificate)
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#### Table 5e Section 19 certificates: Issues by type 2005/06

 $^{**}$  26 individuals had a total of 41 certificates revoked.

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

lstoT	828'I	1,301	3,159	0	322	97
Bingo Manager (pink certificate)	69	98	<b>S</b> 6	0	7	0
Casino Gaming Employ (red certificate)	887, l 99ye	8Z L' L	116'7	0	718	23
Casino Manager (grey certificate)	0	SEL	132	0	9	8
Sasino Executive (white certificate)	LL	۷	81	0	0	0
	wəM sətsəfiihəə bəussi	Existing seatharificates beussi-er*	latoT sətsəritirəə bəussi	snoitsailqqA bəsutən	Applications nwshbdtiw	**Revocations

2005/06 were as set out in tables 5d and 5e: certificates, and certificates issued by type, for 5.26 The outcome of applications for section 19

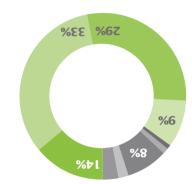
issues by type, 2005/06 Decisions by outcome and

### 5 Certification of employees

in the industry. believed that around 22,000 staff are employed directly of which £8.20 billion was paid out in prizes. It is ,2005 ni noillid 08.013 naad avad ot sanidasm gnimag 6.4 BACTA estimates the annual turnover from

- Other Locations 3%
- Licensed Betting Offices 2%

  - Motorway 1%
    - %6 sqnI)
- %67 sqn<sub>d</sub> Family Entertainment Centres 33%
- Adult Gaming Centres 14%



#### Table 6a Gaming machines by location, 2005

by location is provided below. An estimate of the distribution of these machines 17,000 pinball, pusher and crane grab machines. machines, 25,000 club or Jackpot machines and AWP machines, whether all cash or cash/token sited in Great Britain. These consist of around 192,000 235,000 gaming machines of one type or another industry) indicate that in 2005 there were some association for the pay-to-play leisure machines provisional figures supplied by BACTA (the trade statistics on machine numbers and locations. However, they handle and the Commission thus does not hold to the Commission details of the numbers of machines these certificate holders are not required to submit gaming machines need a Commission certificate, 6.3 Whilst those who wish to sell, supply or maintain

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non-monetary) to family arcades. If a cash machine and 30p/18 where prizes are > Category D (maximum stake/prize of 10p/£5

pubs, bingo halls and age-restricted gaming arcades. > Category C (maximum 50p stake, £25 prize) to

(£1 stake, £250 prize) to members' clubs. halls and adult gaming centres; and Category B4 shops; Category B3 (£1 stake, £500 prize) to bingo B2 (£100 stake, £500 prize) to casinos and betting £4,000 prize) will be restricted to casinos; Category maximum stakes and prizes. Category B1 (£2 stake, > Category B with tour sub-categories of varying

will be located only in the regional casino. > Category A with unlimited stakes and prizes which

categories of gaming machines: 6.2 Under the 2005 Gambling Act, there will be four

Commission under section 27 of the 1968 Act. do so only if they hold a certificate granted by the to sell, supply or maintain gaming machines may With certain specified exceptions, those who wish

maximum stake is 30p. prizes are £8 non-cash and £5 cash and the such as family arcades and cafes etc. The maximum (iii) Traditional "cash/token" AWP machines in premises

and the maximum stake is 30p. amusement arcades. The maximum prize is £25 licensed betting offices, bingo clubs and adult in adult environments such as public houses, (ii) "All cash" amusement-with-prizes (AWP) machines

to £500 (see paragraph 3.30). stake of £100 but with the maximum prize limited casinos can now offer machines with a maximum £2 in casinos and 50p elsewhere. As an alternative, £250 in other clubs and maximum stakes of of £4,000 in casinos, £500 in bingo clubs and (i) Club or Jackpot machines with maximum prizes

may be sited in a variety of locations: provision for three types of gaming machines which industry. The 1968 Gaming Act (as amended) makes 6.1 This chapter reports on the gaming machines

Introduction

## **6 Gaming machines**

### Introduction

- 6.1 This chapter reports on the gaming machines industry. 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 £4,000 in casinos, £500 in bingo clubs and £250 in other clubs and maximum stakes of £2 in casinos and 50p elsewhere. As an alternative, casinos can now offer machines with a maximum stake of £100 but with the maximum prize limited to £500 (see paragraph 3.30).
- (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 30p.

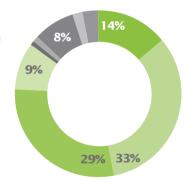
With certain specified exceptions, those who wish to sell, supply or maintain gaming machines may do so only if they hold a certificate granted by the Commission under section 27 of the 1968 Act.

- 6.2 Under the 2005 Gambling Act, there will be four categories of gaming machines:
- > Category A with unlimited stakes and prizes which will be located only in the regional casino.
- > Category B with four sub-categories of varying maximum stakes and prizes. Category B1 (£2 stake, £4,000 prize) will be restricted to casinos; Category B2 (£100 stake, £500 prize) to casinos and betting shops; Category B3 (£1 stake, £500 prize) to bingo halls and adult gaming centres; and Category B4 (£1 stake, £250 prize) to members' clubs.
- > Category C (maximum 50p stake, £25 prize) to pubs, bingo halls and age-restricted gaming arcades.
- > Category D (maximum stake/prize of 10p/£5 if a cash machine and 30p/£8 where prizes are non-monetary) to family arcades.

## Size of industry

6.3 Whilst those who wish to sell, supply or maintain gaming machines need a Commission certificate, these certificate holders are not required to submit to the Commission details of the numbers of machines they handle and the Commission thus does not hold statistics on machine numbers and locations. However, provisional figures supplied by BACTA (the trade association for the pay-to-play leisure machines industry) indicate that in 2005 there were some 235,000 gaming machines of one type or another sited in Great Britain. These consist of around 192,000 AWP machines, whether all cash or cash/token machines, 25,000 club or jackpot machines and 17,000 pinball, pusher and crane grab machines. An estimate of the distribution of these machines by location is provided below.

#### **Table 6a Gaming machines by location, 2005**



- Adult Gaming Centres 14%
- Family Entertainment Centres 33%
- Pubs 29%
- Clubs 9%
- Casinos 1%
- Motorway 1%
- Bingo Halls 8% Licensed Betting Offices 2%
- Other Locations 3%
- 6.4 BACTA estimates the annual turnover from gaming machines to have been £10.30 billion in 2005, of which £8.20 billion was paid out in prizes. It is believed that around 22,000 staff are employed directly in the industry.

## **6 Gaming machines**

### continued

## **BACTA/Commission links**

6.5 The Commission/BACTA Working Group continues to meet every three months. This close co-operation has been helpful during the year under review in addressing a wide range of issues including action on unlawful gaming, guidance on the status of redemption machines, the operation of machine compliance data and software and updating and consolidating industry guidelines.

## Section 16 and Section 21 machines

- 6.6 As reported last year, there has been extensive development by the industry of types of machines for operation under section 16 of the Lotteries and Amusements Act 1976 in amusement arcades and section 21 of the Gaming Act 1968 in bingo clubs and casinos. These sections were included in the Acts in order to allow small scale gaming or amusements with prizes in the premises concerned. It was not originally envisaged that such gaming would be conducted by means of machines. But these machines have been designed to exploit a perceived loophole in the definition of a gaming machine in Part III of the 1968 Gaming Act ("Gaming by means of machine").
- 6.7 The development and proliferation of these machines has raised concerns, not least because there is nothing in law to prevent children from playing them. Guidelines have been agreed between the Commission and BACTA, which are designed to achieve some control over the way the machines operate. The guidelines are available on the Commission's website and on BACTA's at www.bacta.org.uk. The Commission and DCMS have published joint guidance to licensing authorities on dealing with applications for permits under section 16 of the 1976 Act: this guidance is also available on the Commission's website. The Commission and DCMS are closely monitoring the use of these machines.
- 6.8 It is important to note that DCMS has made it clear that it does not accept that section 16 of the 1976 Act or section 21 of the 1968 Act were intended to offer commercial rights to make available gaming by machine. That is the purpose of Part III of the Gaming Act 1968. Under the Gambling Act 2005 these machines will be classified as gaming machines, they will be regulated by Part 10 of the new Act, and will be subject to the same limits on stakes and prizes and numbers and locations as other gaming machines. DCMS has made it clear that these machines will not attract any protected rights under the new legislation.

**36 | 6 Gaming machines** The Gambling Commission

## Parallel and serial games

- 6.9 Concern has been expressed about the development of parallel and serial games, prompting the Commission to seek legal advice. In March 2006 the Commission issued the following statement about parallel and serial games.
- > The Gambling Commission believes and is advised that parallel games (where more than one game is in play at the same time and the cumulative stake and/or potential prize exceeds the statutory maximum) are illegal.
- > The Commission acknowledges that serial games (in which a number of games are shown on the screen together but are played, and the results displayed, consecutively) breach neither the current law nor the current guidelines but both the Commission and DCMS are concerned at the rapid staking they permit as they believe it can exacerbate problem gambling, at least for some.
- > As a result and as part of the work on regulations and licence conditions under the 2005 Gambling Act, the Commission and DCMS will be consulting on possible alternatives to prevent such rapid play. Some alternatives are: banning 'autoplay' (where the machine plays consecutive games without any player intervention) altogether; controlling speed of play with longer periods between determinations for autoplay machines than for manual ones (where the player's 'thinking time' adds to the machine determination time to slow play); and limiting the number of games that can be played by a single use of the auto-play facility.
- > Manufacturers are advised therefore that they ought to be circumspect about what they do in advance of that consultation.

### **Permits**

6.10 In the past year the Commission has issued 66 permits under sub-sections 27(1) and 27(5) of the 1968 Act. It is Commission policy to issue such permits, free of charge, to allow for "one off" isolated transactions involving the disposal of gaming machines by persons not normally in the trade. It is not intended that these permits should be issued on a regular or continuing basis to a person or business involved in the frequent sale, supply or maintenance of gaming machines.

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## BACTA/Commission links

6 Caming machines

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The Cambling Commission 6 Caming machines | 37

Total	091	01	04 L
To be determined, or awaiting payment of fee at 31 March 2006	ÞΙ	ε	<b>Z L</b>
Applications withdrawn	S	0	S
Deuzzi isstesi retrificates	136	۷	971
New certificates required	7	0	7
lstoT	091	01	04 L
Applications received in respect of certificates 605/00 during during 2005/06	181	01	141
Applications outstanding on 31 March 2005	67	0	50
	England saleW bna	Scotland	ListoT
Table 6c Applications for the renewal of section 27 certif	cates 2005	90/9	

lsto	98	7	38
o be determined, or awaiting payment of fee at 31 March 2006	۷	0	Z
nwithdrawn hpplications withdrawn	L	0	L
beutzi zejfinej	82	Z	30
lsto	98	7	38
80\2005 beviesations received 2005\06	67	L	30
le no gnibnstano snoitsailqqs wal	Z	L	8
ਭ	England and Wales	Scotland	Total

6.12 During the year 176 certificates reached the end of their five-year life. The Commission was notified that renewal was not being sought for 35 of these.

## Renewal of certificates

**6.1** The number of new applications under section 27 of the Caming Act 1968 to sell, supply and/or maintain gaming machines received during 2005/06, and their outcome, are shown in Table 6b.

# Applications for certificates under section 27

6.13 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.

The outcome of applications made, together with applications carried over from 2004/05, is shown in Table 6c.

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141 renewals were therefore left to be considered.

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# Applications for certificates under section 27

6.11 The number of new applications under section 27 of the Gaming Act 1968 to sell, supply and/or maintain gaming machines received during 2005/06, and their outcome, are shown in Table 6b.

## Renewal of certificates

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	England and Wales	Scotland	Total
New applications outstanding on 31 March 2005	7	1	8
New applications received 2005/06	29	1	30
Total	36	2	38
Certificates issued	28	2	30
Applications withdrawn	1	0	1
To be determined, or awaiting payment of fee at 31 March 2006	7	0	7
Total	36	2	38

	England and Wales	Scotland	Tota
Applications outstanding on 31 March 2005	29	0	29
Applications received in respect of certificates expiring during 2005/06	131	10	141
Total	160	10	170
New certificates required	2	0	2
Certificates issued	139	7	146
Applications withdrawn	5	0	5
To be determined, or awaiting payment of fee at 31 March 2006	14	3	17
Total	160	10	170

The Gambling Commission 6 Gaming machines | 37

## **7 Lotteries**

#### Introduction

7.1 This chapter reports on the lotteries sector. Under the 1976 Lotteries and Amusements Act, lotteries may be promoted by societies (charities, sporting clubs, cultural bodies and others) to assist good causes, and by local authorities. These provisions are being replicated in the 2005 Gambling Act.

### Size of lotteries sector

- 7.2 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 Commission. At 31 March 2006 there were 660 societies but no local authority schemes registered with the Commission. A year earlier, there had been 647 societies registered and again no local authority schemes. Local authority lotteries now seem to have totally disappeared. At their peak in 1994/95 they raised proceeds of £730,000. During the year 21 new societies were registered with the Commission; no registrations were revoked or refused.
- 7.3 The number of individual lottery returns received by the Commission fell in 2005/06. Returns were received for 60,122 lotteries promoted by societies compared with 62,088 for the preceding 12 month period. Of the 2005/06 returns, however, 52,255 were for 'Hotspot' lotteries, which are frequent draw online lotteries conducted mainly in public houses. Excluding 'Hotspot' lotteries, the numbers of returns were 7,567 in 2005/06, up on the figures of 7,419 in 2004/05, and 6,471 in 2003/04.

Table 7a Figures for lottery proceeds					
2005/2006	£138.7m				
2004/2005	£141.1m				
2003/2004	£126.6m				
2002/2003	£129.9m				
2001/2002	£108.9m				
2000/2001	£107.1m				
1999/2000	£103.5m				
1998/1999	£161m				
1997/1998	£125m				
1996/1997	£115m				

- 7.4 Proceeds raised by societies' lotteries fell from £141.1 million in 2004/05 to £138.7 million in 2005/06, a decrease £2.4 million or nearly 2%. Figures for proceeds in recent years are shown in table 7a.
- 7.5 Of the society ticket sales in 2005/06, around £29 million (21%) went on prizes, around £35 million (25%) went on expenses and the remaining £73 million (53%) went to the 'good cause'.
- 7.6 Societies intending to run lotteries with proceeds of less than £20,000 register with local authorities. The Commission does not hold records relating to these registrations.

## Returns to be made to the Commission

- 7.7 In addition to dealing with applications for registration and renewal of registration, the Commission's Lotteries Section examines the returns of each lottery held and the audited accounts and reports on those returns from societies or local authorities which have sold more than £100,000 worth of tickets in one year. In May 2006, the Commission introduced a facility whereby societies can submit returns and their associated payments by online electronic means.
- 7.8 At the time of registration, societies and local authorities must provide the Commission with details of the lottery schemes they intend to run. Any changes to schemes or new schemes proposed after registration must be notified to the Commission at least four weeks before any tickets are put on sale. Many schemes submitted to the Commission are innovative and, in some cases, include the use of new technology. Work involved in considering the legality of such schemes can be complex and societies are encouraged to give the Commission as much notice as possible of these schemes in order to avoid difficulties later if it transpires that the Commission has reservations about their legality.

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ottery proceeds	Table 7a Figures for l
m7.8813	900Z/S00Z
m[.[4[ <u>}</u>	2004/2002
mð.ð2[}	2003/2004
me.es13	2002/2003
me.8013	2001/2002
m1.7013	1002/0002
m2.E013	0007/6661
w[9[3	6661/8661
m2213	8661/2661
m2113	Z661/9661

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### Introduction

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7.16 The booklet "Lotteries and the Law", which is available on the Commission's website, sets out some criteria for determining whether an organisation is acting as an external lottery manager or simply as a service provider" (for which registration is not needed).

7.15 Since 1994 External Lottery Managers (ELMs) have been required to register with the Commission. At 31 March 2006 there were 15 registered ELMs, including one new registration during the year. There was one application still under consideration at 31 March 2006.

## External Lottery Managers

7.14 The Commission continues to make known its view that many prize competitions, including those on television, in newspapers and run as product promotions, amount to unlawful commercial lotteries operating under the guise of skill competitions or free draws. The 2005 Cambling Act will continue the prohibition on commercial lotteries and has been drafted in a way that is intended to provide a clear distinction between lotteries and either skill competitions or free draws.

# Prize competitions and free draws

V.1.3 The Commission has regular meetings with the National Lottery Commission at official level to discuss areas of mutual interest with a view to developing ways for the two regulators to work together, exchanging knowledge and information. In March 2006, the Board members of the two organisations met to discuss current issues and problems faced by each. Any details of scams sent to the Commission via each. Any details of scams sent to the Commission via are referred to the National Lottery related are referred to the National Lottery Commission.

## Work with the National Lottery Commission

5.1.2 The Commission's firm advice is that people should not send money or any personal details to anyone who claims that a prize has been won in a lottery or draw that the person has not previously entered. Such claims are almost certainly fraudulent. Further information is available on the Commission's website and on the OFT's website at www.oft.gov.uk

VIII The top ten scams identified by the OFT include telephone, email and postal lottery scams where people receive an unsolicited mailing or telephone call telling them that they have won a prize or that they are being entered into a lottery or prize draw. Usually a subsequent telephone call or email instructs the person to send money in respect of taxes and processing fees in order to release their prize. Needless to say, the prize does not exist.

7.10 The Commission also received a large number of enquiries from within the United Kingdom and overseas concerning lottery scams. The Office of Fair Trading (OFT) advise that UK consumers alone lose an estimated £1 billion per year to a variety of scams, including lottery themed ones, which exploit low cost, mass marketing techniques to target recipients.

### Lottery frauds (scams)

and advice in the "frequently asked questions" section. The Commission's website gives general information interpretation of the law; that is a matter for the courts. stressed that the Commission cannot offer a definitive is sought before proceeding with proposals. It is practice to advise that independent legal advice to whom callers can turn, it is the Commission's in most cases there is no other body or organisation staff will assist enquirers as much as they can, since the Commission's statutory responsibilities. Although enquiries generally relate to matters which tall outside satellite IV, mobile phones and other technology. Such organised using remote platforms such as the internet, these enquiries relate to schemes proposed to be require registration with the Commission. Increasingly, draws, prize competitions and lotteries which do not receive telephone and email enquiries relating to free 7.9 The Commission's Lotteries Section continues to

# Enquiries dealt with by the Commission

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## **7 Lotteries**

### continued

When trying to determine whether someone is an ELM or a service provider the degree of management undertaken by the parties is important, in particular:

- > who has control of the funds of the lottery;
- > who is responsible for the appointment of other sub-contractors; and
- > who controls the promotional aspects of the lottery.

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 Commission's Lotteries Section for advice. A list of ELMs registered with the Commission has been posted on its website. A society may be putting its registration at risk if it uses a "service provider" which the Commission believes should properly be registered as an external lottery manager.

- **7.17** 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 conduct of the lottery still rests with them.
- 7.18 The Commission 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 maximises their fundraising potential and that such issues as the arrangements agreed between the society and the ELM for banking the lottery proceeds include adequate safeguards against the poor performance of the lottery or the financial failure of the ELM. The Commission also uses its powers to include conditions on an ELM certificate as it sees fit in order to safeguard the interests of societies.

#### **Lotteries Council**

7.19 The Commission and the Lotteries Council, the organisation which represents societies and others in the lotteries sector in Great Britain, continue to maintain a helpful and co-operative working relationship. The Commission's Chairman addressed the Council's annual conference in March 2006. Members of the Lotteries Section ran workshops at the conference and attended the various regional meetings held throughout autumn/winter 2005.

### Lottery statistics

7.20 Table 7b below gives details of returns received from 1 April 2005 until 31 March 2006 for lotteries registered with the Commission. It shows the proceeds on society returns received by the Lotteries Section.

## Table 7b Details of returns received in the period 1 April 2005 to 31 March 2006 for lotteries promoted in England, Wales and Scotland under schemes registered with the commission

	Number of	Ticket Expenses Prizes be				Lynancac Urizac		
<b>Society lotteries</b>	Lotteries	£	£	%	£	%	£	%
England and Wales	48,522	£130,555,343	£33,295,079	25	£27,309,796	21	£69,950,472	54
Scotland	11,600	£8,145,225	£2,037,057	25	£2,365,943	29	£3,742,225	46
Total	60,122	£138,700,572	£35,332,136	25	£29,675,739	21	£73,692,696	53

<sup>\*</sup> This figure includes 52,255 "Hotspot" lotteries of which 11,186 were held in Scotland.

This figure includes 52,255 "Hotspot" lotteries of which 11,186 were held in Scotland.

latoT	221,09	272,007,8813	<b>9</b> 81'388'388	52	652'529'673	12	969'769'823	23
Scotland	009'11	SZZ,241,83	ZS0, ZS0, Z3	52	£46,365,343	67	222,247,E3	97
England and Wales	ZZS'8ħ	£130,555,343	620'562'883	52	962'608'273	ΙZ	747,056,693	<b>7</b> 5
Society lotteries	Lotteries	3	3	%	3	%	3	6
	Number of	Ticket Ticket Sales	Expense	9	səzirq		balance t beneficiari	

Table 7b Details of returns received in the period 1 April 2005 to 31 March 2006 for lotteries promoted in England, Wales and Scotland under schemes registered with the commission

7.20 Table 7b below gives details of returns received from 1 April 2005 until 31 March 2006 for lotteries registered with the Commission. It shows the proceeds on society returns received by the Lotteries Section.

## Lottery statistics

7.19 The Commission and the Lotteries Council, the organisation which represents societies and others in the lotteries sector in Creat Britain, continue to maintain a helpful and co-operative working relationship. The Commission's Chairman addressed the Council's annual conference in March 2006. Members of the Lotteries Section ran workshops at the conference and attended the various regional meetings held throughout autumn/winter 2005.

### Lotteries Council

ensure that the contract maximises their fundraising potential and that such issues as the arrangements agreed between the society and the ELM for banking the lottery proceeds include adequate safeguards against the poor performance of the lottery or the financial failure of the ELM. The Commission also uses its powers to include conditions on an ELM certificate as it sees fit in order to safeguard the interests of societies.

7.18 The Commission 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

7.17 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 conduct of the lottery still rests with them.

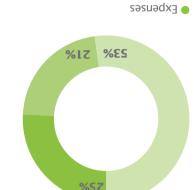
Societies are advised that if they are considering employing someone to manage their lottery or part of their lottery and they have doubts about the status of that person they should approach the Commission's Lotteries Section for advice. A list of ELMs registered with the Commission has been posted on its website. A society may be putting its registration at risk if it uses a "service provider" which the Commission pelieves should properly be registered as an external lottery manager.

- > who controls the promotional aspects of the lottery.
  - who is responsible for the appointment of other sub-contractors; and
    - > who has control of the funds of the lottery;

When trying to determine whether someone is an ELM or a service provider the degree of management undertaken by the parties is important, in particular:



The Cambling Commission 7 Lotteries | 41



Prizes Cood causes

ZZ1,03	7.88.1	880,28	1.141	23,530	126.6	44,365	129.9	∠86' <del>Þ</del>	6.801	lstoT
009'11	ſ.8	11,535	8.01	3,558	2.9	392	6.91	592	0.7	Scotland
48,522	9.081	20,553	8.081	ZZ6'6†	Þ.711	000'tt	1.811	Z2 <b>Z</b> 'Þ	6.101	England and Wales
o .oM Seiries	Total Ticket Sales	o. oV Lotteries	Total Ticket Sales	No. of Lotteries	Total Ticket Sales	No. of Lotteries	Total Ticket Sales	lo. oN Lotteries	lstoT teket sels2	and local authority lotteries
900Z/S	200	5002/70	200	13\2004	200	5/2003	2002	7002/1	200	Society

Table 7c Total ticket sales and number of lotteries shown on returns received between 1 April 2001 and 31 March 2006

for the total 7.22 The pie chart shows the distribution of proceeds ear from among prizes, expenses and the good causes.

7.2.1 Table 7c shows comparative figures for the total ticket sales on returns received for each year from 1 April 2001 to 31 March 2006 for society and local authority lotteries in Great Britain for schemes registered with the Commission.

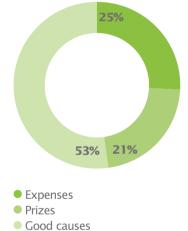
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Jenti Oi Oi Text / Sig: 21 / Plate A

7.21 Table 7c shows comparative figures for the total ticket sales on returns received for each year from 1 April 2001 to 31 March 2006 for society and local authority lotteries in Great Britain for schemes registered with the Commission.

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

Table 7c Total ticket sales and number of lotteries shown on returns received between 1 April 2001 and 31 March 2006										
Society	200	1/2002	2002	2/2003	200	3/2004	200	04/2005	200	5/2006
and local authority lotteries	Total Ticket Sales	No. of Lotteries								
England and Wales	101.9	4,722	113.1	44,000	117.4	49,972	130.3	50,553	130.6	48,522
Scotland	7.0	265	16.9	365	9.2	3,558	10.8	11,535	8.1	11,600
Total	108.9	4,987	129.9	44,365	126.6	53,530	141.1	62,088	138.7	60,122



The Gambling Commission 7 Lotteries | 41

## 8 The Inspectorate

#### Introduction

8.1 This chapter sets out details of the operational activities of the Commission's Inspectorate and related matters.

## Inspection visits and other regulatory activities

- 8.2 During the year the Commission's Inspectors made 2,753 supervisory visits to casinos and 2,182 supervisory visits to bingo clubs. In addition they made 313 inspections/visits to certificated machine suppliers and seven lottery inspections were completed. The Inspectorate also carried out a number of separate investigations, the majority of which were into casino certificate of consent and bingo certificate of approval applications, complaints in respect of licensed premises or other premises, and unlawful gaming. In particular there was an unusually large number of certificate of consent applications as both existing and new casino operators sought approvals under the Gaming Act 1968 before the final date of 28 April 2006 for such applications. Assistance provided to the police resulted in four prosecutions or cautions in respect of gaming and lottery related offences and Inspectors were named in 17 search warrants issued under section 43 of the Gaming Act 1968.
- 8.3 The Commission, mainly through its Inspectorate. continues to provide the Police, HM Revenue & Customs, the courts and other authorities with both specialist assistance and advice. In particular the current revival of interest in 'poker' has resulted in numerous requests for advice from both the authorities and prospective operators. During the year Inspectors gave 16 talks to police and 14 to gaming licensing and other authorities. The Inspectorate continues to be a member of the Financial Crime Information Network (formerly the Financial Fraud Information Network).

## Inspectorate staffing

- 8.4 The Chief Inspector, Deputy Chief Inspector and one Senior Inspector retired from the Commission during the year. The two most senior posts are now catered for by the Commission's new structure at Director level.
- 8.5 The Commission's five regional offices were closed during the year and the work was temporarily centralised under a small Regional Support team at the London main office, pending its permanent move to the new Commission headquarters in Birmingham.
- 42 | 8 The Inspectorate The Gambling Commission

### Risk assessment

8.6 In recent years, the Gaming Board has risk assessed each gambling premises/operator against set criteria with the process determining the number of visits a particular premises would receive. The prospective implementation of the Gambling Act 2005 and the responsibility of the Commission to issue operating licences have provided the natural catalyst for change to this system. Since the latter half of the reporting year, the Commission has been developing a new risk assessment process which will be primarily based on the risk that operators pose to the three licensing objectives enshrined in the 2005 Act. The industry is to be consulted on these proposed changes. The purpose of the changes is to ensure that the Commission's compliance and enforcement resources are directed to the greatest areas of regulatory risk. Compliant operators will also see the benefits of reduced regulatory intervention.

## Maior reviews

8.7 The Midland Region, with assistance from the Northern Region, carried out a major review of a new casino in the North West. The casino's systems were examined and a number of areas were identified where 'good practice advice' was necessary. The operator responded well to that advice and the problems were addressed.

## Thematic inspections

- 8.8 Using intelligence and risk assessment criteria, the following thematic inspections, where a particular subject is examined in depth in one or more casinos,
- (a) Compliance and security issues were examined at an independent London casino over a three-day period. No significant areas of concern were identified but good practice advice was given where appropriate.
- (b) Two separate thematic inspections were carried out by the Northern Region covering casino executive certification and decision making, departmental manuals and signage. No serious matters were identified but again good practice advice was given in a number of areas.
- (c) The Scottish & North Region carried out two thematic inspections covering reception and cash desk procedures, levels of gaming staff and internal reporting /audit procedures. A number of recommendations were made and subsequently implemented.

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the new Commission headquarters in Birmingham. London main office, pending its permanent move to centralised under a small Regional Support team at the closed during the year and the work was temporarily 8.5 The Commission's five regional offices were

42 | 8 The Inspectorate The Cambling Commission

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Caming Act 1968.

in 17 search warrants issued under section 43 of the and lottery related offences and inspectors were named in four prosecutions or cautions in respect of gaming applications. Assistance provided to the police resulted 1968 before the final date of 28 April 2006 for such operators sought approvals under the Caming Act consent applications as both existing and new casino there was an unusually large number of certificate of or other premises, and unlawful gaming. In particular applications, complaints in respect of licensed premises certificate of consent and bingo certificate of approval investigations, the majority of which were into casino Inspectorate also carried out a number of separate and seven lottery inspections were completed. The 3 I 3 inspections/visits to certificated machine suppliers supervisory visits to bingo clubs. In addition they made made 2,753 supervisory visits to casinos and 2,182 8.2 During the year the Commission's Inspectors

## regulatory activities inspection visits and other

related matters.

activities of the Commission's Inspectorate and 8.1 This chapter sets out details of the operational

Introduction

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(c) The Scottish & North Region carried out two thematic

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but good practice advice was given where appropriate. period. No significant areas of concern were identified at an independent London casino over a three-day (a) Compliance and security issues were examined

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### I hematic inspections

responded well to that advice and the problems were good practice advice' was necessary. The operator examined and a number of areas were identified where casino in the Morth West. The casino's systems were Northern Region, carried out a major review of a new 8.7 The Midland Region, with assistance from the

### Major reviews

will also see the benefits of reduced regulatory intervention. the greatest areas of regulatory risk. Compliant operators compliance and enforcement resources are directed to of the changes is to ensure that the Commission's pe consulted on these proposed changes. The purpose objectives enshrined in the 2005 Act. The industry is to on the risk that operators pose to the three licensing assessment process which will be primarily based year, the Commission has been developing a new risk to this system. Since the latter half of the reporting licences have provided the natural catalyst for change responsibility of the Commission to issue operating implementation of the Gambling Act 2005 and the a particular premises would receive. The prospective with the process determining the number of visits each gambling premises/operator against set criteria 8.6 In recent years, the Caming Board has risk assessed

## Risk assessment

## 8 The Inspectorate

The Cambling Commission 8 The Inspectorate | 43

8.16 In addition, the Commission dealt with four formal complaints about the actions of the Inspectorate staff.

8.15 All complaints received from members of the public, players and certificated staff in respect of gaming licensed premises and other gaming activities, both lawful and unlawful, received full enquiry from the Inspectorate or were re-directed to the appropriate authority. During the year investigations were carried out into 212 complaints (51 casino, 68 bingo and 93 other). Of these 46 were found to be justified and involved minor infringements of rules and procedures or faulty equipment across the industry.

## Complaints from the public

8.14 The Inspectorate continued to maintain its contacts with and assist various gaming bodies throughout the world. In many cases these reciprocal arrangements allowed the Commission's Inspectorate to complete enquires without resorting to overseas travel, thereby providing good value for money.

## Assistance to and contacts with overseas authorities

8.13 The Technical Compliance Inspectors continue to analyse compliance data submitted by manufacturers for all new AWP and Jackpot machines and support investigations into the illegal supply of machines. Visits to manufacturers and converters etc. also continue to be undertaken according to 'risk assessment' criteria which has proven to be a more efficient and effective use of the Inspectors' time.

explained in paragraphs 6.6 to 6.8 of this Report. the Commission and DCMS some concerns as from each 'play'. These machines have been causing possible for the player to win more than one £25 prize traditional Amusement with Prizes (AWA) machines, it is may pay a maximum cash prize of £25. Hence, unlike (or determination of winners). Each winning chance 50p on each of a number of chances within each 'play' which offer the player the opportunity to stake up to characteristic to a traditional reel-based machine but games which have a similar appearance and play continued their development of section 16 and 21 & Amusements Act, 1976. Manufacturers have of the Caming Act, 1968 and section 16 of the Lotteries oberation of gaming terminals sited under section 21 devices and, in particular, issues related to the authorities with respect to electromechanical gambling

8.12 Throughout the year, advice and guidance has been given by the Technical Compliance Inspectors to the Police, HM Revenue & Customs and local licensing

### Caming machines

8.11 The restructuring of the Intelligence Unit started with the recruitment of a new Director of Intelligence at the end of January; further staff are in the process of being recruited. By the end of March a clear picture was emerging of the structure of the new team and the role they will play, guided by the National Intelligence model, at the heart of the Commission.

8.10 The role of the Intelligence Section has been reviewed in detail by consultants with a background in the use and management of intelligence. Their recommendations will place intelligence at the heart of the Commission's licensing, compliance and enforcement functions; their principal recommendation was to use the National Intelligence Model developed by the Association of Chief Police Officers as the business process driving the use of intelligence. This recommendation has been accepted and a new 'Intelligence Unit' is now being developed and restructured as part of the overarching transition restructured as part of the Cambling Commission for the project to ready the Cambling Commission for the full implementation of the Cambling Act.

8.9 The Intelligence Section continues to contribute to licensing, compliance and enforcement work and to facilitate the flow of information within the Commission. During the past year the Section has also provided analytical support and guidance on money laundering. Staff have continued to liaise with police forces and HM Revenue and Customs on joint enquiries and operations. The Section has contributed to and operations. The Section has contributed to the use of suspicious activity reports required under the use of suspicious activity reports required under the Proceeds of Crime Act.

## Intelligence Section

(e) The Midland Region conducted an inspection into suspected 'cash flow' problems within a number of casinos. The problems identified have since been addressed.

 (a) A further thematic inspection was carried out in two Clasgow casinos following the introduction of a revised system of recording gaming table activity.
 A number of problems were identified and agreement was reached on appropriate remedies between Commission staff and casino management.

- (d) A further thematic inspection was carried out in two Glasgow casinos following the introduction of a revised system of recording gaming table activity. A number of problems were identified and agreement was reached on appropriate remedies between Commission staff and casino management.
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## Gaming machines

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authorities with respect to electromechanical gambling devices and, in particular, issues related to the operation of gaming terminals sited under section 21 of the Gaming Act, 1968 and section 16 of the Lotteries & Amusements Act, 1976. Manufacturers have continued their development of section 16 and 21 games which have a similar appearance and play characteristic to a traditional reel-based machine but which offer the player the opportunity to stake up to 50p on each of a number of chances within each 'play' (or determination of winners). Each winning chance may pay a maximum cash prize of £25. Hence, unlike traditional Amusement with Prizes (AWP) machines, it is possible for the player to win more than one £25 prize from each 'play'. These machines have been causing the Commission and DCMS some concerns as explained in paragraphs 6.6 to 6.8 of this Report.

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## Complaints from the public

- **8.15** All complaints received from members of the public, players and certificated staff in respect of gaming licensed premises and other gaming activities, both lawful and unlawful, received full enquiry from the Inspectorate or were re-directed to the appropriate authority. During the year investigations were carried out into 212 complaints (51 casino, 68 bingo and 93 'other'). Of these 46 were found to be justified and involved minor infringements of rules and procedures or faulty equipment across the industry.
- 8.16 In addition, the Commission dealt with four formal complaints about the actions of the Inspectorate staff.

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## 9 Registered clubs

### Introduction

9.1 Under section 10(3) of the Gaming Act 1968, the Gambling Commission is required to keep under review the extent, character and location of gaming facilities provided in clubs which are registered under Parts II and III of the Act. Part II registration applies only to members' clubs whose main purpose is other than gaming (except that it can include clubs for the playing of bridge or whist) and to miners' welfare institutes. Part III registration allows members' clubs, and proprietary clubs other than licensed gaming clubs, to operate gaming machines. As the process of registration is the responsibility of the local licensing authority, the Commission obtains information on the administration of this part of the Act from the licensing authorities themselves. Surveys of authorities are held at three-yearly intervals and, in line with this, a survey was conducted in April 2006 covering registration under Parts II and III of the Act during the period 1 April 2003 – 31 March 2006. Despite reminders, only a proportion of returns were received in time for incorporation in this Report. The figures given below are therefore from the returns received that amounted to around 51% of those expected. The figures are consequently considerable underestimates of the true totals, although evidence from past surveys indicates that those who do not respond tend to be the smaller

## Registration under Part II of the Act

- 9.2 Registration under Part II of the 1968 Gaming Act allows clubs to play equal chance gaming (such as bingo) and to make charges greater than those permitted under section 40 of the Act. Renewal of a registration lasts for one year or, on application, for such higher number of years as the licensing authority sees fit, up to a maximum of ten years. The total number of clubs reported as registered under Part II of the 1968 Act at 31 March 2006 was 340 for England and Wales and 60 for Scotland.
- 9.3 The maximum daily charge for gaming under Part II remains at £2.00.
- 9.4 Table 9a sets out particulars of registrations in the period 1 April 2003 31 March 2006.
- 9.5 During this period 27 registrations were cancelled or relinquished in England and Wales; no registrations were cancelled or relinquished in Scotland.

## Gaming under sections 40 and 41 of the Act

9.6 The Gambling Commission does not maintain statistics on gaming under sections 40 (i.e. gaming in clubs or miners' welfare institutes whether or not registered under the Act) and 41 (i.e. gaming at entertainments not held for private gain) of the Act, but it would appear that generally speaking it is low stake gaming, as the Act intended. The daily maximum participation fee under section 40 for playing whist or bridge is £15.00. For all other games the maximum charge is 60p. The entrance fee/stake limit under section 41 is £4 and the total value of prizes must not exceed £400, or £700 at a final entertainment.

## Registration under Part III of the Gaming Act 1968

- 9.7 Registration by a club or miners' welfare institute under Part III of the Act entitles them to three jackpot gaming machines, and lasts for a period of five years.
- 9.8 Table 9b shows the disposal of applications made between 1 April 2003 and 31 March 2006.
- 9.9 During this period 443 registrations were cancelled or relinquished in England and Wales, and two in Scotland. The total number of clubs reported as registered under Part III of the Gaming Act at 31 March 2006 in England and Wales was 7,256. In Scotland it was 441.

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### Introduction

## **Segistered clubs**

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9007	I April 2003 to 31 March 2
England and Wales	
	enoitasilqqa laitinl
52	betnanZ
ζ	bəsufəA
τl	Not proceeded with
٤ 900	Not determined by 31 March 20
<b>ヤ</b> ヤ	lstoT
	Renewal applications
202	Cranted
l	Refused
38	Not proceeded with
٤ 900	Not determined by 31 March 20
642	lajoT

4,840	328	712'5	ls3o <b>T</b>
33	0	33	Not determined by 31 March 2006
648	91	363	Not proceeded with
0	0	0	Refused
824,428	312	911'₺	Cranted
			Renewal applications
029	S	<b>299</b>	lstoT
S	0	S	Not determined by 31 March 2006
lτ	0	lψ	Not proceeded with
81	0	81	bezuteA
909	S	109	Cranted
			enoitealiqqe laitinl
StoT	Scotland	England and Wales	
	the period	he Gaming Act 1968 during	Table 9b Registrations under Part III of t April 2003 to 31 March 2006

	England and Wales	Scotland	Total
Initial applications			
Granted	25	6	31
Refused	2	0	2
Not proceeded with	14	0	14
Not determined by 31 March 2006	3	0	3
Total	44	6	50
Renewal applications			
Granted	207	54	261
Refused	1	0	1
Not proceeded with	38	0	38
Not determined by 31 March 2006	3	0	3
Total	249	54	303

	England and Wales	Scotland	Tota
Initial applications			
Granted	601	5	606
Refused	18	0	18
Not proceeded with	41	0	4
Not determined by 31 March 2006	5	0	Į.
Total	665	5	670
Renewal applications			
Granted	4,116	312	4,428
Refused	0	0	(
Not proceeded with	363	16	379
Not determined by 31 March 2006	33	0	33
Total	4,512	328	4,840

# **Appendix I:**

## **Selection of key gaming industry and Commission statistics**

	2001/02	2002/03	2003/04	2004/05	2005/06
Casinos					
Operating at year end	122	126	131	138	140
Drop (£million)	3,532	3,788	4,073	4,158	4,231
House win at % of drop	17	18	17	17	17
American roulette (including electronic roulette),					
as % of total drop	64.6	56.8	64.0	66.0	65.0
Applications for certificates of consent					
or their continuance					
(a) made	46	36	61	75	105
(b) determined (including withdrawn					
and fallen applications)	71	32	54	30	101
– of which refused	0	0	0	0	0
Bingo					
Clubs holding a gaming licence at end of year	706	724	727	700	668
Amount staked on bingo: million	1,164	1,222	1,381	1,777	1,826
Application for certificates of consent					
(a) made	56	59	31	21	20
(b) determined (including withdrawn)	46	57	26	19	19
– of which refused	0	0	0	0	0
Certification of casino and bingo employees					
Certificate issued or re-issued	4,777	2,771	3,671	3,736	3,159
Applications refused	2	0	3	0	0
Certificate holders revoked	51	30	30	47	26
Gaming machines					
Jackpot (or club machines) pinball, pushers, cranes					
Amusement with prizes (AWP) machines licensed					
Certificates to sell, supply and maintain					
in force at year end	678	670	680	642	670
Certificates refused or revoked	1	2	0	0	0
Lotteries					
Society scheme registrations at year end	662	650	644	647	660
Local authority schemes registered at year end	1	1	1	0	0
Schemes revoked	0	0	0	0	0
Number of lotteries held under					
Board registered schemes	4,987	*44,365	**50,530	***62,088	****60,122
Total ticket sales (£million)	108.9	129.9	126.6	141.1	138.7

<sup>\*</sup> This figure includes 38,373 frequent draw "Hotspot" lotteries

Second
## Special Control of
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This figure includes 38,373 frequent draw "Hotspot" lotteries This figure includes 44,059 frequent draw "Hotspot" lotteries This figure includes 54,669 frequent draw "Hotspot" lotteries

## Selection of key gaming industry and Commission statistics :I xibn9qqA

<sup>\*\*</sup> This figure includes 56,575 frequent draw "Hotspot" lotteries

\*\* This figure includes 44,059 frequent draw "Hotspot" lotteries

\*\*\* This figure includes 54,669 frequent draw "Hotspot" lotteries

\*\*\* This figure includes 52,555 frequent draw "Hotspot" lotteries

Cambling Trust.

External Affairs Committee of the Responsibility in Mrs Milburn is a member of the Communication & Magistrates' Court's Licensing and Enforcement Panels. She is also a Magistrate and served on Cheshire prior to joining the Caming Board in January 2004. Cill Milburn had a career in taxation and marketing Gill Milburn JP\*

from the Commission on 31 December 2005. to the Department for Transport. Mr. Lockwood retired Mr Lockwood is a former Deputy Traffic Commissioner of the Betting, Caming and Licensing Committees. prior to Joining the Board in 1988, he was Chairman of the Enfield Petty Sessions Area. For five years as a Magistrate in 1983, he is a former Chairman as Chieł Executive of the London Red Cross. Appointed career was followed by service in the charity sector and Chief Executive. His extensive local government Robert Lockwood is a former local authority Director Robert Lockwood JP\*†

Mr Knight joined the Caming Board in January 2004. and of the Law Society's Company Law Committee. Committee of the General Insurance Standards Council Council and former Chairman of the Enforcement Reporting Review Panel, Deputy Chairman of Lloyd's Bill Knight is a solicitor. He is Chairman of the Financial Bill Knight\*†

Gaming Board in January 2004. advisor to the National Trust. Mr Cunn joined the responsibility for security issues and is security Horse Racing Regulatory Authority with special marketing consultants. He is also a Director of the in Campbell Gunn Associates, management and until his retirement in 2002. He is now a partner Ben Cunn was Chief Constable of Cambridgeshire

Ben Gunn CBE QPM

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

Peter Dean CBE (Chairman)

Commissioners

† Member of Remuneration Committee \* Member of Audit Committee.

of Environment and Iransport, and the Home Office civil servant in the Inland Revenue, the Departments of policy and project management posts as a senior Constitutional Atfairs). Before that she held a variety Chancellor's Department (now the Department for a Director General and board member at the Lord of Morthumbrian Water Group PLC. She was previously Caming Board in 2004. She is a non-executive director Jenny Williams became the Chief Executive of the

#### Jenny Williams (Chief Executive)

for the Commission's Scottish affairs. Caming Board in 1999 and holds a special responsibility the Royal College of Music. He was appointed to the and Albert Museum and is an Honorary Member of He is an author, Chairman of the Friends of the Victoria of Old Mutual South Africa Trust Plc and Molins PLC. member of, KPMC. He is a non-executive director Michael Steen was formerly a partner with, and board Michael Steen"

of Dreams, a Welsh re-forestation project. House, a youth arts centre in South London, and Forest Commission. She is a Director of two charities: Oval Press Complaints Commission and the Better Regulation Secretary to the Radio Authority. She is a member of the January 2004, she was Director of Legal Affairs and internationally. Prior to joining the Caming Board in specialising in broadcasting both in the UK and Eve Salomon is a legal and regulatory consultant

#### **Eve Salomon†**

a particular interest in the Inspectorate. Caming Board in 2001 and is charged with taking in the Metropolitan Police. Mr. Penrose Joined the and was previously a Deputy Assistant Commissioner National Crime Squad from 1998 until December 2000 with the police service. He was Director Ceneral of the Roy Penrose has had a career of almost 40 years

Roy Penrose OBE QPM

## Commissioners, staff and offices

# :II xibn9qqA

# **Appendix II: Commissioners, staff and offices**

### Commissioners

#### **Peter Dean CBE (Chairman)**

Peter Dean joined the Gaming 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 is a former Chairman of the International Association of Gaming Regulators.

#### **Ben Gunn CBE QPM**

Ben Gunn was Chief Constable of Cambridgeshire until his retirement in 2002. He is now a partner in Campbell Gunn Associates, management and marketing consultants. He is also a Director of the Horse Racing Regulatory Authority with special responsibility for security issues and is security advisor to the National Trust. Mr Gunn joined the Gaming Board in January 2004.

#### Bill Knight\* †

Bill Knight is a solicitor. He is Chairman of the Financial Reporting Review Panel, Deputy Chairman of Lloyd's Council and former Chairman of the Enforcement Committee of the General Insurance Standards Council and of the Law Society's Company Law Committee. Mr Knight joined the Gaming Board in January 2004.

#### Robert Lockwood JP\* †

Robert Lockwood is a former local authority Director and Chief Executive. His extensive local government career was followed by service in the charity sector as Chief Executive of the London Red Cross. Appointed as a Magistrate in 1983, he is a former Chairman of the Enfield Petty Sessions Area. For five years prior to joining the Board in 1988, he was Chairman of the Betting, Gaming and Licensing Committees. Mr Lockwood is a former Deputy Traffic Commissioner to the Department for Transport. Mr. Lockwood retired from the Commission on 31 December 2005.

#### Gill Milburn JP\*

Gill Milburn had a career in taxation and marketing prior to joining the Gaming Board in January 2004. She is also a Magistrate and served on Cheshire Magistrates' Court's Licensing and Enforcement Panels. Mrs Milburn is a member of the Communication & External Affairs Committee of the Responsibility in Gambling Trust.

#### **Rov Penrose OBE OPM**

Roy 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 a Deputy Assistant Commissioner in the Metropolitan Police. Mr. Penrose joined the Gaming Board in 2001 and is charged with taking a particular interest in the Inspectorate.

#### **Eve Salomon†**

Eve Salomon is a legal and regulatory consultant specialising in broadcasting both in the UK and internationally. Prior to joining the Gaming Board in January 2004, she was Director of Legal Affairs and Secretary to the Radio Authority. She is a member of the Press Complaints Commission and the Better Regulation Commission. She is a Director of two charities: Oval House, a youth arts centre in South London, and Forest of Dreams, a Welsh re-forestation project.

#### Michael Steen\*

Michael Steen was formerly a partner with, and board member of, KPMG. He is a non-executive director of Old Mutual South Africa Trust Plc and Molins PLC. He is an author. Chairman of the Friends of the Victoria and Albert Museum and is an Honorary Member of the Royal College of Music. He was appointed to the Gaming Board in 1999 and holds a special responsibility for the Commission's Scottish affairs.

#### **Jenny Williams (Chief Executive)**

Jenny Williams became the Chief Executive of the Gaming Board in 2004. She is a non-executive director of Northumbrian Water Group PLC. She was previously a Director General and board member at the Lord Chancellor's Department (now the Department for Constitutional Affairs). Before that she held a variety of policy and project management posts as a senior civil servant in the Inland Revenue, the Departments of Environment and Transport, and the Home Office

- Member of Audit Committee.
- † Member of Remuneration Committee

Inspector (Technical Compliance)

as at 31 March 2006

The Commission's staff

Senior Technical Compliance

Total

Inspector

Inspectors

CCI

CCS

CC3

CC4

CC2

EXEC

Crade

Staff in Post

6002 γsM benio[ \*\*\*

Director of Intelligence

Transition Project Director

Senior Inspectors

# **Appendix II:**

continued

## Senior staff of the Gambling Commission

Chief Executive	Jenny Williams
Deputy Chief Executive	Tom Kavanagh CBE
Director of Operations	Phill Brear
Director of Policy	***Beryl Brown
Director of Corporate Services	Bill Butler
Director of Licensing and Compliand	ce Hazel Canter
Director of Human Resources	Justine Kenny
Director of Enforcement	Andrew Lyman
Transition Project Director	Niall Mackenzie
Director of Intelligence	Andy Rennison

<sup>\*\*\*</sup> joined May 2006

## The Commission's staff as at 31 March 2006

Grade	Staff in Post
Staff in Post	
Exec	7
GC5	6
GC4	9
GC3	9
GC2	26
GC1	4
Senior Inspectors	4
Inspectors	26
Senior Technical Compliance	
Inspector	1
Inspector (Technical Compliance)	1
Total	93

# Race Relations (Amendment) Act – Employment monitoring

Seventeen recruitment exercises were undertaken by our recruitment partners in the year ending 31 March 2006. A total of 1,000 applications were received, with the breakdown as follows:

White European	79.8%
White non-European	0.6%
Black African	0.6%
Black Caribbean	2.2%
Indian	12.4%
Pakistani	3.3%
Bangladeshi	0.1%
Mixed race	0.4%
Other	0.7%

# Offices of the Gambling Commission

Victoria Square House
Victoria Square
Birmingham B2 4BP
T 0121 230 6500
F 0121 237 2236
E enqs@gamblingcommission.gov.uk
www.gamblingcommission.gov.uk

## Telephone enquiry numbers

Victoria Square House switchboard T 0121 230 6500

**Enquiry line T** 0121 230 6666

## **Enquiry line T** 0121 230 6666

**83** 

97

Staff in Post

Andy Rennison

Miall Mackenzie

Victoria Square House switchboard T 0121 230 6500

## Telephone enquiry numbers

F 0121 237 2236 E ends@gamblingcommission.gov.uk www.gamblingcommission.gov.uk

Victoria Square House

Victoria Square

Birmingham B2 4BP

6 T 0121 230 6500

9 F 0121 237 2236

Commission Victoria Square House

# Offices of the Cambling

White non-European 0.69 Black African 2.29 Indian 12.49 Bangladeshi 0.19	Other	%2.0
White non-European 0.69 Black African 2.29 Indian 12.49 Pakistani 3.39		% <del>†</del> .0
White non-European 0.69 Black African 2.29 Indian 12.49 Pakistani 3.39		%1.0
White non-European 0.69 Black African 2.29 Black Caribbean 2.29 Indian 12.49	Pakistani	%E'E
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White non-European 86.0 Black African	Black Caribbean	%Z.2
		%9'0
White European 79.89	White non-European	%9'0
	White European	%8.67

Seventeen recruitment exercises were undertaken by our recruitment partners in the year ending 31 March 2006. A total of 1,000 applications were received, with the breakdown as follows:

# Race Relations (Amendment) Act – Employment monitoring

#### Andrew Lyman Director of Enforcement Justine Kenny Director of Human Resources Hazel Canter Director of Licensing and Compliance Director of Corporate Services Bill Butler \*\*\*Beryl Brown Director of Policy Director of Operations Phill Brear Tom Kavanagh CBE Deputy Chief Executive Jenny Williams Chiet Executive

## Senior staff of the Cambling Commission



Net deficit at 30 September 2005 amounted

S. The final set of accounts for the Caming Board for the six months ended 30 September 2005 show a total deficit of income over expenditure of £234,000 arising from Board operations. Work on transitional activities associated with the implementation of the Cambling Commission incurred expenditure of £1.8m. The Board received grant-in-aid totalling £4.1m during the period from the sponsor department, the Department for Culture, Media and Sport (DCMS).

#### Gaming Board for Great Britain

### Financial position

Further details of the activities of the Commission in the year to 31 March 2006 are contained in the chapters comprising the main body of the Annual Report.

- > to protect children and vulnerable people.
  - obenly; and
- > ensure that gambling is conducted fairly and
  - > keep crime out of gambling;
- 7. The Commission's core objectives, as set out in the Cambling Act 2005, are to:

#### Principal activities

6. The Commission was formally launched on I October 2005 under the provisions of the Cambling Act 2005 which received Royal Assent on 7 April 2005. The Act establishes the Commission as the new independent regulator for all commercial gambling (except the National Lottery and spread betting) in Creat Britain. It took over the role previously held by the Caming Board for Creat Britain in regulating by the Caming Board for Creat Britain in regulating larger society (charitable) lotteries and will also larger society (charitable) lotteries and will also background and various stages of implementation can be found in the main body of the Annual Report can be found in the main body of the Annual Report at Chapter 2.

#### Brief history and statutory background

As Accounting Officer, as 1an aware, there is no relevant audit information of which the Commission's auditors are unaware. I have taken all reasonable steps as Accounting Officer to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

4. The Comptroller and Auditor Ceneral is the appointed auditor to both the Board and the Commission in accordance with the respective Financial Memoranda on payment of the grant-in-aid and, for the Commission, as set out in Schedule 4 of the Cambling Act 2005. The audited and certified accounts are published in the Annual Report of the Commission which is laid before Parliament by the Secretary of State under the provisions of the Cambling Act 2005.

3. The first accounts for the Commission, covering the six months to 31 March 2006, have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury in accordance with Schedule 4 of the Cambling Act 2005. As the Commission is a new entity, no comparatives are shown for prior years although closing balances for the Board have been stated as opening balances for the Commission.

2. The final accounts for the Board, covering the six months to 30 September 2005, have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury in accordance with section 50 of the Caming Act 2005 all accordance with section 50 of the Cambling Act 2005 all assets, rights, and liabilities of the Board became those of the Commission with effect from 1 October 2005, and closing balances have been transferred to the and closing balances have been transferred to the Commission. The accounts have therefore been prepared as though operations were continuing.

Inal set of accounts for the Caming Board for Creat final set of accounts for the Caming Board for Creat Britain (the Board) and the first set of accounts for the Cambling Commission (the Commission). The Commission was established in accordance with Part 2 of the Cambling Act 2005 and assumed responsibility of the functions, rights and liabilities of the Caming Board for Creat Britain with effect from 1 October 2005. The Board ceased operations on 30 September 2005.

Introduction

Appendix III: Management commentary and financial statements

Jenti Oi Oi Text / Sig: 25 / Plate A

## **Appendix III:**

## **Management commentary and financial statements**

### Introduction

- 1. This Management Commentary introduces the final set of accounts for the Gaming Board for Great Britain (the Board) and the first set of accounts for the Gambling Commission (the Commission). The Commission was established in accordance with Part 2 of the Gambling Act 2005 and assumed responsibility for the functions, rights and liabilities of the Gaming Board for Great Britain with effect from 1 October 2005. The Board ceased operations on 30 September 2005.
- 2. The final accounts for the Board, covering the six months to 30 September 2005, have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury in accordance with section 50 of the Gaming Act 1968. Under the provisions of the Gambling Act 2005 all assets, rights, and liabilities of the Board became those of the Commission with effect from 1 October 2005, and closing balances have been transferred to the Commission. The accounts have therefore been prepared as though operations were continuing.
- 3. The first accounts for the Commission, covering the six months to 31 March 2006, have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury in accordance with Schedule 4 of the Gambling Act 2005. As the Commission is a new entity, no comparatives are shown for prior years although closing balances for the Board have been stated as opening balances for the Commission.
- 4. The Comptroller and Auditor General is the appointed auditor to both the Board and the Commission in accordance with the respective Financial Memoranda on payment of the grant-in-aid and, for the Commission, as set out in Schedule 4 of the Gambling Act 2005. The audited and certified accounts are published in the Annual Report of the Commission which is laid before Parliament by the Secretary of State under the provisions of the Gambling Act 2005.
- 5. As Accounting Officer, as far as I am aware, there is no relevant audit information of which the Commission's auditors are unaware. I have taken all reasonable steps as Accounting Officer to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

#### Brief history and statutory background

6. The Commission was formally launched on 1 October 2005 under the provisions of the Gambling Act 2005 which received Royal Assent on 7 April 2005. The Act establishes the Commission as the new independent regulator for all commercial gambling (except the National Lottery and spread betting) in Great Britain. It took over the role previously held by the Gaming Board for Great Britain in regulating casinos, bingo clubs, gaming machines and the larger society (charitable) lotteries and will also have responsibility for regulating betting and remote gambling. Further details of the Commission's statutory background and various stages of implementation can be found in the main body of the Annual Report at Chapter 2.

#### **Principal activities**

- 7. The Commission's core objectives, as set out in the Gambling Act 2005, are to:
- > keep crime out of gambling;
- > ensure that gambling is conducted fairly and openly; and
- > to protect children and vulnerable people.

Further details of the activities of the Commission in the year to 31 March 2006 are contained in the chapters comprising the main body of the Annual Report.

## Financial position

#### **Gaming Board for Great Britain**

- 8. The final set of accounts for the Gaming Board for the six months ended 30 September 2005 show a total deficit of income over expenditure of £234,000 arising from Board operations. Work on transitional activities associated with the implementation of the Gambling Commission incurred expenditure of £1.8m. The Board received grant-in-aid totalling £4.1m during the period from the sponsor department, the Department for Culture, Media and Sport (DCMS).
- 9. Net deficit at 30 September 2005 amounted to £39,000.

## **Appendix III**

#### continued

#### **Gambling Commission**

- 10. The first set of accounts for the Gambling Commission for the six months ended 31 March 2006 show a total deficit of income over expenditure of £267,000 arising from Commission operations. Work on transitional activities associated with the Commission incurred expenditure of £2.4m. The Commission received grant-in-aid totalling £5.3m during the period from the sponsor department, the Department for Culture, Media and Sport (DCMS).
- 11. Net assets at 31 March 2006 amounted to £435.000.

### Pension liabilities

- 12. The Commission recognises the expected cost of providing pensions to past and present employees who are covered by the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded, defined benefit, multi-employer scheme, 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.
- 13. The current Chairman of the Commission and former Chairmen of the Gaming Board are covered by a pension scheme which is 'by analogy' with the PCSPS. The Commission makes payments to the former Chairmen as they are due. The expected cost of providing the pension is recognised over the period in which the Commission benefits from the Chairman's services through the building up of a provision for the future liability using actuarially assessed assumptions. This provision is recognised on the balance sheet of the Commission.

## Fees and charges

14. The Commission is required to cover its expenditure on operations, along with the costs of work on gaming and lotteries related issues carried out by the Government, the police and in support of licensing authorities, through the fees charged for certification and licensing. The total fees received by the Commission in respect of certificates and registrations are remitted to DCMS as part of its appropriation-in-aid. Licence fees, which are levied under the Gaming Act 1968, are collected by the Clerks of the Licensing Justices (Licensing Courts in Scotland),

- and remitted directly to the Department for Constitutional Affairs for surrender to the Consolidated Fund.
- 15. For 2006/07, as for 2005/06, DCMS will continue to fund the Commission through grant-in-aid in line with the Funding Agreement covering again the costs of ongoing operations as well as the transition project. This means of funding will remain in place until the Gambling Commission implements the new licensing system, reflecting the provisions of the Gambling Act 2005, in early 2007. When the new licensing system comes into effect, the Commission will be required to fund directly its work through the fees collected, rather than surrendering the fees to the DCMS as in the past.
- 16. Until the new licensing system comes into effect, the Commission will continue to set and charge fees under the old legislation, reviewing annually the fees set for certificates and registrations, and licences under the Gaming Act 1968 and the Lotteries and Amusements Act 1976, to ensure they recover the estimated costs of the Commission, together with the estimated and relevant costs of Licensing Justices, Police Authorities and DCMS, in relation to the regulation of the gaming industry. In the event a change in fee levels is required, the Commission will advise DCMS who will seek the consent of the Secretary of State for Culture, Media and Sport, and arrange for Parliamentary approval through a negative resolution Statutory Instrument.
- 17. During the year, in accordance with past practice, a schedule of fees was prepared for the 2006/07 year based upon an estimate of the level of licensing, certification and compliance activity, and the Commission's operational costs for 2006/07. No account was taken of costs associated with the transition process as any such costs deemed recoverable will be taken into account when setting fees under the new licensing regime. The following percentage fee increases were approved by the Secretary of State for Culture, Media and Sport with effect from 1 April 2005 and 1 April 2006 respectively:

Sector	From 1 April 2006	From 1 April 2005
Casino	4.0% to 10.0%	4.8%
Bingo	6.0% to 10.0%	8.1%
Gaming machines	6.0%	2.8%
Employee certificate		
of approval	5.5%	-
Lotteries	4.0%	3.0%

A full list of fees can be found at Appendix IV.

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A full list of tees can be found at Appendix IV.

Sector

J. During the year, in accordance with past practice, a schedule of fees was prepared for the 2006/07 year based upon an estimate of the level of licensing, certification and compliance activity, and the Commission's operational costs for 2006/07. We account was taken of costs associated with the transition process as any such costs deemed recoverable will be taken into account when setting fees under the new licensing regime. The following percentage fee increases were approved by the Secretary of State for Culture, Media and Sport with Secretary of State for Culture, Media and Sport with effect from 1 April 2005 and 1 April 2006 respectively:

16. Until the new licensing system comes into effect, the Commission will continue to set and charge fees under the old legislation, reviewing annually the fees set for certificates and registrations, and licences under the Caming Act 1968 and the Lotteries and hunder the Caming Act 1976, to ensure they recover the estimated costs of the Commission, together with the estimated and relevant costs of Licensing Justices, Police Authorities and DCMS, in relation to the regulation of the gaming industry. In the event as change in fee levels is required, the Commission will advise DCMS who will seek the consent of the Schange for Parliamentary approval through a negative arrange for Parliamentary approval through a negative resolution Statutory Instrument.

15. For 2006/07, as for 2005/06, DCMS will continue to fund the Commission through grant-in-aid in line with the Funding Agreement covering again the costs of ongoing operations as well as the transition project. This means of funding will remain in place until the Cambling Commission implements the new licensing system, reflecting the provisions of the Cambling Act 2005, in early 2007. When the new licensing system comes into effect, the Commission will be required to fund directly its work through the fees collected, rather than surrendering the fees to the DCMS as in the past.

and remitted directly to the Department for Constitutional Affairs for surrender to the Consolidated Fund.

expenditure on operations, along with the costs of work on gaming and lotteries related issues carried out by the Covernment, the police and in support of licensing authorities, through the fees charged for certification and licensing. The total fees received by the Commission in respect of certificates and registrations are remitted to DCMS as part of its appropriation-in-aid. Licence fees, which are levied under the Caming Act 1968, are collected by the Clerks under the Licensing Justices (Licensing Courts in Scotland), of the Licensing Justices (Licensing Courts in Scotland),

### Fees and charges

the Commission.

13. The current Chairman of the Commission and former Chairmen of the Caming Board are covered by a pension scheme which is 'by analogy' with the PCSPS. The Commission makes payments to the former Chairmen as they are due. The expected cost of providing the pension is recognised over the period in which the Commission benefits from the Chairman's services through the building up of a provision for the future liability using actuarially assessed assumptions. This provision is recognised on the balance sheet of

12. The Commission recognises the expected cost of providing pensions to past and present employees who are covered by the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded, defined benefit 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.

### Pension liabilities

11. Net assets at 31 March 2006 amounted to £435,000.

On The first set of accounts for the Cambling Commission for the six months ended 31 March 2006 show a total deficit of income over expenditure of £267,000 arising from Commission operations. Work on transitional activities associated with the Commission incurred expenditure of £2.4m. The Commission received grant-in-aid totalling £5.3m during the period from the sponsor department, the Department for Culture, Media and Sport (DCMS).

Gambling Commission



The Cambling Commission Appendix III | 51

by the appropriate fees.

#### Notes

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18. The following table sets out a summary of the fee income recovered and costs incurred in respect of regulation under the Caming Act 1968 in total for both the Board and the Commission for the year to 31 March 2006.

Jenti Oi Oi Text / Sig: 26 / Plate A

Jenti Oi Oi Text / Sig: 26 / Plate A

18. The following table sets out a summary of the fee income recovered and costs incurred in respect of regulation under the Gaming Act 1968 in total for both the Board and the Commission for the year to 31 March 2006.

	Gaming		Lotteries		Total	
	2006 (£000)	2005 (£000)	2006 (£000)	2005 (£000)	2006 (£000)	2005 (£000)
Fee income						
Fees collected by:						
Gambling Commission(1)	2,135	1,713	539	575	2,674	2,288
Courts (estimated) <sup>(4)</sup>	3,210	2,773	_	_	3,210	2,773
Total fee income	5,345	4,486	539	575	5,884	5,061
Costs						
Incurred by:						
Gambling Commission <sup>(2)</sup>						
<ul> <li>Operating expenditure</li> </ul>	5,038	3,859	462	389	5,500	4,248
<ul> <li>Notional cost of capital</li> </ul>	6	5	1	_	7	5
<ul> <li>Notional insurance costs</li> </ul>	3	3	_	_	3	3
– Costs recovered <sup>(3)</sup>	(20)	(22)	(2)	(2)	(22)	(24)
Gambling Commission (net)	5,027	3,845	461	387	5,488	4,232
Estimated costs supplied by DCMS <sup>(4)</sup>						
– Courts	408	398	_	_	408	398
<ul> <li>Police authorities</li> </ul>	113	110	_	_	113	110
– DCMS	38	44	9	11	47	55
Total expenditure	5,586	4,397	470	398	6,056	4,795
Estimated (deficit)/surplus of recovery						
of costs for year	(241)	89	69	177	(172)	266

#### Notes

- 1. An analysis of the fee income received by the Board and the Commission is set out in note 4 of the respective Accounts.
- 2. The expenditure incurred by the Board/Commission is allocated directly where identifiable, or indirectly to the various casework sections responsible for regulating gaming activity. Indirect expenditure is apportioned on an appropriate basis, e.g. staff numbers and floor area occupied, against each expenditure category. Service departments are then re-apportioned according to estimates of time spent on the different types of activity.
- 3. The 'Costs Recovered' represent expenditure which the Commission expects to recoup on a regular basis, and are accordingly deducted from the total costs forecast to be recovered through fees.
- 4. The fee and cost information provided in respect of the courts, police authorities and DCMS are estimates only. In particular, estimated court fees have been calculated by using returns from the Courts regarding the number of licences granted, multiplied by the appropriate fees.

The Gambling Commission Appendix III | 51

deducted from the total costs forecast to be recovered through fees.
4. The fee and DCMS are estimates only. In particular, estimated court fees have been calculated by using returns from the Courts regarding the number of licences granted, multiplied

of time spent on the different types of activity.

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<sup>2.</sup> The expenditure incurred by the Board/Commission is allocated directly where identifiable, or indirectly to the various casework sections responsible for regulating gaming activity. Indirect expenditure is apportioned on an appropriate basis, e.g. staff numbers and floor area occupied, against each expenditure category. Service departments are then re-apportioned according to estimates

An analysis of the fee income received by the Board and the Commission is set out in note 4 of the respective Accounts.

## **Appendix III**

#### continued

- 19. The estimated deficit of fee income compared to expenditure incurred in 2005/06 of £172,000 (2004/05 surplus of £266,000) results from higher spending in the year than forecast, primarily on agency staff to cover vacancies. This was offset in part by increased numbers of applications, most noticeably for certificates of consent for casino licences.
- 20. The above fee income and cost analysis, including calculation of the notional element of costs, 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).

# Compliance with public sector payment policy

21. The Commission'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 year to 31 March 2006, 93% (target 95%) of invoices, totalling £5,581,544, were paid within 30 days of receipt.

#### **Fixed assets**

22. In the period to 31 March 2006 the book value of fixed assets increased from £67,000, the value of assets transferred from the Board at 30 September 2005, to £453,000, which represented investment by the Commission in new IT systems to facilitate the work of the organisation as it goes forward under the new licensing regime, also the capitalisation of costs related to the fit-out of the new offices in Birmingham.

#### **Future developments and going concern**

23. The Gambling Act 2005 provided for the creation of the Gambling Commission which commenced operations on 1 October 2005. As a result, at 30 September 2005, the Gaming Board for Great Britain ceased to exist. However, at the date of commencement of the Gambling Commission, the functions, rights and liabilities of the Gaming Board for Great Britain became the functions, rights and liabilities of the Gambling Commission by virtue of section 21 (2) of The Gambling Act 2005. Accordingly, the accounts of both the Gaming Board and the Gambling Commission are stated on a going concern basis with the closing balances of the Board being brought into the opening accounts of the Commission.

- 24. The provisions of the Gambling Act 2005 are being implemented in stages, with final implementation due to be complete in September 2007. As this new regulatory structure is substantially different to that of the Board, the Commission now has a large volume of work to complete to ensure the effective transition to the new legislative regime. There are two key strands to this work:
- > establishing the regulatory structure; and
- > establishing the Gambling Commission infrastructure.

Further details on both these areas of work can be found in Chapter 2 of the main Annual Report.

#### Post balance sheet date events

25. There were no significant post balance sheet date events to report.

#### **Charitable donations**

26. The Board/Commission made no charitable donations in the year ended 31 March 2006.

#### Staff involvement and development

- 27. The Commission is committed to communicating with employees in a frank and sincere way, and will try to create an environment where employees are both willing to listen and prepared to express their opinions and ideas without fear. Formal mechanisms for consulting and communicating with employees will be developed over the coming months.
- 28. A communication strategy has already been produced and this will be developed into a range of formal and informal communications, ensuring that employees are kept up-to-date and understand their role within the organisation.
- 29. The Commission is also committed to, and is already working towards, an environment in which learning becomes a part of the organisational culture, and will develop polices, procedures and practices to support this aim.

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#### Fixed assets

The Commission'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 year to 31 March 2006, 93% (target 95%) of invoices, totalling 31 March 2006, 93% (target 95%) of invoices, totalling 51,581,544, were paid within 30 days of receipt.

# Compliance with public sector payment policy

20. The above fee income and cost analysis, including calculation of the notional element of costs, 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).

19. The estimated deficit of fee income compared to expenditure incurred in 2005/06 of £172,000 (2004/05 – surplus of £266,000) results from higher spending in the year than forecast, primarily on agency staff to cover vacancies. This was offset in part by increased numbers of applications, most noticeably for certificates of consent for casino licences.



The Cambling Commission Appendix III | 53

23 June 2006

Chief Executive and Accounting Officer The Cambling Commission

#### Jenny Williams

with their responsibilities at the Commission.

31. Information about the members is included in Appendix II of the Annual Report. None of the Commissioners during the year ended 31 March 2006 held any company directorships or significant interests which might conflict

Peter Dean CBE (Chairman) re-appointed 1 July 2001 for 5 years, extended to December 2007  Ben Cunn CBE QPM 1 January 2004 for 4 years  Bill Knight 1 January 2001 for 5 years, retired 31 December 2005  Bob Lockwood JP 1 January 2001 for 5 years, retired 31 December 2005  Cillian Milburn 1 January 2004 for 4 years  Roy Penrose OBE QPM 1 January 2004 for 4 years  Eve Salomon 1 January 2004 for 4 years  Michael Steen 1 March 2002 for 5 years  Michael Steen 1 March 2002 for 5 years		
Peter Dean CBE (Chairman)  Ren Cunn CBE QPM  Ben Cunn CBE QPM  I January 2004 for 4 years  Bill Knight  Bob Lockwood JP  Cillian Milburn  Roy Penrose OBE QPM  I January 2004 for 5 years  I January 2004 for 4 years  I January 2004 for 4 years  I January 2004 for 5 years  I January 2004 for 5 years  I January 2004 for 5 years  Roy Penrose OBE QPM  I January 2004 for 5 years  I January 2004 for 5 years  Roy Penrose OBE QPM  I January 2004 for 5 years  I January 2004 for 5 years	1 October 2005 for 5 years	Jenny Williams
Peter Dean CBE (Chairman)  Reappointed 1 July 2001 for 5 years, extended to December 2007  Ben Cunn CBE QPM  Bill Knight  Bob Lockwood JP  Cillian Milburn  Roy Penrose OBE QPM  Reappointed 1 August 2004 for 4 years  I January 2001 for 5 years  I January 2004 for 4 years  Rob Lockwood JP  Sob Lockwood JP  I January 2004 for 5 years  Rob Penrose OBE QPM  Reappointed 1 August 2004 for 5 years	re-appointed 1 March 2002 for 5 years	Michael Steen
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Peter Dean CBE (Chairman) re-appointed 1 July 2001 for 5 years, extended to December 2007	January 2004 for 4 years	Bill Knight
	January 2004 for 4 years	Ben Gunn CBE QPM
Period of Appointment	re-appointed 1 July 2001 for 5 years, extended to December 2007	Peter Dean CBE (Chairman)
	Period of Appointment	Small

of the Cambling Commission with effect from 1 October 2005:

30. The following were members of the Board of Commissioners and also the Caming Board during the year ended 31 March 2006. In accordance with Part 2 of the Cambling Act 2005, the Chairman and members of the Caming Board immediately prior to commencement of the Commission were treated as if appointed Commissioners

#### **Board of Commissioners**

Jenti Oi Oi Text / Sig: 27 / Plate A

#### Jenti Oi Oi Text / Sig: 27 / Plate A

#### **Board of Commissioners**

30. The following were members of the Board of Commissioners and also the Gaming Board during the year ended 31 March 2006. In accordance with Part 2 of the Gambling Act 2005, the Chairman and members of the Gaming Board immediately prior to commencement of the Commission were treated as if appointed Commissioners of the Gambling Commission with effect from 1 October 2005:

Name	Period of Appointment
Peter Dean CBE (Chairman)	re-appointed 1 July 2001 for 5 years, extended to December 2007
Ben Gunn CBE QPM	1 January 2004 for 4 years
Bill Knight	1 January 2004 for 4 years
Bob Lockwood JP	1 January 2001 for 5 years, retired 31 December 2005
Gillian Milburn	1 January 2004 for 4 years
Roy Penrose OBE QPM	re-appointed 1 August 2004 for 5 years
Eve Salomon	1 January 2004 for 4 years
Michael Steen	re-appointed 1 March 2002 for 5 years
Jenny Williams	1 October 2005 for 5 years

31. Information about the members is included in Appendix II of the Annual Report. None of the Commissioners during the year ended 31 March 2006 held any company directorships or significant interests which might conflict with their responsibilities at the Commission.

#### **Jenny Williams**

Chief Executive and Accounting Officer The Gambling Commission

23 June 2006

The Gambling Commission Appendix III | 53

## **Appendix III**

### continued

## **The Gaming Board for Great Britain**

the accounts for the six months ended 30 September 2005

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including accounting policies 66 Notes to the accounts, 65 Cash flow statement 65 Balance sheet and losses 65 Statement of total recognised gains 64 Income and expenditure account

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55 Remuneration report

the accounts for the six months ended 30 September 2005 The Gaming Board for Great Britain



of the Board.

The following sections provide details of the remuneration and pension interests of the most senior officials

### Salary and pension entitlements

www.civilservicecommissioners.gov.uk

Further information about the work of the Civil Service Commissioners can be found at

Tom Kavanagh is a senior civil servant on loan to the Board.

be terminated early by either party on six months' written notice.

Jenny Williams was appointed as Chief Executive on 17 November 2004 on terms broadly comparable with other non-departmental public bodies' Chief Executives, subject to retirement age 65. Her employment may

be terminated by written notice.

Peter Dean was appointed as Chairman for a three year term commencing 1 July 1998. This was renewed on 1 July 2001 for a further five years and has now been extended to 31 December 2007. The appointment may

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit, normally on the basis of fair and open competition.

### Service contracts

Further information about the work of the Review Body can be found at www.ome.uk.com.

affordability of its recommendations.

The Review Body takes account of the evidence it receives about wider economic considerations and the

- > the Covernment's inflation target.
- > the funds available to departments as set out in the Covernment's departmental expenditure limits; and
  - the output targets for the delivery of departmental services;
- > Covernment policies for improving the public services including the requirement on departments to meet
  - > regional/local variations in labour marked and their effects on the recruitment and retention of staff;
    - responsibilities;
  - > the need to recruit, retain and motivate suitably able and qualified people to exercise their different

The Caming Board's long standing policy was to appoint senior officials on loan from their parent Civil Service department. Salaries for senior civil servants are set on the basis of advice from the Civil Service Senior Salaries Review Body. In reaching its recommendations, the Review Body has regard to the following considerations:

to the senior managers of the Caming Board.

This report covers the six months ended 30 September 2005 and sets out the policy and disclosures in relation

## Gaming Board for Great Britain Remuneration report

## **Gaming Board for Great Britain Remuneration report**

This report covers the six months ended 30 September 2005 and sets out the policy and disclosures in relation to the senior managers of the Gaming Board.

The Gaming Board's long standing policy was to appoint senior officials on loan from their parent Civil Service department. Salaries for senior civil servants are set on the basis of advice from the Civil Service Senior Salaries Review Body. In reaching its recommendations, the Review Body has regard to the following considerations:

- > the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- > regional/local variations in labour marked and their effects on the recruitment and retention of staff;
- > Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- > the funds available to departments as set out in the Government's departmental expenditure limits; and
- > the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

### Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit, normally on the basis of fair and open competition.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Peter Dean was appointed as Chairman for a three year term commencing 1 July 1998. This was renewed on 1 July 2001 for a further five years and has now been extended to 31 December 2007. The appointment may be terminated by written notice.

Jenny Williams was appointed as Chief Executive on 17 November 2004 on terms broadly comparable with other non-departmental public bodies' Chief Executives, subject to retirement age 65. Her employment may be terminated early by either party on six months' written notice.

Tom Kavanagh is a senior civil servant on loan to the Board

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

## Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of the Board.

## **Gaming Board for Great Britain Remuneration report** continued

## (i) Remuneration

	2006 (six months to 30 September 2005)		2005 (twelve months to 31 March 2005)	
	Salary (£000)	Benefits in kind (to nearest £100)	Salary (£000)	Benefits in kind (to nearest £100)
Jenny Williams Chief Executive Officer (from 17 November 2004)	60–65 (125–130 full year equivalent)	-	40-45 (115-120 full year equivalent)	-
Tom Kavanagh Board Secretary	40–45 (80–85 full year equivalent)	-	80–85	_
Peter Dean Chairman	30–35 (60–65 full year equivalent)	1,900	55–60	2,900

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. In addition to the Chairman, all seven other Board members' salaries fall in the band £5,000 to £10,000 (£15,000 to £20,000 full year equivalent). All Board members are part-time and only the Chairman's post is pensionable.

#### **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Peter Dean was reimbursed for home to office travel and subsistence during the period to 30 September 2005. The Board also paid the tax due on these expenses.

the period to 30 September 2005. The Board also paid the tax due on these expenses. Revenue as a taxable emolument. Peter Dean was reimbursed for home to office travel and subsistence during The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Benefits in kind

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'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or

(i) Remuneration

## Remuneration report continued Gaming Board for Great Britain

Pension benefits are provided through the civil service pension arrangements, details of which can be found in note  $\Upsilon(b)$  to the accounts.

## Civil service pensions

the lack of nension provision	treflect liw daidw vaslez of triemt;	uibe ne baarne breo8 adt beatzn	Board to any other scheme
have been paid by the Gaming	on scheme and no contributions	nember of the Civil Service pens	** The Chief Executive is not a I
		Ð	* Cash Equivalent Transfer Valu

Peter Dean Chairman	uns dun  S l=0 l sn d S=0	sulq 2.2–0 2.2–0 mus qmul	<del>7</del> 9	23	S.S-0	6
Гот Каvanagh Зоагd Secretary	uns dun  S01-001 sn d SE-08	sulq 2.5–0 2.5–0 mus qmul	<del>7</del> 09	099	2.5–0	Zl
enny Williams** Chief Executive Officer	_	_	_	_	_	_
	benconded as moisuned as so the solution of th	Real increase noisned ni and related mus qmul at age 60 (£000)	*CETV at end date nearest (£000)	*CETV at start date nearest (£000)	enployees contributions sand transfers (0001)	Real increase in CETV to CETV to nearest nearest
		2002	ot sunom SI)	o 31 March 2	(900	
Peter Dean Chairman	uns dun  SI-0I sn d S-0	sulq 2.2–0 2.2–0 mus qmul	<b>7</b> 6	<b>S</b> 8	S.S-0	۷
Гот Каvanagh Зоаrd Secretary	uns dun  \$01-001 sn d \$8-08	sulq 2.2–0 2.2–0 mus qmul	148	664	S.S-0	8
enny Williams** Chief Executive	_	_	_	_	_	_
	ts so 09 ops 20/60/08 anus dmul betselar pus (0003)	9keal increase noienag ni batelar bns mus gmul 00 age ts (0003)	*CETV at end date nearest (0003)	*CETV at start date nearest nearest (£0003)	Employee contributions and transfers and transfers (£000)	Real increase in CETV to nearest (£000)

2006 (6 months to 30 September 2005)

cii) Pension benefits

## (ii) Pension benefits

2006 (6	months	to 30	Santam	hor	2005)

		2000 (	o infolicità to 30	September	2003)	
	Accrued pension at age 60 as at 30/09/05 and related lump sum (£000)	Real increase in pension and related lump sum at age 60 (£000)	*CETV at end date nearest (£000)	*CETV at start date nearest (£000)	Employee contributions and transfers (£000)	Real increase in CETV to nearest (£000)
Jenny Williams** Chief Executive	_	_	_	_	_	_
Tom Kavanagh Board Secretary	30–35 plus 100–105 lump sum	0–2.5 plus 0–2.5 lump sum	841	799	0–2.5	8
Peter Dean Chairman	0–5 plus 10–15 lump sum	0-2.5 plus 0-2.5 lump sum	94	85	0–2.5	7
		2005	(12 months to	31 March 2	(005)	
	Accrued pension at age 60 as at 31/03/05 and related lump sum (£000)	Real increase in pension and related lump sum at age 60 (£000)	*CETV at end date nearest (£000)	*CETV at start date	Employees contributions and transfers (£000)	Real increase in CETV to nearest (£000)
Jenny Williams** Chief Executive Officer	pension at age 60 as at 31/03/05 and related lump sum	Real increase in pension and related lump sum at age 60	*CETV at end date nearest	*CETV at start date nearest	Employees contributions and transfers	increase in CETV to nearest
- ,	pension at age 60 as at 31/03/05 and related lump sum	Real increase in pension and related lump sum at age 60	*CETV at end date nearest	*CETV at start date nearest	Employees contributions and transfers	increase in CETV to nearest

## Civil service pensions

Pension benefits are provided through the civil service pension arrangements, details of which can be found in note 7(b) to the accounts.

 <sup>\*</sup> Cash Equivalent Transfer Value
 \*\* The Chief Executive is not a member of the Civil Service pension scheme and no contributions have been paid by the Gaming Board to any other scheme. Instead the Board agreed an adjustment to salary which will reflect the lack of pension provision.

# Gaming Board for Great Britain Remuneration report continued

Further details about the civil service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003 – 04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Service vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 30 September 2005.

### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

#### **Jenny Williams**

Chief Executive and Accounting Officer The Gaming Board for Great Britain

23 June 2006

Chief Executive and Accounting Officer
The Caming Board for Creat Britain

#### Jenny Williams

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## Cash Equivalent Transfer Values

Further details about the civil service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

## Gaming Board for Great Britain Remuneration report continued

to discuss issues relevant to the Board's functions.

In undertaking this role, I reported to the Chairman of the Board on a day-to-day basis, and to the Board members at their regular meetings. The Board produced an annual report and accounts, which was presented to Parliament, setting out how the duties and responsibilities of the Board had been fulfilled. I operated within the terms of the Management Statement and Financial Memorandum agreed with the Department for Culture, Media and Sport, the responsible Covernment Department for the Board's work, and had regular meetings with officials and Sport, the responsible Covernment Tor The Board's work, and had regular meetings with officials

assigned to me in Covernment Accounting.

As Accounting Officer, I had responsibility for maintaining a sound system of internal control that supported the achievement of the Caming Board for Great Britain's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I was personally responsible, in accordance with the responsibilities

2. Scope of responsibility

**1. Petiod of coverage**This Statement on Internal Control covers the final six months of operation of the Caming Board for Creat Britain (the Board) which ceased to exist on 30 September 2005. With effect from 1 October 2005 the Cambling Commission (the Commission), which was established in accordance with Part 2 of the Cambling Act 2005, assumed responsibility for the functions, rights and liabilities of the Board.

### Statement on internal control

23 June 2006

Chief Executive and Accounting Officer The Caming Board for Creat Britain

#### Jenny Williams

in "Covernment Accounting".

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the Caming Board for Creat Britain as the Accounting Officer for the Caming Board. The relevant responsibilities of Accounting Officer, which include the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for the keeping of proper records, are set out in the Mon-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published

Board will continue in operation.

> prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the

departures in the financial statements; and

> state whether applicable accounting standards have been followed, and disclose and explain any material

> make judgements and estimates on a reasonable basis;

policies on a consistent basis;

> 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

In preparing the accounts the Caming Board is required to:

tor the financial year.

The Caming Board for Great Britain is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Board's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows

## Statement of the Gaming Board's and Chief Executive's responsibilities

# Statement of the Gaming Board's and Chief Executive's responsibilities

The Gaming Board for Great Britain is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the 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 Board will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the Gaming Board for Great Britain as the Accounting Officer for the Gaming Board. The relevant responsibilities of Accounting Officer, which include the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in "Government Accounting".

#### **Jenny Williams**

Chief Executive and Accounting Officer The Gaming Board for Great Britain

23 June 2006

### **Statement on internal control**

#### 1. Period of coverage

This Statement on Internal Control covers the final six months of operation of the Gaming Board for Great Britain (the Board) which ceased to exist on 30 September 2005. With effect from 1 October 2005 the Gambling Commission (the Commission), which was established in accordance with Part 2 of the Gambling Act 2005, assumed responsibility for the functions, rights and liabilities of the Board.

#### 2. Scope of responsibility

As Accounting Officer, I had responsibility for maintaining a sound system of internal control that supported the achievement of the Gaming Board for Great Britain's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I was personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

In undertaking this role, I reported to the Chairman of the Board on a day-to-day basis, and to the Board members at their regular meetings. The Board produced an annual report and accounts, which was presented to Parliament, setting out how the duties and responsibilities of the Board had been fulfilled. I operated within the terms of the Management Statement and Financial Memorandum agreed with the Department for Culture, Media and Sport, the responsible Government Department for the Board's work, and had regular meetings with officials to discuss issues relevant to the Board's functions.

### Statement on internal control continued

#### 3. The purpose of the system of internal control

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of Board policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control had been in place in the Gaming Board for Great Britain for the six months ended 30 September 2005 and was replaced by that of the Commission for the six months from 1 October 2005 to 31 March 2006, and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

#### 4. Capacity to handle risk

The Board's capacity to handle risk was based upon a combination of the following key components: leadership; staff involvement; and the organisation structure. The responsibility for managing risk within the Board rested with the Chief Executive. The Chief Executive, who was also the Board's Accounting Officer, was supported by the Senior Management Team in this function. The Board members, via the Audit Committee, oversaw the risk management function which operated within the Board.

The Senior Management Team provided the direction and resources with which to assess and manage risk. Senior managers involved staff in the risk assessment and management process through induction programmes, and the support of job roles and responsibilities through policy and procedures guides and specific training and development programmes. The guides and programmes assisted in the identification and management of risk and related contingency planning.

A risk management register was maintained by the Senior Management Team to record identified risks, and to monitor on a regular basis the outcome of the risk management strategies.

#### 5. The risk and control framework

The risk and control framework implemented by the Board comprised the following key elements:

- > the Senior Management Team acted as the key forum for identifying, recording and managing of risk. This management group, which included the Chief Executive, prepared and maintained the risk strategy and risk register;
- > the risk strategy set out the Board's context for risk management, the attitude to risk, the structures for management and ownership of risk, how risk was considered in the corporate and business planning processes, recorded the criteria used to inform the assessment of risk, and described the recording and monitoring procedures for risk management and evaluation;
- > the risk register contained a record of all significant risks likely to impact on the functions and responsibilities of the Board. The risks were categorised in terms of impact, the steps taken to limit that impact, and the effect of that action on the particular risk rating. The register assigned responsibility to senior managers for keeping the risks under review and ensuring controls and processes designed to contain the risks were appropriate. Staff at all levels were encouraged to advise their line manager if they identified new risks or felt any of the existing controls and processes were inadequate; and
- > the Board's internal audit programme had, as its focus, the requirement to provide assurance that the risks faced by the Board were properly managed and controlled. Where the auditors identified weaknesses which needed to be addressed, they drew them to the attention of senior management who were responsible for taking the necessary rectification action. The Board's Audit Committee had a responsibility for oversight of the Board's risk management strategy and framework and internal control systems in order to provide Board members with assurance of their adequacy.

members with assurance of their adequacy. the Board's risk management strategy and framework and internal control systems in order to provide Board taking the necessary rectification action. The Board's Audit Committee had a responsibility for oversight of needed to be addressed, they drew them to the attention of senior management who were responsible for faced by the Board were properly managed and controlled. Where the auditors identified weaknesses which > the Board's internal audit programme had, as its focus, the requirement to provide assurance that the risks

existing controls and processes were inadequate; and Staff at all levels were encouraged to advise their line manager if they identified new risks or felt any of the the risks under review and ensuring controls and processes designed to contain the risks were appropriate. of that action on the particular risk rating. The register assigned responsibility to senior managers for keeping of the Board. The risks were categorised in terms of impact, the steps taken to limit that impact, and the effect > the risk register contained a record of all significant risks likely to impact on the functions and responsibilities

monitoring procedures for risk management and evaluation; processes, recorded the criteria used to inform the assessment of risk, and described the recording and management and ownership of risk, how risk was considered in the corporate and business planning > the risk strategy set out the Board's context for risk management, the attitude to risk, the structures for

and risk register; This management group, which included the Chief Executive, prepared and maintained the risk strategy > the Senior Management Team acted as the key forum for identifying, recording and managing of risk.

The risk and control framework implemented by the Board comprised the following key elements:

### 5. The risk and control framework

monitor on a regular basis the outcome of the risk management strategies.

A risk management register was maintained by the Senior Management Team to record identified risks, and to

and related contingency planning. development programmes. The guides and programmes assisted in the identification and management of risk and the support of job roles and responsibilities through policy and procedures guides and specific training and Senior managers involved staff in the risk assessment and management process through induction programmes, The Senior Management Team provided the direction and resources with which to assess and manage risk.

management function which operated within the Board. the Senior Management Team in this function. The Board members, via the Audit Committee, oversaw the risk with the Chief Executive. The Chief Executive, who was also the Board's Accounting Officer, was supported by staff involvement; and the organisation structure. The responsibility for managing risk within the Board rested The Board's capacity to handle risk was based upon a combination of the following key components: leadership;

#### 4. Capacity to handle risk

and accords with Treasury guidance. from 1 October 2005 to 31 March 2006, and up to the date of approval of the annual report and accounts, the six months ended 30 September 2005 and was replaced by that of the Commission for the six months and economically. The system of internal control had been in place in the Caming Board for Creat Britain for of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and prioritise the risks to the achievement of Board policies, aims and objectives, to evaluate the likelihood assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify of failure to achieve policies, aims and objectives; if could therefore only provide reasonable and not absolute The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk

#### 3. The purpose of the system of internal control

## Statement on internal control continued

The Cambling Commission Appendix III | 61

23 June 2006

Chief Executive and Accounting Officer The Caming Board for Creat Britain

#### Jenny Williams

There were no significant internal control problems to report during the period covered by this statement.

> Internal Audit – an internal audit function was performed by a qualified and independent third party organisation in accordance with the government's Internal Audit Standards. The Head of the Internal Audit function provided an independent opinion on the adequacy and effectiveness of the Board/Commission's system of internal control together with recommendations for improvement.

> Meetings of Senior Management – meetings of the senior management group, which were chaired by the Chief Executive, were held regularly throughout the year to monitor progress by operations, policy and corporate affairs including finance, against plans, to review risk, and to make any necessary and appropriate decisions relating to the day-to-day performance of the Board/Commission's business; and

> Transition Project Management Croup – this group met on a regular basis to monitor and review progress on the work of the transition team, whose remit was specifically geared to the tasks involved in moving the organisation forward to the new structure for the Commission and to managing the risks associated with that task;

> The Audit Committee – the Committee, which during the period to 30 September 2005 comprised four Board members, met at least four times each year to review the annual reports and accounts, to consider the annual reports submitted by the internal and external audit teams, to monitor progress towards resolution of any internal and external and external and to oversee the outcome of the Board/Commission's Risk Management function;

> Meetings of Board/Commission Members – the eight Board members, who were appointed by the Secretary of State, met regularly to confirm the strategic direction of the Board/Commission, to review financial and operational performance against current plans, to monitor risk assessments, and to approve any expenditure in accordance with the government's established regime of financial delegations;

More specifically, the maintenance and review of the effectiveness of the system of internal control within the Board during the transitional period, prior to the launch of the Cambling Commission, was achieved through the co-ordination of the control and governance functions of the following organisation components:

**6. Review of effectiveness**As Accounting Officer, I had responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal suditors and the executive managers within the Board who had responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I was advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system was in place.

6. Review of effectiveness

As Accounting Officer, I had responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control was informed by the work of the internal auditors and the executive managers within the Board who had responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I was advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system was in place.

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More specifically, the maintenance and review of the effectiveness of the system of internal control within the Board during the transitional period, prior to the launch of the Gambling Commission, was achieved through the co-ordination of the control and governance functions of the following organisation components:

- > Meetings of Board/Commission Members the eight Board members, who were appointed by the Secretary of State, met regularly to confirm the strategic direction of the Board/Commission, to review financial and operational performance against current plans, to monitor risk assessments, and to approve any expenditure in accordance with the government's established regime of financial delegations;
- > The Audit Committee the Committee, which during the period to 30 September 2005 comprised four Board members, met at least four times each year to review the annual report and accounts, to consider the annual reports submitted by the internal and external audit teams, to monitor progress towards resolution of any internal and external audit recommendations, and to oversee the outcome of the Board/Commission's Risk Management function;
- > Transition Project Management Group this group met on a regular basis to monitor and review progress on the work of the transition team, whose remit was specifically geared to the tasks involved in moving the organisation forward to the new structure for the Commission and to managing the risks associated with that task;
- > Meetings of Senior Management meetings of the senior management group, which were chaired by the Chief Executive, were held regularly throughout the year to monitor progress by operations, policy and corporate affairs including finance, against plans, to review risk, and to make any necessary and appropriate decisions relating to the day-to-day performance of the Board/Commission's business; and
- > Internal Audit an internal audit function was performed by a qualified and independent third party organisation in accordance with the government's Internal Audit Standards. The Head of the Internal Audit function provided an independent opinion on the adequacy and effectiveness of the Board/Commission's system of internal control together with recommendations for improvement.

There were no significant internal control problems to report during the period covered by this statement.

#### **Jenny Williams**

Chief Executive and Accounting Officer The Gaming Board for Great Britain

23 June 2006

The Gambling Commission Appendix III | 61

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## The Certificate of the Comptroller and Auditor General to the Gaming Board for Great Britain

I have audited the financial statements of the Gaming Board for Great Britain for the six months ended 30 September 2005. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Gaming Board for Great Britain, Chief Executive and auditor

The Gaming Board for Great Britain and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Gaming Act 1968 and the Secretary of State for Culture, Media and Sport's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Gaming Board for Great Britain and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gaming Act 1968 and the Secretary of State for Culture, Media and Sport's directions made thereunder. I also report whether 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Gaming Board for Great Britain has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 6 to 8 reflects the Gaming Board for Great Britain's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Gaming Board for Great Britain's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

My responsibilities do not extend to any other information. report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my financial statements. This other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V, the I read the other information contained in the Annual Report and consider whether it is consistent with the audited

and control procedures.

opinion on the effectiveness of the Caming Board for Creat Britain's corporate governance procedures or its risk consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an HM Ireasury's guidance on the Statement on Internal Control, and I report it it does not. I am not required to I review whether the statement on pages 6 to 8 reflects the Caming Board for Creat Britain's compliance with

and other transactions is not disclosed. and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration Caming Board for Creat Britain has not kept proper accounting records, if I have not received all the information I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. thereunder. I also report whether in all material respects the expenditure and income have been applied to the accordance with the Caming Act 1968 and the Secretary of State for Culture, Media and Sport's directions made financial statements and the part of the Remuneration Report to be audited have been properly prepared in I report to you my opinion as to whether the financial statements give a true and fair view and whether the

> requirements, and with International Standards on Auditing (UK and Ireland). My responsibility is to audit the financial statements in accordance with relevant legal and regulatory

> > Chief Executive's Responsibilities.

transactions. These responsibilities are set out in the Statement of the Caming Board for Creat Britain and of State for Culture, Media and Sports directions made thereunder and for ensuring the regularity of financial Remuneration Report and the financial statements in accordance with the Caming Act 1968 and the Secretary The Caming Board for Creat Britain and Chief Executive are responsible for preparing the Annual Report, the

## Chief Executive and auditor Respective responsibilities of the Caming Board for Great Britain,

have been prepared under the accounting policies set out within them. Statement and Statement of Total Recognised Cains and Losses and the related notes. These financial statements 30 September 2005. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow I have audited the financial statements of the Caming Board for Creat Britain for the six months ended

## to the Gaming Board for Great Britain The Certificate of the Comptroller and Auditor General

The Cambling Commission Appendix III | 63

since they were initially presented on the website.

The maintenance and integrity of the Cambling Commission's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements

27 June 2006

Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SWIW 9SP

#### John Bourn

> 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.

made thereunder; and

> the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Caming Act 1968 and the Secretary of State for Culture, Media and Sport's directions

**In my opinion**> the financial statements give a true and fair view, in accordance with the Caming Act 1968 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, of the state of the Caming Board for Creat Britain's affairs as at 30 September 2005 and of its deficit for the period then ended;

### **snoiniqO**

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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

applied and adequately disclosed.

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions includes an assessment of the significant estimates and judgements Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Caming Board for Great Britain and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Caming Board's circumstances, consistently and of whether the accounting policies are most appropriate to the Caming Board's circumstances, consistently

## Basis of audit opinion

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Gaming Board for Great Britain and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Gaming Board's circumstances, consistently applied and adequately disclosed.

Jenti Oi Oi Text / Sig: 32 / Plate A

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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinions**

#### In my opinion

- > the financial statements give a true and fair view, in accordance with the Gaming Act 1968 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, of the state of the Gaming Board for Great Britain's affairs as at 30 September 2005 and of its deficit for the period then ended;
- > the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gaming Act 1968 and the Secretary of State for Culture, Media and Sport's directions made thereunder; 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 National Audit Office 157-197 Buckingham Palace Road Victoria London SWIW 9SP

27 June 2006

The maintenance and integrity of the Gambling Commission's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Gambling Commission Appendix III | 63

**Income and expenditure account** for the six months ended 30 September 2005

	Notes	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Income			
Grant-in-aid	2	4,141	6,198
Other income	6	54	129
Total income		4,195	6,327
Expenditure			
Staff costs	7	(1,672)	(2,838)
Other operating costs	8	(2,765)	(3,314)
Depreciation	9	(3)	(9)
Total expenditure		(4,440)	(6,161)
Operating (deficit)/surplus		(245)	166
Interest receivable		15	17
Interest cost on pensions	7	(4)	(8)
Notional capital charges		(3)	(5)
(Deficit)/surplus on ordinary activities		(237)	170
Write back notional capital charges		3	5
Retained (deficit)/surplus for the year		(234)	175
Movement on income and expenditure reserve			
Accumulated surplus brought forward		182	18
Retained (deficit)/surplus for the year		(234)	175
Adjustment on pensions	7	(13)	(11)
Accumulated (deficit)/surplus carried forward	13	(65)	182

All operations are treated as continuing.

The notes on pages 66 to 76 form part of these accounts.

## Statement of total recognised gains and losses

for the six months ended 30 September 2005

	Notes	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Retained (deficit)/surplus for the year		(234)	175
(Loss) on pension liability	7	(13)	(11)
Total recognised (losses)/gains since the previous Annual Report		(247)	164

The notes on pages 66 to 76 form part of these accounts.

The notes on pages 66 to 76 form part of these accounts.

<del>7</del> 91	(742)		Total recognised (losses)/gains since the previous Annual Report
(LL) SZL	(234) (13)	۷	Retained (deficit)/surplus for the year (Loss) on pension liability
2004/05 (\$4)nom 51)	to 30 Sept 2005 (shinom 8) (£000)	sətoN	

# **Statement of total recognised gains and losses** for the six months ended 30 September 2005

The notes on pages 66 to 76 form part of these accounts.

All operations are treated as continuing.

185	(92)	81	Accumulated (deficit)/surplus carried forward
([[	(81)	۷	Adjustment on pensions
SZI	(234)		Retained (deficit)/surplus for the year
81	182		Accumulated surplus brought forward
			Movement on income and expenditure reserve

Retained (deficit)/surplus for the year	(234)	SZI
Write back notional capital charges	8	S
(Deficit)/surplus on ordinary activities	(282)	02 l
Notional capital charges	(8)	(5)
7 Superiors and a superior or seasons are superior or seasons and a superior or seasons are superior or seasons and a superior or seasons are superior or seasons and a superior or seasons are superior or seasons and a superior or seasons are superior or seasons are superior or seasons and a superior or seasons are superior or seasons and a superior or seasons are superior or season	( <del>1</del> )	(8)
Interest receivable	SI	Ζl
Operating (deficit)/surplus	(242)	991

otal expenditure	(044,4)	191'9)
)epreciation	<b>(E)</b> 6	(6)
)ther operating costs	(\$92'7) 8	t18,8)
taff costs	<b>(749'1)</b> 4	(2,838)
xpenditure		
orgi income	761't	/7C'0

			Expenditure
	\$61' <del>b</del>		9mooni lstoT
159	<del>7</del> 5	9	Other income
861'9	ל'ולו	ζ	Grant-in-aid
			јисошб
(2003) (sdinom 21)	2003) (5 months)	sətoM	

for the six months ended 30 September 2005 Income and expenditure account

#### The Cambling Commission Appendix III | 65

The notes on pages 66 to 76 form part of these accounts.

832	(480)	91	(Decrease)/increase in cash
(91)	(19)		
(015,2)	(6Z <del>p</del> 'l)		less Fees appropriated to DCMS
(462,2)	89E'I	$\forall$	Fee income received
_	_		Grant-in-aid for capital expenditure
			Financing Financing
128	(61 <del>b</del> )		Net cash (outflow)/inflow before financing
_			Payment to acquire tangible fixed assets
			Investing activities
91	91		bevieset received
			Returns on investment and servicing of finance
832	(432)	SI	Net cash (outflow)/inflow from operating activities
2002 (2003) (2000)	(6 months) (2000)	sətoM	

# **Cash flow statement** for the six months ended 30 September 2005

23 June 2006

Chief Executive and Accounting Officer The Caming Board for Creat Britain

Jenny Williams

The notes on pages 66 to 76 form part of these accounts.

Total capital and reserves		(6E)	211
Income and expenditure reserve	٤١	(92)	185
geserves — — — — — — — — — — — — — — — — — — —	13	97	67
Capital and reserves			
Net assets including pension liability		(6E)	112
Pension liability	15	(841)	(†SI)
Net assets excluding pension liability		134	392
Net current assets		<b>11</b>	342
Creditors (amounts falling due within one year)	l l	(183)	(1,265)
Total current assets		<b>46</b> 2'l	۷09'۱
Cash at bank and in hand	91	6 <b>5</b> 0'l	1,432
Debtors and prepayments	01	238	SZI
Current assets			
zżeżse aldignaT	6	20	23
Fixed assets			
	sətoM	(0003)	(0003)
		to 30 Sept 2005	2004/05

**Balance sheet** as at 30 September 2005

## **Balance sheet**

## as at 30 September 2005

	Notes	to 30 Sept 2005 (£000)	2004/05 (£000)
<b>Fixed assets</b> Tangible assets	9	20	23
Current assets Debtors and prepayments Cash at bank and in hand	10 16	238 1,059	175 1,432
<b>Total current assets</b> Creditors (amounts falling due within one year)	11	1,297 (1,183)	1,607 (1,265)
Net current assets		114	342
Net assets excluding pension liability Pension liability	12	134 (173)	365 (154)
Net assets including pension liability		(39)	211
Capital and reserves			
Reserves	13	26	29
Income and expenditure reserve	13	(65)	182
Total capital and reserves		(39)	211

The notes on pages 66 to 76 form part of these accounts.

#### **Jenny Williams**

Chief Executive and Accounting Officer The Gaming Board for Great Britain

23 June 2006

## **Cash flow statement**

## for the six months ended 30 September 2005

	Notes	2006 (6 months) (£000)	2005 (12 months) (£000)
Net cash (outflow)/inflow from operating activities Returns on investment and servicing of finance	15	(435)	835
Interest received Investing activities Payment to acquire tangible fixed assets		16 -	16
Net cash (outflow)/inflow before financing Financing		(419)	851
Grant-in-aid for capital expenditure	4	1 200	(2.204)
Fee income received less Fees appropriated to DCMS	4	1,368 (1,429)	(2,294) (2,310)
		(61)	(16)
(Decrease)/increase in cash	16	(480)	835

The notes on pages 66 to 76 form part of these accounts.

The Gambling Commission Appendix III | 65

### Notes to the accounts

## 1 Accounting policies

a) Accounting conventions

These are the final set of accounts for the Gaming Board for the six month period from 1 April 2005 to 30 September 2005. They have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury. A copy of the accounts direction can be obtained from the head office of the Gaming Board/Gambling Commission.

The accounts have 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.

The Gambling Act 2005 provided for the creation of the Gambling Commission which commenced operations on 1 October 2005. As a result, at 30 September 2005, the Gaming Board for Great Britain ceased to exist. However, at the date of commencement of the Gambling Commission, the functions, rights and liabilities of the Gaming Board for Great Britain became the functions, rights and liabilities of the Gambling Commission by virtue of section 21 (2) of The Gambling Act 2005. Accordingly, all figures in these accounts are stated on a going concern basis. No adjustments are necessary to the carrying values of assets, to their realisable values, or to provide for liabilities which would otherwise arise on cessation of the Board.

#### b) Fixed assets

Tangible fixed assets are capitalised when the original purchase price, on an individual basis, is £2,500 or more. No items are grouped.

#### Depreciation

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

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

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

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

јо уеагѕ	Telecoms
7 years	tnemqiupe eciffO
10 years	- Snutirnu-T
4 years	Computer equipment

asset's currently anticipated life as follows:

Depreciation is provided on all assets on a straight line basis to write off the cost or valuation evenly over the

#### Depreciation

No items are grouped.

b) Fixed assets are capitalised when the original purchase price, on an individual basis, is £2,500 or more.

. .\_ ..

The Cambling Act 2005 provided for the creation of the Cambling Commission which commenced operations on I October 2005. As a result, at 30 September 2005, the Caming Board for Creat Britain ceased to exist. However, at the date of commencement of the Cambling Commission, the functions, rights and liabilities of the Cambling Commission by virtue of Board for Creat Britain became the functions, rights and liabilities of the Cambling Commission by virtue of section 21 (2) of The Cambling Act 2005. Accordingly, all figures in these accounts are stated on a going concern basis. No adjustments are necessary to the carrying values of assets, to their realisable values, or to provide for liabilities which would otherwise arise on cessation of the Board.

re appropriate.

The accounts have 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

office of the Caming Board/Cambling Commission.

These are the final set of accounts for the Caming Board for the six month period from 1 April 2005 to 30 September 2005. They have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the approval of the Treasury. A copy of the accounts direction can be obtained from the head

a) Accounting conventions

Seioilog policies

Notes to the accounts

The Cambling Commission Appendix III | 67

from the Income and Expenditure account.

h) Licence fee receipts

The Caming Board collects licence fee income on behalf of the Department for Culture, Media and Sport and passes on this income in full to the Department. The Caming Board is separately funded by a Crant-in-Aid from the Department. Because the licence fee receipts are not legally the assets of the Caming Board they are excluded the Department.

was charged.

The Caming Board is not registered for VAT and therefore all costs are shown inclusive of VAT where VAT

#### g) Value added tax

as incurred.

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

#### f) Operating leases

The current and former Chairmen of the Board are covered by a pension scheme which is 'by-analogy' 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.

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

on an accruing basis.

The Board 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

which is a defined benefit scheme and is unfunded. The scheme is contributory.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS)

#### e) Pension costs

employed during the period.

In accordance with Treasury guidance, a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account along with an equivalent reversing entry below operating surplus. The charge for the period is calculated using the Treasury's discount rate of 3.5% applied to the mean value of capital

#### d) Notional capital charges

to the Income and Expenditure Account in line with depreciation charged.

A proportion of the grant-in-aid received, equal to expenditure on fixed asset acquisitions in the period, is taken to the Deferred Covernment Crant Reserve at the end of the financial year. The amount deferred is released back

#### c) Deferred government grant reserve

**Revaluation**In order to disclose fixed assets in the Balance Sheet by reference to current costs, the appropriate index is applied to each asset (Source: Office of National Statistics Price Index Numbers for Current Cost Accounting) unless the effect of revaluing assets in a particular year would make no material difference to the results for that year. 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.

Jenti Oi Oi Text / Sig: 34 / Plate A

#### Jenti Oi Oi Text / Sig: 34 / Plate A

#### Revaluation

In order to disclose fixed assets in the Balance Sheet by reference to current costs, the appropriate index is applied to each asset (Source: Office of National Statistics Price Index Numbers for Current Cost Accounting) unless the effect of revaluing assets in a particular year would make no material difference to the results for that year. 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.

#### c) 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.

#### d) Notional capital charges

In accordance with Treasury guidance, a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account along with an equivalent reversing entry below operating surplus. The charge for the period is calculated using the Treasury's discount rate of 3.5% applied to the mean value of capital employed during the period.

#### e) 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. The scheme is contributory.

The Board 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-analogy' 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.

#### f) Operating leases

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

#### g) Value added tax

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

#### h) Licence fee receipts

The Gaming Board collects licence fee income on behalf of the Department for Culture, Media and Sport and passes on this income in full to the Department. The Gaming Board is separately funded by a Grant-in-Aid from the Department. Because the licence fee receipts are not legally the assets of the Gaming Board they are excluded from the Income and Expenditure account.

The Gambling Commission Appendix III | 67

### Notes to the accounts continued

### 2 Grant-in-aid

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Gaming Board operations		
Grant drawn from DCMS for operational purposes	2,381	4,399
plus Release of deferred government grant reserve		
in respect of depreciation charged	3	9
less Transfer to deferred government grant reserve in		
respect of fixed asset acquisitions	_	_
Total Gaming Board operations	2,384	4,408
Gaming Board transition		
Grant drawn from DCMS for transition purposes	1,276	2,215
plus balance of grant brought forward from deferred income	481	56
less unused portion of grant drawn carried forward		
as deferred income	_	(481)
Total transition	1,757	1,790
Total grant-in-aid	4,141	6,198

The transition grant drawn from DCMS in 2004/05 included an advance of £367,533 against the 2005/06 grant allocation. This advance was made by DCMS to cover expenditure being incurred by the Gaming Board in anticipation of legislative approval for the formation of the Gambling Commission. At 31 March 2005, £251,259 of the advance remained unspent and was included in the Balance Sheet within 'Deferred Income'.

At 30 September 2005 the balance of the advance had been fully utilised.

### 3 Transition team

A Transition Team was established in 2003/04 with a separate allocation of grant-in-aid in order to fund the activities necessary to plan the transition to the Gambling Commission. The transition activity, which has continued since that time, is explained in more detail in the Annual Report. A summary of the transition team income and expenditure follows:

	Notes	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Grant-in-aid	2	1,757	1,790
Interest		6	6
		1,763	1,796
Expenditure			
Staff costs	7	246	210
Other operating costs	8	1,517	1,586
		1,763	1,796

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96 <b>∠</b> 'l	£92'I		
985'l	ZIS'I	8	Other operating costs
210	246	Z	Staff costs
			Expenditure
96 <b>Z</b> 'l	E92'I		
9	9		Interest
06Z'l	<b>ZSZ'</b> I	7	bis-ni-fnanD
20/4002 (2003) (2003)	to 30 Sept 2005 (6 months) (0003)	Notes	

income and expenditure follows:

A Transition Team was established in 2003/04 with a separate allocation of grant-in-aid in order to fund the activities necessary to plan the transition to the Cambling Commission. The transition activity, which has continued since that time, is explained in more detail in the Annual Report. A summary of the transition team

### 3 Transition team

At 30 September 2005 the balance of the advance had been fully utilised.

The transition grant drawn from DCMS in 2004/05 included an advance of £367,533 against the 2005/06 grant allocation. This advance was made by DCMS to cover expenditure being incurred by the Gaming Board in anticipation of legislative approval for the formation of the Gambling Commission. At 31 March 2005, £251,259 of the advance remained unspent and was included in the Balance Sheet within 'Deferred Income'.

861'9	171,1	bis-ni-3nsag lstoT
06Zʻl	ZSZ'I	noitiznent latoT
(184)	_	as deferred income
		less unused portion of grant drawn carried forward
95	184	plus balance of grant brought forward from deferred income
2,215	9 <b>2</b> 7'l	Crant drawn from DCMS for transition purposes
		Gaming Board transition
804,4	785,2	Total Gaming Board operations
_	_	respect of fixed asset acquisitions
		less Transfer to deferred government grant reserve in
6	8	in respect of depreciation charged
		plus Release of deferred government grant reserve
668'7	188,2	Crant drawn from DCMS for operational purposes
		Gaming Board operations
2004/05 (\$4)uom 51)	1992 05 o1 2005 (2010m 6) (0003)	

### 2 Grant-in-aid

## Notes to the accounts continued

159	<del>1</del> 5	
13	_	Amooni suoansilaosiM
911	<del>1</del> 5	Recovery of CRB fees
20\4002 (2003) (0003)	1992 05 o1 2002 (2013) (20003)	

### 6 Other income

tees is disclosed in Note 6.

The Board is registered with the Criminal Records Bureau (CRB) to obtain disclosures, where necessary, on individuals making application for certificates with the Board. The CRB charge a fee for this work, currently from application, which is invoiced to the Caming Board. The Board therefore has to collect the relevant fees from applicants and hold them, pending a request for payment from the CRB. The income and expenditure arising from the CRB services are included within the operating income and expenditure respectively. The recovery of CRB from the CRB services are included within the operating income and expenditure respectively. The recovery of CRB

## 5 Criminal Records Bureau

appropriations of £1,429,480.

The Board collects its fee income on behalf of the DCMS, and surrenders the receipts in full to DCMS. As a result, the income from fees, and related payments to DCMS, are not included in the Board's Income and Expenditure Account. Any outstanding balance due to DCMS at the end of the financial year is included in the Balance Sheet within 'Other Creditors'. At 30 September 2005, the balance due to DCMS was £172,287 (2005: £232,906) after

762,2	89£'l	lsioT
9	₽	Interest on fee income
2,288	<b>1</b> 384	Jotal fee income
SZS	961	Lotteries and bms seiresto.
٤ <b>١</b> ۷ ١ ٤	891'1	Potal Caming
09 L	_	Multiple bingo
760	395	onizsJ –
113	19	ogniā –
		Certificates of consent
438	<b>262</b>	Section 27 certificates
742	618	sətsəfirinəə el noitəə2
2004/05 (sdfnom 21)	192 05 01 2002 (2010m 6)	

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

### 4 Fee receipts

Jenti Oi Oi Text / Sig: 35 / Plate A

## 4 Fee receipts

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

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Section 19 certificates	319	742
Section 27 certificates	393	438
Certificates of consent		
– Bingo	61	113
– Casino	395	260
Multiple bingo	-	160
Total Gaming	1,168	1,713
Lotteries and Amusements Act	196	575
Total fee income Interest on fee income	1,364 4	2,288
Total Total	1,368	2,294

The Board collects its fee income on behalf of the DCMS, and surrenders the receipts in full to DCMS. As a result, the income from fees, and related payments to DCMS, are not included in the Board's Income and Expenditure Account. Any outstanding balance due to DCMS at the end of the financial year is included in the Balance Sheet within 'Other Creditors'. At 30 September 2005, the balance due to DCMS was £172,287 (2005: £232,906) after appropriations of £1,429,480.

### 5 Criminal Records Bureau

The Board is registered with the Criminal Records Bureau (CRB) to obtain disclosures, where necessary, on individuals making application for certificates with the Board. The CRB charge a fee for this work, currently £34 per application, which is invoiced to the Gaming Board. The Board therefore has to collect the relevant fees from applicants and hold them, pending a request for payment from the CRB. The income and expenditure arising from the CRB services are included within the operating income and expenditure respectively. The recovery of CRB fees is disclosed in Note 6.

## 6 Other income

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Recovery of CRB fees	54	116
Miscellaneous income	-	13
	54	129

The Gambling Commission Appendix III | 69

Notes to the accounts continued

### a) Analysis of staff costs

zna <sup>T</sup>	SnoitsradO	

7,857	689'l	210	246	749,2	1,443	Staff costs
215	526	<b>Z</b> Z	82	530	861	Total other pension costs
LL	13	_	_	LL	٤١	Recognised in statement of total     recognised gains and losses
8	Þ	_	_	8	Þ	- Included as other finance costs
867	500	72	82	172	181	- Included within operating profit
						Other pension costs
96 l	112	91	61	180	96	Social Security costs
7,344	1,348	<b>291</b>	66 L	771,2	6 <del>7</del> 1'1	Salaries and wages
20\4002 (sdfnom 51) (0003)	to 30 Sept 2005 (shrom 6) (£000)	20/4/002 (sdhnom 51)	to 30 Sept 2005 (entinom 6) (2000)	2004/05 (2003)	1992 05 of 2002 (2003) (0003)	
Total		atoT noitisnarT		suoi	Opera	

The above analysis comprises the following figures from the Income and Expenditure statement:

	728.2	689.I	210	246	749.S	1.443	Total
	LL	٤L	_	_	LL	13	snoiznaq no tnamtzulbA
	8	Þ	_	_	8	Þ	Interest cost on pensions
	2,838	<b>7</b> 49'I	210	246	829'7	1,426	Staff costs
	20/4/002 (\$000 <u>4</u> )	to 30 Sept 2005 (shinom 6) (£000)	20/4002 (sdfnom 51) (0003)	to 30 Sept 2002 (sdfnom 8) (0003)	20\4002 (sdinom 51) (0003)	to 30 Sept 2005 (2017) (0003)	
lstoT		noii	Transi	suoi	Opera		

### b) Retirement benefits

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The following disclosures are made in accordance with FRS 17, 'Retirement Benefits'.

Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Caming Board is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt (PCSPS). This scheme, which is contributory, is an unfunded multi-employer defined benefit scheme and the (i) Staff The Board provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme

£285,095) at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands (the rates For the period to 30 September 2005, employer contributions of £202,536 were payable to the PCSPS (2004/05 Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

between 17.1% and 25.5%. following a full scheme valuation. From 2006/07 the salary bands will be revised and the rates will be in a range in 2004/05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years

### **Notes to the accounts** continued

### 7 Staff costs

#### a) Analysis of staff costs

	Operations		Transition		Tota	al
	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Salaries and wages	1,149	2,177	199	167	1,348	2,344
Social Security costs	96	180	19	16	115	196
Other pension costs						
<ul> <li>Included within operating profit</li> </ul>	181	271	28	27	209	298
<ul> <li>Included as other finance costs</li> </ul>	4	8	-	_	4	8
<ul> <li>Recognised in statement of total</li> </ul>						
recognised gains and losses	13	11	-	_	13	11
Total other pension costs	198	290	28	27	226	317
Total staff costs	1,443	2,647	246	210	1,689	2,857

The above analysis comprises the following figures from the Income and Expenditure statement:

	Operations		Transition		Total	
	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Staff costs	1,426	2,628	246	210	1,672	2,838
Interest cost on pensions	4	8	_	_	4	8
Adjustment on pensions	13	11	-	_	13	11
Total	1,443	2,647	246	210	1,689	2,857

#### b) Retirement benefits

The following disclosures are made in accordance with FRS 17, 'Retirement Benefits'.

(i) Staff The Board provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). This scheme, which is contributory, is an unfunded multi-employer defined benefit scheme and the Gaming Board is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For the period to 30 September 2005, employer contributions of £202,536 were payable to the PCSPS (2004/05 £285,095) at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands (the rates in 2004/05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006/07 the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%.

to 30 Sept

The estimated cost of accruing for the liability in respect of the current Chairman at 30 September 2005 is equivalent to 20.3% (2004/05: 20.8%) of his actual total salary.

The increase in liability is the impact of a change in the real investment return in excess of inflation for valuing pension scheme liabilities as at 1 April 2005.

JDAT2 ni bəsingosər (zeol) le	(51)	([[)
alysis of amount recognised in statement of total ognissed gains and losses (STRGL): uarial (loss) stringht increase in liability (change on return)	(5)	(11)
alysis of amount charged to other finance costs:	Þ	8
alysis of amount charged to operating surplus: rent service cost	Z	13
	(0003) (squow 9)	(0003)

The present value of the scheme liability at 30 September 2005 is £173,300 (2004/05: £154,200).

Discount rate for scheme liabilities	I.a %4.2	%L'
Rate of increase for pensions in payment, in line with price inflation	2.5% 2.5	%S'
Rate on increase in salaries	0.4 %0.4	%0`
noitation assumption	2.5% 2.5	%S'
ξ	2005 2005 20 Sept 31 N	Mar 005

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2004. The main financial assumptions used by the actuary in calculation of the liability for the scheme are as follows:

(ii) **Chairman** In addition to the above, pension benefits are provided to the current chairman and three former chairmen under a defined benefit scheme which is broadly by analogy with the civil service classic scheme. There is no minimum retirement age and there are certain minor modifications to the standard civil service arrangements in respect of enhancements. The scheme is contributory, is unfunded and there is no surplus or deficit. Benefits are paid as they fall due.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employeer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employees also match employee contributions up to 3% of pensionable pay. In addition, employer contributions equal to 0.8% of pensionable pay are payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. As at 30 September 2005 no Caming Board employees had taken up the option of a partnership pension.

The contribution rates are set to meet the cost of the benefits accruing during 2005/06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

The contribution rates are set to meet the cost of the benefits accruing during 2005/06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Jenti Oi Oi Text / Sig: 36 / Plate A

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions equal to 0.8% of pensionable pay are payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. As at 30 September 2005 no Gaming Board employees had taken up the option of a partnership pension.

(ii) Chairman In addition to the above, pension benefits are provided to the current chairman and three former chairmen under a defined benefit scheme which is broadly by analogy with the civil service classic scheme. There is no minimum retirement age and there are certain minor modifications to the standard civil service arrangements in respect of enhancements. The scheme is contributory, is unfunded and there is no surplus or deficit. Benefits are paid as they fall due.

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2004. The main financial assumptions used by the actuary in calculation of the liability for the scheme are as follows:

	30 Sept 2005	31 Mar 2005
Inflation assumption	2.5%	2.5%
Rate on increase in salaries	4.0%	4.0%
Rate of increase for pensions in payment, in line with price inflation	2.5%	2.5%
Discount rate for scheme liabilities	5.4%	6.1%

The present value of the scheme liability at 30 September 2005 is £173,300 (2004/05: £154,200).

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Analysis of amount charged to operating surplus: Current service cost	7	13
Analysis of amount charged to other finance costs: Interest on pension scheme liabilities	4	8
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):		
Actuarial (loss)	(3)	(11)
Overnight increase in liability (change on return)	(10)	<del>-</del>
Total (loss) recognised in STRGL	(13)	(11)

The increase in liability is the impact of a change in the real investment return in excess of inflation for valuing pension scheme liabilities as at 1 April 2005.

The estimated cost of accruing for the liability in respect of the current Chairman at 30 September 2005 is equivalent to 20.3% (2004/05: 20.8%) of his actual total salary.

# 7 Staff costs continued

#### c) Average number of persons employed by the Gaming Board was:

	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Secretariat	36	38
Inspectorate	34	34
Transition	10	3
	80	75

# 8 Other operating costs

	to 30 Sep	tember 2005 (	6 months)	2004/0	)5 restated (12 r	nonths)
	Operations (£000)	Transition (£000)	Total (£000)	Operations (£000)	Transition (£000)	Total (£000)
Accommodation	440	76	516	746	148	894
Professional & accountancy fees	191	1,281	1,472	165	1,361	1,526
Travelling and subsistence	136	7	143	268	5	273
Training/recruitment and Agency staff	265	128	393	154	53	207
Office supplies and services	50	19	69	120	8	128
Hospitality	3	-	3	3	_	3
IT Expenditure	64	1	65	79	8	87
Payroll/pension service charges and						
internal audit fee	11	1	12	27	_	27
Gaming Regulators European Forum	4	-	4	3	_	3
Audit fee	20	4	24	20	3	23
Diminution in value of fixed assets	_	-	_	6	_	6
Amounts payable to CRB	54	_	54	116	_	116
Write off old season ticket balances	-	-	_	1	_	1
Other	10	_	10	20	_	20
Total Operating Costs	1,248	1,517	2,765	1,728	1,586	3,314

Included within operating costs are payments made by the Board during the year under operating leases. These may be analysed as follows:

(6 mor	005	2004/05 (12 months) (£000)
Land and buildings	02	687
Other	2	5
4	04	692

#### 

Included within operating costs are payments made by the Board during the year under operating leases. These may be analysed as follows:

418,8	985'1	827,1	2,765	<b>Z</b> 1 <b>S</b> 'l	1,248	Total Operating Costs
20		50	01	_	01	Other
l	_	l	_	-	-	Write off old season ticket balances
911	_	911	<del>7</del> 5	-	<b>₽</b> S	Amounts payable to CRB
9	_	9	_	_	-	Diminution in value of fixed assets
23	3	20	77	Þ	20	991 tibuA
5	_	3	Þ	-	Þ	Gaming Regulators European Forum
72	_	72	15	L	11	internal audit fee
						Payroll/pension service charges and
<b>Z</b> 8	8	64	<b>9</b>	L	<del>7</del> 9	IT Expenditure
5	_	5	8	_	3	Hospitality
128	8	150	69	61	20	səsivnəs bns səilqqus əsiffO
202	23	<b>⊅</b> S I	293	128	<b>592</b>	Training/recruitment and Agency staff
273	S	897	143	Z	136	Travelling and subsistence
1,526	198'1	S91	274, I	182'1	161	Professional & accountancy fees
<del>1</del> ⁄68	84I	947	919	94	440	AccommossA
Total (£000)	Transition (£000)	Operations (£000)	lstoT (0003)	Transition (£000)	Operations (0003)	

2004/05 restated (12 months)

to 30 September 2005 (6 months)

# 8 Other operating costs

SZ	08	
8	01	Transition
48	34	Inspectorate
38	98	Secretariat
2004/05 (\$4,002	192 05 01 2002 (2003)	

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

# Deunitnoo stsoo That 7

# Notes to the accounts continued

The bank overdraft figure represents cheques which were unpresented at balance date. There was no actual overdraft on the bank account at either 30 September 2005 or 31 March 2005.

1,265	£81,1	
18Þ	_	Deferred income
<b>71</b> 7	089	Accruals
l	801	Bank overdraft
744	<b>ZZI</b>	Other creditors
⊅0 I	<b>ZZI</b>	РаугоІІ
12	16	Trade creditors
(£000) 5004/02	to 30 Sept 2005)	

# [1] Creditors (amounts falling due within one year)

SZI	238	
134	802	Prepayments
$\forall$	_	Other debtors
7	7	Bank interest accrued
32	82	Staff season ticket loans and expense imprests
2004/05	to 30 Sept 2005 (£000)	

# 10 Debtors

Net book value at 31 March 2005	8	_	15	8	23
Net book value at 30 September 2005	7	_	11	۷	20
At 30 September 2005	52	_	01	15	ZÞ
SlasoqsiG	_	_	_	_	_
Provided in the period	l	-	L	L	3
Revaluations	_	_	_	_	_
At 3.1 March 2005	42	_	6	11	44
Accumulated depreciation					
At 30 September 2005	<b>Z</b> Z	_	12	6 L	<b>Z</b> 9
Disposals	_	_	_	_	
snoitibbA	_	_	_	_	_
Revaluations	_	_	_	_	_
2005 Azik 18 JA	72	_	12	61	<b>4</b> 9
noitsulav/teo)					
	Computers (£000)	Furniture (£000)	Office Equipment (£000)	smoɔələT (£000)	LstoT (0003)

# 8 Tangible fixed assets

# 9 Tangible fixed assets

	Computers (£000)	Furniture (£000)	Office Equipment (£000)	Telecoms (£000)	Total (£000)
Cost/valuation					
At 31 March 2005	27	_	21	19	67
Revaluations	_	_	_	_	_
Additions	_	_	_	_	_
Disposals	_	_	_	_	
At 30 September 2005	27	_	21	19	67
Accumulated depreciation					
At 31 March 2005	24	_	9	11	44
Revaluations	_	_	_	_	_
Provided in the period	1	_	1	1	3
Disposals	_	_	_	_	_
At 30 September 2005	25	_	10	12	47
Net book value at 30 September 2005	2	_	11	7	20
Net book value at 31 March 2005	3	_	12	8	23

# 10 Debtors

t	o 30 Sept 2005 (£000)	2004/05 (£000)
Staff season ticket loans and expense imprests	28	35
Bank interest accrued	2	2
Other debtors	_	4
Prepayments	208	134
	238	175

# 11 Creditors (amounts falling due within one year)

	to 30 Sept 2005 (£000)	2004/05 (£000)
Trade creditors	91	21
Payroll	177	104
Other creditors	177	244
Bank overdraft	108	1
Accruals	630	414
Deferred income	-	481
	1,183	1,265

The bank overdraft figure represents cheques which were unpresented at balance date. There was no actual overdraft on the bank account at either 30 September 2005 or 31 March 2005.

# 12 Pension liability

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.

	(£000)
At 31 March 2005	154
Overnight increase in liabilities (change in real return)	10
Current service cost	7
Interest cost	4
Actuarial loss in the period	3
Paid in year	(5)
At 30 September 2005	173

The overnight increase in liabilities is the impact of a change in the real investment return in excess of inflation for valuing pension scheme liabilities as at 1 April 2005.

## 13 Reserves

	Income & Expenditure Reserve (£000)	Deferred Government Grant Reserve (£000)	Total (£000)
At 1 April 2005	182	29	211
Deficit for year	(234)	_	(234)
	(52)	(29)	(23)
Adjustment on pensions	(13)	_	(13)
Release for depreciation	_	(3)	(3)
At 30 September 2005	(65)	26	(39)

# 14 Impact of pension liability on income and expenditure reserve

	Notes	to 30 Sept 2005 (6 months) (£000)	2004/05 (12 months) (£000)
Income and expenditure reserve excluding pension liability		108	336
Pension liability	12	(173)	(154)
Income and expenditure reserve	13	(65)	182

185	(9)	13	Income and expenditure reserve
(154)	(£Z L)	15	Validail noizna9
336	801		Income and expenditure reserve excluding pension liability
20/4/05 (2003)	1992 05 o1 2002 (2010m 3) (0003)	sətoN	

# 14 Impact of pension liability on income and expenditure reserve

(68)	97	(59)	At 30 September 2005
(5)	(E)	_	Release for depreciation
(51)	_	(81)	Adjustment on pensions
(23)	(62)	(25)	
(234)	_	(534)	Deficit for year
211	67	185	2005 lingA I JA
lstoT (0003)	Deferred Crant Frant Reserve (£000)	A somonl Expenditure פאריפ (£000)	

### 13 Reserves

The overnight increase in liabilities is the impact of a change in the real investment return in excess of inflation for valuing pension scheme liabilities as at 1 April 2005.

173	At 30 September 2005
(S)	Paid in year
٤	Actuarial loss in the period
abla	Interest cost
Z	Current service cost
01	Overnight increase in liabilities (change in real return)
15¢	At 31 March 2005
(0003)	

with payments due in respect of three former chairmen.

This provision recognises the accruing pension liability for the current Chairman of the Caming Board, together

# 12 Pension liability

## Notes to the accounts continued

S	2004/0	per 2005	mətqə2 05 ot	
Other (£000)	bna bna sgnibliu8 (000 <u>3)</u>	Other (£000)	bns bnsJ sgnibliu8 (0003)	
				ating leases which expire:
7	969	7	293	ıu oue λegr
	13	L	-	e second to fifth years inclusive
_	Sl	-	12	. มุง6 งุษสรร
2	724	8	829	

year to 30 September 2006.

At 30 September 2005, the Board was committed to making the following payments under operating leases in the

# 18 Commitments under operating leases

There were no capital commitments at 30 September 2005 (31 March 2005: Nil).

# 17 Capital commitments

		l ε4° l	(084)	156
Cash at bank and in hand Bank overdraft	ΙΙ	Sε4, Γ (Γ)	(201) (223)	(801) 650'l
I	SətoN	15 Mar 2005 (£000)	wofi dasa) (0003)	30 Sept 2005 (£000)

# 16 Analysis of balances of cash as shown in the balance sheet

832	(432)	let cash (outflow)/inflow from operating activities
999	(128)	Decrease)/increase in creditors relating to operating activities
(9)	( <del>2</del> 9)	ncrease) in debtors relating to operating activities
3	7	ncrease in provision relating to operating activities
(6)	(8)	lelease of deferred government grant
9	_	ininution in √alue of fixed assets
6	2	)epreciation provided in year
991	(242)	) perating (deficit)/surplus
2004/05 (\$4,000)	(0003) (squow 9)	

# 15 Reconciliation of operating (deficit)/surplus to the net cash (outflow)/inflow from operating activities

# 15 Reconciliation of operating (deficit)/surplus to the net cash (outflow)/inflow from operating activities

	0 Sept 2005 nonths) (£000)	2004/05 (12 months) (£000)
Operating (deficit)/surplus	(245)	166
Depreciation provided in year	3	9
Diminution in value of fixed assets	-	6
Release of deferred government grant	(3)	(9)
Increase in provision relating to operating activities	2	3
(Increase) in debtors relating to operating activities	(64)	(6)
(Decrease)/increase in creditors relating to operating activities	(128)	666
Net cash (outflow)/inflow from operating activities	(435)	835

# 16 Analysis of balances of cash as shown in the balance sheet

	Notes	31 Mar 2005 (£000)	Cash flow (£000)	30 Sept 2005 (£000)
Cash at bank and in hand Bank overdraft	11	1,432 (1)	(373) (107)	1,059 (108)
		1,431	(480)	951

# 17 Capital commitments

There were no capital commitments at 30 September 2005 (31 March 2005: Nil).

# 18 Commitments under operating leases

At 30 September 2005, the Board was committed to making the following payments under operating leases in the year to 30 September 2006.

	to 30 September 2005		2004/0	)5
	Land and Buildings (£000)	Other (£000)	Land and Buildings (£000)	Other (£000)
Operating leases which expire:				
Within one year	563	2	696	2
In the second to fifth years inclusive	_	1	13	1
Over five years	15	-	15	_
	578	3	724	3
				-

## 19 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.

The Department for Culture, Media and Sport is regarded as a related party. During the six months to 30 September 2005, the Gaming Board has had various material transactions with DCMS, comprising largely grant-in-aid and appropriation of fee income. These transactions are shown in the Income and Expenditure Account and notes to the accounts.

During the six months 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.

### 20 Financial instruments

FRS 13 [Derivatives and Other Financial Instruments] requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Gaming Board has no borrowings and relies entirely 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.

The Board has obtained consent from its sponsoring department to place surplus funds on bank deposit. It would also require consent from its sponsoring department prior to acquiring financial instruments or borrowings.

## 21 Contingencies

There are no contingent gains or losses to report in the six months to 30 September 2005 (31 March 2005: Nil).

There are no contingent gains or losses to report in the six months to 30 September 2005 (31 March 2005: Nil).

# 21 Contingencies

The Board has obtained consent from its sponsoring department to place surplus funds on bank deposit. It would also require consent from its sponsoring department prior to acquiring financial instruments or borrowings.

FRS 13 [Derivatives and Other Financial Instruments] requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Caming Board has no borrowings and relies entirely 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.

## 20 Financial instruments

During the six months none of the Board Members, members of key management staff or other related parties has undertaken any material transactions with the Caming Board for Creat Britain.

The Department for Culture, Media and Sport is regarded as a related party. During the six months to 30 September 2005, the Caming Board has had various material transactions with DCMS, comprising largely grant-in-aid and appropriation of fee income. These transactions are shown in the Income and Expenditure Account and notes to the accounts.

Department for Culture, Media and Sport.

The Caming Board for Creat Britain is a Non-Departmental Public Body financed by grant-in-aid from the

# 19 Related party transactions

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including accounting policies

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**The Gambling Commission** the accounts for the six months ended 31 March 2006

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# The Gambling Commission Remuneration report

This report covers the six months ending 31 March 2006 and provides details of the Remuneration Committee and its functions, and sets out the policy and disclosures in relation to the remuneration of the senior managers of the Gambling Commission.

### Remuneration Committee

The Remuneration Committee of the Gambling Commission has been established to support the Board of Commissioners, and the Chief Executive as Accounting Officer (as appropriate), in their responsibilities for:

- > confirming a strategic direction for appraisal and remuneration policies and systems, and other significant terms and conditions of employment;
- > reviewing the performance, and remuneration of the Chief Executive;
- > reviewing the remuneration proposed for the senior management team; and
- > recruitment (as required) of the Chief Executive.

In exercising their responsibilities the Committee have regard to the following considerations:

- > the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- > the need to set challenging performance objectives;
- > the need to achieve 'value for money' whilst supporting the Commission's corporate and business planning objectives; and
- > the funds available to meet on-going commitments.

The Committee comprises Bill Knight (Chairman), Ben Gunn, and Eve Salomon

The Committee comprises Bill Knight (Chairman), Ben Gunn, and Eve Salomon

> the funds available to meet on-going commitments.

oplectives; and

> the need to achieve 'value for money' whilst supporting the Commission's corporate and business planning

> the need to set challenging performance objectives;

เษรboมรายเกตรร:

> the need to recruit, retain and motivate suitably able and qualified people to exercise their different

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> recruitment (as required) of the Chief Executive.

> reviewing the remuneration proposed for the senior management team; and

> reviewing the performance, and remuneration of the Chief Executive;

terms and conditions of employment;

> confirming a strategic direction for appraisal and remuneration policies and systems, and other significant

The Remuneration Committee of the Cambling Commission has been established to support the Board of Commissioners, and the Chief Executive as Accounting Officer (as appropriate), in their responsibilities for:

### Remuneration Committee

of the Cambling Commission.

This report covers the six months ending 31 March 2006 and provides details of the Remuneration Committee and its functions, and sets out the policy and disclosures in relation to the remuneration of the senior managers

# The Gambling Commission Remuneration report

Bill Butler was appointed as Director of Corporate Services on 20 February 2006 for a period of three years. His contract is on the Commission's standard terms modified to include provision of a lease car.

on the Commission's standard terms.

Hazel Canter was appointed as Director of Licensing & Compliance on 3 January 2006 for a period of three years

Commission's standard terms.

Phillip Brear was appointed as Director of Operations on 14 November 2005 for a period of three years on the

ended until reaching normal retirement age of 60.

Tom Kavanagh, Deputy Chief Executive, is a civil servant on loan to the Commission and his contract is open-

Jenny Williams was appointed as Chieł Executive to the Caming Board for Creat Britain on 17 November 2004, on terms broadly comparable with other non departmental public bodies' Chief Executives, subject to retirement at age 65. This contract continues under the Commission under Schedule 4 of the Cambling Act 2005. The contract may be terminated by either party to it giving six months' written notice.

Existing civil servants on loan to the Commission, except where stated otherwise, are on contracts that are open-ended until they reach normal retirement age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Senior managers are, in most cases, not established civil servants but are employed directly by the Commission. The Commission's standard terms of employment for senior managers are contracts of three years, reviewable 12 weeks before the end. Pay is performance based and is broadly in line with Senior Civil Service pay bands. Performance targets are set and measured in accordance with the Cambling Commission's policy on pay and Performance targets, and recommendations on changes in remuneration are reviewed by the Remuneration Committee. Except during probation or where guilty of gross in remuneration are reviewed by the Remuneration Committee. Except during probation or where guilty of gross misconduct, senior managers are entitled to receive and required to give twelve weeks' notice of early termination.

may be terminated by written notice.

The Chairman, Peter Dean, was appointed for a three year term commencing 1 July 1998. This was renewed on 1 July 2001 for a further five years and has now been extended to 31 December 2007. The appointment

**Board of Commissioners**The Chairman and Board of Commissioners are appointed by the Secretary of State on terms set on the basis of advice from the Civil Service Senior Salaries Review Body. Appointments are for a period of between three and five years and may be renewed for a further term. With the exception of the Chairman, Commissioners' appointments are non-pensionable. Appointments may be terminated at any time by either party giving written notice.

Remuneration of senior management

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#### Jenti Oi Oi Text / Sig: 40 / Plate A

# Remuneration of senior management

#### **Board of Commissioners**

The Chairman and Board of Commissioners are appointed by the Secretary of State on terms set on the basis of advice from the Civil Service Senior Salaries Review Body. Appointments are for a period of between three and five years and may be renewed for a further term. With the exception of the Chairman, Commissioners' appointments are non-pensionable. Appointments may be terminated at any time by either party giving written notice.

The Chairman, Peter Dean, was appointed for a three year term commencing 1 July 1998. This was renewed on 1 July 2001 for a further five years and has now been extended to 31 December 2007. The appointment may be terminated by written notice.

#### **Senior managers**

Senior managers are, in most cases, not established civil servants but are employed directly by the Commission. The Commission's standard terms of employment for senior managers are contracts of three years, reviewable 12 weeks before the end. Pay is performance based and is broadly in line with Senior Civil Service pay bands. Performance targets are set and measured in accordance with the Gambling Commission's policy on pay and reward. Senior managers' performance targets, achievements against targets, and recommendations on changes in remuneration are reviewed by the Remuneration Committee. Except during probation or where guilty of gross misconduct, senior managers are entitled to receive and required to give twelve weeks' notice of early termination.

Existing civil servants on loan to the Commission, except where stated otherwise, are on contracts that are open-ended until they reach normal retirement age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Jenny Williams was appointed as Chief Executive to the Gaming Board for Great Britain on 17 November 2004, on terms broadly comparable with other non departmental public bodies' Chief Executives, subject to retirement at age 65. This contract continues under the Commission under Schedule 4 of the Gambling Act 2005. The contract may be terminated by either party to it giving six months' written notice.

Tom Kavanagh, Deputy Chief Executive, is a civil servant on loan to the Commission and his contract is open-ended until reaching normal retirement age of 60.

Phillip Brear was appointed as Director of Operations on 14 November 2005 for a period of three years on the Commission's standard terms.

Hazel Canter was appointed as Director of Licensing & Compliance on 3 January 2006 for a period of three years on the Commission's standard terms.

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Bill Butler was appointed as Director of Corporate Services on 20 February 2006 for a period of three years. His contract is on the Commission's standard terms modified to include provision of a lease car.

# **The Gambling Commission** Remuneration report continued

# Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior managers of the Commission.

# (i) Remuneration

	2006 (six months to 31 March	2006)
	Salary (£000)	Benefits in kind (nearest £100)
Peter Dean Chairman	45–50 (95–100 full year equivalent)	2,400
Jenny Williams Chief Executive Officer	85–90 (150–160 full year equivalent)	_
Tom Kavanagh Deputy Chief Executive	40–45 (80–85 full year equivalent)	_
Phillip Brear Director of Operations (from 14 November 2005)	35–40 (100–105 full year equivalent)	_
Hazel Canter Director of Licensing and Compliance (from 3 January 2006)	20–25 (95–100 full year equivalent)	_
Bill Butler Director of Corporate Services (from 20 February 2006)	10–15 (95–100 full year equivalent)	300

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. In addition to the Chairman, all other Commissioners' salaries fall in the band £10,000 to £15,000 (£25,000 to £30,000 full year equivalent). All Commissioners are part-time and only the Chairman's post is pensionable.

#### **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. In the six months to 31 March 2006, Peter Dean was reimbursed for home to office travel and subsistence, on which the Commission also paid the tax due. Bill Butler was provided with a lease car.

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Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or

300	10–15 (95–100 full year equivalent)	Bill Butler Director of Corporate Services (from 20 February 2006)
_	20–25 (95–100 full year equivalent)	Hazel Canter Director of Licensing and Compliance (from 3 January 2006)
_	35–40 (100–105 full year equivalent)	Phillip Brear Director of Operations (from 14 November 2005)
_	40–45 (80–85 full year equivalent)	Tom Kavanagh Deputy Chief Executive
_	82–90 (120–160 full year equivalent)	Jenny Williams Chief Executive Officer
2,400	45–100 full year equivalent)	Peter Dean Chairman
Benefits in kind (nearest £100)	Yishs2 (0003)	

(ı) Kemuneration

of the Commission.

The following sections provide details of the remuneration and pension interests of the most senior managers

# Salary and pension entitlements

# Remuneration report continued The Gambling Commission

2006 (six months to 31 March 2006)

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

7(b) of the accounts.

Pension benefits are provided through the civil service pension arrangements, details of which can be found at note

# Civil service pensions

\* Cash Equivalent Transfer Value \*\* The Chief Executive is not a member of the Civil Service pension scheme and no contributions have been paid by the Commission to any other scheme. Instead the Commission agreed an adjustment to salary which will reflect the lack of pension provision.

Director of Corporate Services (from 20 February 2006)	∀/N wns dwnl	∀/N wns dwn				
Bill Butler	2-0	Z.S-0	3	0	2-5.5	5
(from 3 January 2006)			∀/N	∀/N		
Director of Licensing and Compliance	wns dwn	uns dun				
Hazel Canter	S-0	0-2.5		0	2-2-2	9
(from 14 November 2005)	A\N	A/N				
Director of Operations	աns dաnլ	աns dաnլ				
Phillip Brear	2-0	2.5-0	01	0	2-5.2	6
	աոs dաոլ	աns dաnլ				
Deputy Chief Executive	011-201	Z.S-0				
Тот Кауападһ	sulq 04–25	sulq Z.S–0	843	287	2.5-0	01
Chief Executive						
**smsilliw ynnel	_	_	_	_	_	_
	աոs dաոլ	աոs dաոլ				
Chairman	12-20	2.7–2				
Peter Dean	suld Z-0	sulq Z.S–0	134	16	2.5-0	38
	Accrued pension at pension at as 60 as at 31/03/08 and related mus dmul	Real increase ni peranon and related mus qmul 00 92 st (0001)	ste VT3.7* estab bna teansan (0003)	*CETV at start date nearest (£000)	employees contributions and transfers (0003)	Real ni easearoni of VTAO nearest (0003)

2006 (6 months to 31 March 2006)

ctif) Pension benefits

Jenti Oi Oi Text / Sig: 41 / Plate A

#### Jenti Oi Oi Text / Sig: 41 / Plate A

# (ii) Pension benefits

#### 2006 (6 months to 31 March 2006)

	Accrued pension at age 60 as at 31/03/06 and related lump sum (£000)	Real increase in pension and related lump sum at age 60 (£000)	*CETV at end date nearest (£000)	*CETV at start date nearest (£000)	Employees contributions and transfers (£000)	Real increase in CETV to nearest (£000)
Peter Dean Chairman	0-5 plus 15-20 lump sum	0–2.5 plus 5–7.5 lump sum	134	91	0–2.5	38
Jenny Williams** Chief Executive	_	_	_		_	_
Tom Kavanagh Deputy Chief Executive	35–40 plus 105–110 lump sum	0-2.5 plus 0-2.5 lump sum	843	785	0–2.5	10
Phillip Brear Director of Operations (from 14 November 2005)	0–5 lump sum N/A	0–2.5 lump sum N/A	10	0	2.5–5	9
Hazel Canter Director of Licensing and Compliance (from 3 January 2006)	0–5 lump sum	0–2.5 lump sum	7 N/A	0 N/A	2.5–5	6
Bill Butler Director of Corporate Services (from 20 February 2006)	0–5 lump sum N/A	0–2.5 lump sum N/A	3	0	2.5–5	3

<sup>\*</sup> Cash Equivalent Transfer Value

# Civil service pensions

Pension benefits are provided through the civil service pension arrangements, details of which can be found at note 7(b) of the accounts.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

<sup>\*\*</sup> The Chief Executive is not a member of the Civil Service pension scheme and no contributions have been paid by the Commission to any other scheme. Instead the Commission agreed an adjustment to salary which will reflect the lack of pension provision.

# The Gambling Commission Remuneration report continued

# Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

# Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

#### **Jenny Williams**

Chief Executive and Accounting Officer The Gambling Commission

23 June 2006

23 June 2006

Chief Executive and Accounting Officer The Cambling Commission

#### Jenny Williams

end of the period.

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and

### Real increase in CETV

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A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Cash Equivalent Transfer Values

# The Gambling Commission Remuneration report continued

23 June 2006

Chief Executive and Accounting Officer The Cambling Commission

#### Jenny Williams

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the Cambling Commission as the Accounting Officer for the propriety and regularity of the public finances of Accounting Officer, which include the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for the keeping of proper records, are set out in the Mon-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in "Covernment Accounting".

Commission will continue in operation.

- > prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the
  - departures in the financial statements; and
- > state whether applicable accounting standards have been followed, and disclose and explain any material
  - > make judgements and estimates on a reasonable basis;

> observe the Accounts Direction given by the Secretary of State for Culture, Media and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Cambling Act 2005, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

In preparing the accounts the Cambling Commission is required to:

The Cambling Commission is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasuny. The accounts are prepared on an accruals basis and must show a true and fair view of the Commission'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. As the Cambling Commission was not established until 1 October 2005 these accounts have been prepared for the period from 1 October 2005 to 31 March 2006.

# Statement of the Gambling Commission's and Chief Executive's responsibilities

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Jenti Oi Oi Text / Sig: 42 / Plate A

# **Statement of the Gambling Commission's and Chief Executive's responsibilities**

The Gambling Commission is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Commission'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. As the Gambling Commission was not established until 1 October 2005 these accounts have been prepared for the period from 1 October 2005 to 31 March 2006.

In preparing the accounts the Gambling Commission is required to:

- > observe the Accounts Direction given by the Secretary of State for Culture, Media and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Gambling Act 2005, 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 Commission will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of the Gambling Commission as the Accounting Officer for the Gambling Commission. The relevant responsibilities of Accounting Officer, which include the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in "Government Accounting".

#### **Jenny Williams**

Chief Executive and Accounting Officer The Gambling Commission

23 June 2006

### Statement on internal control

#### 1. Period of coverage

This Statement of Internal Control covers the first period of operation of the Gambling Commission (the Commission). The Commission, which was established in accordance with Part 2 of the Gambling Act 2005, assumed responsibility for the functions, rights and liabilities of the Gaming Board for Great Britain (the Board) with effect from 1 October 2005. The Board ceased operation on 30 September 2005.

#### 2. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Gambling Commission's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

In undertaking this role, I report to the Chair of the Commission on a day-to-day basis, and to the Commissioners at their regular meetings. The Commission produces an annual report, including financial statements, which is presented to Parliament, setting out how the duties and responsibilities of the Commission have been fulfilled. I operate within the terms of the Management Statement and Financial Memorandum agreed with the Department for Culture, Media and Sport, and have regular meetings with officials to discuss issues relevant to the Commission's functions.

#### 3. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all 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 and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Gambling Commission for the six months from commencement until 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

#### 4. Capacity to handle risk

The Commission's capacity to handle risk will, as it was for Gaming Board, be based upon, and the new systems and strategy are being designed around, a combination of key components: leadership; staff involvement; and the organisation structure. The responsibility for managing risk within the Commission rests with the Chief Executive. The Chief Executive, who is also the Commission's Accounting Officer, will be supported by a Risk Management Committee formed for this purpose. The Board of Commissioners, supported by the Audit Committee, oversee the risk management function which operates within the Commission.

The recently formed Risk Management Committee is comprised of senior management personnel who will provide the direction and resources with which to assess and manage risk in the Commission. In the interim period, from commencement of the Commission until the Risk Management Committee was formed, the existing senior management team continued to take responsibility for risk management as they did in the Gaming Board with particular reference to the risks connected with the transitional period and the office relocation to Birmingham. Senior managers involve staff in the risk assessment and management process through induction programmes, and the support of job roles and responsibilities through policy and procedures guides and specific training and development programmes. The guides and programmes assist in the identification and management of risk and related contingency planning.

A Risk Register will be maintained by the Risk Management Committee as it was previously by the senior management team in the Gaming Board, to record identified risks, and to monitor on a regular basis the outcome of the risk management strategies.

# of the risk management strategies. management team in the Caming Board, to record identified risks, and to monitor on a regular basis the outcome

A Risk Register will be maintained by the Risk Management Committee as it was previously by the senior

related contingency planning.

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to me in Lovernment Accounting. and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned achievement of the Cambling Commission's policies, aims and objectives, whilst safeguarding the public funds As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the

### 2. Scope of responsibility

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#### 1. Period of coverage

> An Internal Audit Programme – The internal audit programme has, as its focus, the requirement to provide assurance that the risks faced by the Commission are properly managed and controlled, with particular attention during this period of change on those associated with the transition from the old to new organisation and the relocation of the Commission's offices from London to Birmingham. Where control weaknesses are identified, these are drawn to the attention of senior management, who will be responsible for determining and implementing an appropriate response.

A Risk Management Strategy and Framework – The Risk Management Strategy for the Commission outlines the objectives, and policies directed towards managing risk, including the organisation's tolerance for risk, and the Framework sets out the process for identifying and recording risk, allocating ownership of risk, evaluating risk, determining responses to risk, and monitoring and reporting on progress in managing risk. A Risk Register is used to assist the risk management process; and

A Risk Management Committee – This recently formed Committee, which met for the first time in May 2006, has been established as the key forum for risk identification, recording and management. The Chief Executive, who is also the Accounting Officer, is a member of the Committee. As at 31 March 2006 no meetings of the Committee had taken place. However, in the interim period, from commencement of the Commission, the risk management process continued to be the responsibility of the senior management team as it was for the Caming Board;

The risk and control framework for the Commission is in the process of being implemented as the new management team becomes familiar with the organisation and takes over responsibility from the staff of the Caming Board. The risk and control framework of the Commission comprises the following key elements:

**5. The risk and control framework**The Commission's new risk management framework was implemented with effect from 1 October 2005. In developing the framework, account has been taken of the risk management process in place within the Caming Board for Creat Britain. This is particularly important, as the Commission, although being a new legal entity body, has assumed the existing functions, rights and liabilities of the Board. This approach has been aimed at ensuring continuity of the risk management process and the system of internal control. The risk management process will continue to focus on the specific risks associated with the transition process and will also recognise risks identified as arising within the new organisation.

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#### Jenti Oi Oi Text / Sig: 43 / Plate A

#### 5. The risk and control framework

The Commission's new risk management framework was implemented with effect from 1 October 2005. In developing the framework, account has been taken of the risk management process in place within the Gaming Board for Great Britain. This is particularly important, as the Commission, although being a new legal entity body, has assumed the existing functions, rights and liabilities of the Board. This approach has been aimed at ensuring continuity of the risk management process and the system of internal control. The risk management process will continue to focus on the specific risks associated with the transition process and will also recognise risks identified as arising within the new organisation.

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- > A Risk Management Committee This recently formed Committee, which met for the first time in May 2006, has been established as the key forum for risk identification, recording and management. The Chief Executive, who is also the Accounting Officer, is a member of the Committee. As at 31 March 2006 no meetings of the Committee had taken place. However, in the interim period, from commencement of the Commission, the risk management process continued to be the responsibility of the senior management team as it was for the Gaming Board;
- > A Risk Management Strategy and Framework The Risk Management Strategy for the Commission outlines the objectives, and policies directed towards managing risk, including the organisation's tolerance for risk, and the Framework sets out the process for identifying and recording risk, allocating ownership of risk, evaluating risk, determining responses to risk, and monitoring and reporting on progress in managing risk. A Risk Register is used to assist the risk management process; and
- > An Internal Audit Programme The internal audit programme has, as its focus, the requirement to provide assurance that the risks faced by the Commission are properly managed and controlled, with particular attention during this period of change on those associated with the transition from the old to new organisation and the relocation of the Commission's offices from London to Birmingham. Where control weaknesses are identified, these are drawn to the attention of senior management, who will be responsible for determining and implementing an appropriate response.

### Statement on internal control continued

#### 6. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Commissioners, the Audit Committee, and the Commission's senior management team and the newly formed Risk Management Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

More specifically, the maintenance and review of the effectiveness of the system of internal control within the Commission is achieved through the co-ordination of the control and governance functions of the following organisation components:

- > The Board of Commissioners The Commissioners, who have been appointed by the Secretary of State, meet regularly to confirm the strategic direction of the Commission, to review financial and operational performance against current plans, to monitor risk assessments, and to approve any expenditure in accordance with the government's established regime of financial delegations;
- > The Audit Committee The Committee, which is an advisory committee of the Board of Commissioners, meet at least four times each year to review the annual financial statements, to consider the annual reports submitted by the internal and external audit teams, to monitor progress towards resolution of any internal and external audit recommendations, and to oversee the functions of the Commission's Risk Management Committee:
- > The Risk Management Committee The Committee, whose membership is comprised of the senior management group responsible for Operations, Policy and Corporate Services, will meet at least four times each year to plan risk management strategies, to monitor progress against those plans, and to direct any necessary action. The first meeting of this Committee took place in May 2006. Prior to this, from commencement of the Commission, the Risk Management Strategy and Framework was agreed and two workshops were held, the first attended by senior managers in January and the second by Commissioners in March, to identify and agree the key risks for the new organisation. During this initial period of operation the senior management team continued to keep under review those risks previously identified by the Gaming Board for Great Britain and which remained relevant to both day to day operations and to the transitional process.
- > Senior Management Meetings Regular meetings of the senior management group are held to monitor progress by operations, policy and corporate affairs including finance, against plans, to review risk, and to make any necessary and appropriate decisions relating to the day-to-day performance of the Commission's business; and
- > Internal Audit An internal audit function is performed by a qualified and independent third party organisation in accordance with the standards defined in the government's Internal Audit Manual. The Head of the Internal Audit function provides an independent opinion on the adequacy and effectiveness of the Commission's system of internal control together with recommendations for improvement.

There were no significant internal control problems to report during the period covered by this statement and annual report.

#### **Jenny Williams**

Chief Executive and Accounting Officer The Gambling Commission

23 June 2006

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The Gambling Commission Chief Executive and Accounting Officer

#### Jenny Williams

annual report.

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of internal control together with recommendations for improvement. Audit function provides an independent opinion on the adequacy and effectiveness of the Commission's system

in accordance with the standards defined in the governments Internal Audit Manual. The Head of the Internal > Internal Audit - An internal audit function is performed by a qualified and independent third party organisation

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and external audit recommendations, and to oversee the functions of the Commission's Risk Management submitted by the internal and external audit teams, to monitor progress towards resolution of any internal meet at least four times each year to review the annual financial statements, to consider the annual reports > The Audit Committee – The Committee, which is an advisory committee of the Board of Commissioners,

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6. Review of effectiveness

### Statement on internal control continued

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

I review whether the statement on pages 84 to 86 reflects the Cambling Commission's compliance with HM Treasuny's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Cambling Commission's corporate governance procedures or its risk and control procedures.

I report to you my opinion as to whether the financial statements give a true and tair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Cambling Act 2005 and the Secretary of State for Culture, Media and Sport's directions made thereunder. I also report whether 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Cambling Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and and other transactions is not disclosed.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

Executive's Responsibilities.

The Cambling Commission and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Cambling Act 2005 and the Secretary of State for Culture, Media, and Sport's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Cambling Commission and Chief

# Respective responsibilities of the Cambling Commission, Chief Executive and auditor

I have audited the financial statements of the Cambling Commission for the six months ended 31 March 2006. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Cains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

# The Certificate of the Comptroller and Auditor General to the Houses of Parliament

Jenti Oi Oi Text / Sig: 44 / Plate A

Jenti Oi Oi Text / Sig: 44 / Plate A

# The Certificate of the Comptroller and Auditor General to the Houses of Parliament

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## Respective responsibilities of the Gambling Commission, Chief Executive and auditor

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My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gambling Act 2005 and the Secretary of State for Culture, Media and Sport's directions made thereunder. I also report whether 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Gambling Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only Chapters 1 to 9 and Appendices I, II, IV and V, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament continued

# Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Gambling Commission and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Gambling Commission'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinions**

#### In my opinion

- > The financial statements give a true and fair view, in accordance with the Gambling Act 2005 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, of the state of the Gambling Commission's affairs as at 31 March 2006 and of its deficit for the period then ended;
- > The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Gambling Act 2005 and the Secretary of State for Culture, Media, and Sport's directions made thereunder; 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.

I have no observations to make on these financial statements.

#### John Bourn

Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SWIW 9SP

27 June 2006

27 June 2006

Comptroller and Auditor Ceneral National Audit Office 157-197 Buckingham Palace Road Victoria London SWIW 9SP

#### John Bourn

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# suoiuid()

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# Basis of audit opinion

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament continued

The notes on pages 91 to 101 form part of these accounts.

(314)		Total recognised (losses) since the previous Annual Report
(45) (45)	L	Retained (deficit) for the year (Loss) on pension liability
(0003) (squow 9)	sətoM	

# for the six months ended 31 March 2006 Statement of total recognised gains and losses

The notes on pages 91 to 101 form part of these accounts.

All operations are continuing.

(628)	† l	Accumulated (deficit) carried forward
(24)	۷	Adjustment on pensions
(297)		Retained (deficit)/ for the year
(92)		Accumulated (deficit) brought from braward
		Movement on income and expenditure reserve
(297)		Retained (deficit)/surplus for the year
Z		Write back notional capital charges
(274)		(Deficit) on ordinary activities
(2)		Notional capital charges
(9)	۷	Interest cost on pensions
3		bldsvieset receivable
(542)		Operating (deficit)
( <del>2</del> 92'S)		Total expenditure
(8)	6	Depreciation
(289'E)	8	Other operating costs
(690'Z)	۷	Staff costs
		Expenditure
06 <b>†</b> 'S		9mozni lstoT
<b>961</b>	9	Other income
267'9	7	Grant-in-aid
		lncome
(6 months) (5000)	sejoM	

# for the six months ended 31 March 2006 Income and expenditure account

# **Income and expenditure account** for the six months ended 31 March 2006

	Notes	2006 (6 months) (£000)
Income		
Grant-in-aid	2	5,295
Other income	6	195
Total income		5,490
Expenditure		
Staff costs	7	(2,069)
Other operating costs	8	(3,687)
Depreciation	9	(8)
Total expenditure		(5,764)
Operating (deficit)		(245)
Interest receivable		3
Interest cost on pensions	7	(6)
Notional capital charges		(7)
(Deficit) on ordinary activities		(274)
Write back notional capital charges		7
Retained (deficit)/surplus for the year		(267)
Movement on income and expenditure reserve		
Accumulated (deficit) brought forward		(65)
Retained (deficit)/ for the year		(267)
Adjustment on pensions	7	(47)
Accumulated (deficit) carried forward	14	(379)

All operations are continuing.

The notes on pages 91 to 101 form part of these accounts.

# Statement of total recognised gains and losses

for the six months ended 31 March 2006

	Notes	2006 (6 months) (£000)
Retained (deficit) for the year		(267)
(Loss) on pension liability	7	(47)
Total recognised (losses) since the previous Annual Report		(314)

The notes on pages 91 to 101 form part of these accounts.

# **Balance sheet**

as at 31 March 2006

	Notes	2006 (£000)
Fixed assets		
Tangible assets	9	398
Current assets		
Debtors and prepayments	10	130
Cash at bank and in hand	17	1,889
Total current assets		2,019
Creditors (amounts falling due within one year)	11	(1,736)
Net current assets		283
Net assets excluding pension liability and other provisions		681
Pension liability	12	(232)
Other provisions	13	(14)
Net assets including pension liability and other provisions		435
Capital and reserves		
Reserves	14	814
Income and expenditure reserve	14	(379)
Total capital and reserves		435

The notes on pages 91 to 101 form part of these accounts.

#### **Jenny Williams**

Chief Executive and Accounting Officer The Gambling Commission

23 June 2006

# **Cash flow statement**

for the six months ended 31 March 2006

	Notes	2006 (6 months) (£000)
Net cash inflow from operating activities Returns on investment and servicing of finance	16	798
Interest received Investing activities		13
Payment to acquire tangible fixed assets	9	(386)
Net cash inflow before financing Financing		425
Grant-in-aid for capital expenditure		386
Fee income received	4	1,314
Less Fees appropriated to DCMS		(1,191)
		509
Increase in cash	17	934

The notes on pages 91 to 101 form part of these accounts.

90 | Appendix III The Gambling Commission

The notes on pages 91 to 101 form part of these accounts.

<b>634</b>	۷I	Increase in cash
605		
(161'1)		Less Fees appropriated to DCMS
1,314	$\forall$	Fee income received
988		Grant-in-aid for capital expenditure
		Financing Financing
452		Net cash inflow before financing
(385)	6	Payment to acquire tangible fixed assets
		Investing activities
13		Interest received
		Returns on investment and servicing of finance
864	91	Net cash inflow from operating activities
(5003) (2003) (2003)	sətoM	
3000		for the six months ended 31 March 2006

# Cash flow statement for the six months ended 31 March 2006

Chief Executive and Accounting Officer
The Cambling Commission

Jenny Williams

The notes on pages 91 to 101 form part of these accounts.

432		Total capital and reserves
(628)	ÞΙ	Income and expenditure reserve
18	ÞΙ	gesei√es
		Capital and reserves
432		Net assets including pension liability and other provisions
(ÞL)	٤L	Other provisions
(282)	71	Pension liability
189		Net assets excluding pension liability and other provisions
283		Net current assets
(982'1)	L L	Creditors (amounts falling due within one year)
2,019		Total current assets
688,I	Ζl	Cash at bank and in hand
130	01	Debtors and prepayments
		Current assets
868	6	Tangible assets
		Fixed assets
(0003) 5000	sətoN	

**Balance sheet** as at 31 March 2006

Depreciation is charged in full in the month of acquisition, with no charge being made in the month of disposal.

ecoms 3 to 10 years
Fice equipment
rniture 7 to 10 years
mputer equipment

asset's currently anticipated life as follows:

Depreciation is provided on all assets on a straight line basis to write off the cost or valuation evenly over the

#### Depreciation

Tangible fixed assets are capitalised when the original purchase price is £2,500 or more. The value of fixed assets transferred from the Caming Board to the Cambling Commission on 1 October 2005 under the provisions of the Cambling Act 2005 have been stated at the value shown in the Caming Board's final accounts to 30 September 2005.

#### b) Fixed assets

The Cambling Act 2005 provided for the creation of the Cambling Commission which commenced operations on 1 October 2005. At the date of commencement the Cambling Commission, by virtue of section 21 (2) of The Cambling Act 2005, assumed responsibility for the functions, rights and liabilities of the Caming Board for Creat Britain which ceased to exist on 30 September 2005. Accordingly, the closing balances of the Caming Board have been brought into the accounts of the Cambling Commission.

The policies adopted follow generally accepted accounting practice (CAAP) in the UK, to the extent it is meaningful and appropriate in the public sector context, in line with the guidance given the government's Financial Reporting Manual. The accounts meet the accounting and disclosure requirements of the Companies Act 1989) and accounting standards issued or adopted by the Accounting 1985 (as amended by the Companies Act 1989) and accounting standards issued or adopted by the historical Standards Board to the extent that they are appropriate. The accounts have been prepared using the historical cost convention modified by the inclusion of fixed assets at current cost.

**a) Accounting conventions**These are the first set of accounts for the Cambling Commission (the Commission) covering the six months from 1 October 2005 to 31 March 2006. They have been prepared in a form directed by the Secretary of State for Culture, Media, and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Cambling Act 2005. A copy of the accounts direction can be obtained from the head office of the Cambling Commission. As the Commission is a new entity no comparative figures are shown.

I Accounting policies

Notes to the accounts

Jenti Oi Oi Text / Sig: 46 / Plate A

#### Jenti Oi Oi Text / Sig: 46 / Plate A

### Notes to the accounts

# 1 Accounting policies

#### a) Accounting conventions

These are the first set of accounts for the Gambling Commission (the Commission) covering the six months from 1 October 2005 to 31 March 2006. They have been prepared in a form directed by the Secretary of State for Culture, Media, and Sport with the approval of the Treasury, in accordance with Schedule 4 of the Gambling Act 2005. A copy of the accounts direction can be obtained from the head office of the Gambling Commission. As the Commission is a new entity no comparative figures are shown.

The policies adopted follow generally accepted accounting practice (GAAP) in the UK, to the extent it is meaningful and appropriate in the public sector context, in line with the guidance given the government's Financial Reporting Manual. The accounts meet the accounting and disclosure requirements of the Companies Act 1985 (as amended by the Companies Act 1989) and accounting standards issued or adopted by the Accounting Standards Board to the extent that they are appropriate. The accounts have been prepared using the historical cost convention modified by the inclusion of fixed assets at current cost.

The Gambling Act 2005 provided for the creation of the Gambling Commission which commenced operations on 1 October 2005. At the date of commencement the Gambling Commission, by virtue of section 21 (2) of The Gambling Act 2005, assumed responsibility for the functions, rights and liabilities of the Gaming Board for Great Britain which ceased to exist on 30 September 2005. Accordingly, the closing balances of the Gaming Board have been brought into the accounts of the Gambling Commission.

#### b) Fixed assets

Tangible fixed assets are capitalised when the original purchase price is £2,500 or more. The value of fixed assets transferred from the Gaming Board to the Gambling Commission on 1 October 2005 under the provisions of the Gambling Act 2005 have been stated at the value shown in the Gaming Board's final accounts to 30 September 2005.

#### 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	3 to 7 years
Furniture	7 to 10 years
Office equipment	7 to 10 years
Telecoms	3 to 10 years

Depreciation is charged in full in the month of acquisition, with no charge being made in the month of disposal.

#### Revaluation

In order to disclose fixed assets in the Balance Sheet by reference to current costs, the appropriate index is applied to each asset (Source: Office of National Statistics Price Index Numbers for Current Cost Accounting) unless the effect of revaluing assets in a particular year would make no material difference to the results for that year. 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.

#### c) 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.

#### d) Notional capital charges

In accordance with Treasury guidance, a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account along with an equivalent reversing entry below operating surplus. The charge for the period is calculated using the Treasury's discount rate of 3.5% applied to the mean value of capital employed during the period.

#### e) 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 contributory.

The Commission 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 Chairman of the Commission and former Chairmen of the Gaming Board are covered by a pension scheme which is 'by-analogy' with the PCSPS. The Commission 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 Commission benefits from the Chairman's services through the building up of a provision for the future liability calculated using actuarially assessed assumptions.

#### f) Operating leases

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

#### g) Value added tax

The Gambling Commission is not registered for VAT and therefore all costs are shown inclusive of VAT where VAT has been charged.

#### h) Licence fee receipts

The Gambling Commission collects licence fee income on behalf of the Department for Culture, Media and Sport and passes on this income in full to the Department. The Gambling Commission is separately funded by a Grant-in-Aid from the Department. Therefore, because the licence fee receipts are not legally the assets of the Gambling Commission they are excluded from the Income and Expenditure account. The fees charged are set by the Secretary of State for Culture, Media and Sport.

## by the Secretary of State for Culture, Media and Sport.

Gambling Commission they are excluded from the Income and Expenditure account. The fees charged are set Grant-in-Aid from the Department. Therefore, because the licence fee receipts are not legally the assets of the and passes on this income in full to the Department. The Cambling Commission is separately funded by a The Cambling Commission collects licence tee income on behalf of the Department for Culture, Media and Sport

#### h) Licence fee receipts

has been charged.

The Gambling Commission is not registered for VAI and therefore all costs are shown inclusive of VAI where VAI

## g) Value added tax

as incurred.

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

#### t) Operating leases

calculated using actuarially assessed assumptions. Commission benefits from the Chairman's services through the building up of a provision for the future liability they are due. However the expected cost of providing the pension is recognised over the period which the

scheme which is 'by-analogy' with the PCSPS. The Commission makes payments to the former Chairmen as The current Chairman of the Commission and former Chairmen of the Caming Board are covered by a pension

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

accruing basis.

period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an The Commission recognises the expected cost of providing pensions on a systematic and rational basis over the

which is a defined benefit scheme and is unfunded and contributory.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) e) Pension costs

employed during the period. charge for the period is calculated using the Treasury's discount rate of 3.5% applied to the mean value of capital in the Income and Expenditure Account along with an equivalent reversing entry below operating surplus. The In accordance with Treasury guidance, a notional charge for the cost of capital employed in the period is included

### d) Notional capital charges

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

#### c) Deferred Government Grant Reserve

are not revalued in their year of acquisition as their current and historical cost would not be materially different. year. Permanent diminution in the value of fixed assets is charged to the Income and Expenditure Account. Assets unless the effect of revaluing assets in a particular year would make no material difference to the results for that applied to each asset (Source: Office of National Statistics Price Index Numbers for Current Cost Accounting) In order to disclose fixed assets in the Balance Sheet by reference to current costs, the appropriate index is Revaluation

### Notes to the accounts continued

2,416		
Z 801,2	8	Other operating costs Depreciation
308	۷	Expenditure Staff costs
2,416	ζ	bis-ni-tn-aid
(0003) (sq1uom 9)	Notes	

income and expenditure follows:

A Transition Team was established in 2003/04 with a separate allocation of grant-in-aid in order to fund the activities necessary to plan the transition to the Cambling Commission. The transition activity, which has continued since that time, is explained in more detail in the Annual Report. A summary of the transition team

# 3 Transition team

During the six months ended 31 March 2006 a total of £796,000 capital grant was drawn to cover spending on work associated with setting up new systems for the Commission and also for the relocation of the offices to Birmingham. However, due to unexpected changes in the timing of some of the work, only £386,000 had been spent at the financial year end. The balance remaining unspent has been transferred to Deferred Covernment Crant reserve to meet the costs of the remainder of the work planned for the period to 31 March 2006.

bis-ni-Jnsvg lstoT	267'S
noitiens transition	2,416
– gesonice	2,416
Grant drawn from DCMS for transition purposes	
Gambling Commission transition	

678,2	Total Laming Board operations
(01 <del>1)</del> (98£) 8 964 (01 <del>1)</del>	Crant drawn from DCMS for operational purposes  - Resource  - Resource  - Capital  plus Release of Deferred Covernment Crant Reserve in respect of depreciation charged less Transfer to Deferred Covernment Crant Reserve in respect of fixed asset acquisitions less Unused portion of capital grant drawn transferred to Deferred Covernment Crant Reserve
(0003) (sqluom 9)	Cambling Commission operations

## 2 Grant-in-aid

Jenti Oi Oi Text / Sig: 47 / Plate A

#### Jenti Oi Oi Text / Sig: 47 / Plate A

### 2 Grant-in-aid

	2006 (6 months) (£000)
Gambling Commission operations	
Grant drawn from DCMS for operational purposes	
– Resource	2,871
– Capital	796
plus Release of Deferred Government Grant Reserve in respect of depreciation charged	8
less Transfer to Deferred Government Grant Reserve in respect of fixed asset acquisitions	(386)
less Unused portion of capital grant drawn transferred to Deferred Government Grant Reserve	(410)
Total Gaming Board operations	2,879
Gambling Commission transition	
Grant drawn from DCMS for transition purposes	
– Resource	2,416
Total transition	2,416
Total grant-in-aid	5,295

During the six months ended 31 March 2006 a total of £796,000 capital grant was drawn to cover spending on work associated with setting up new systems for the Commission and also for the relocation of the offices to Birmingham. However, due to unexpected changes in the timing of some of the work, only £386,000 had been spent at the financial year end. The balance remaining unspent has been transferred to Deferred Government Grant reserve to meet the costs of the remainder of the work planned for the period to 31 March 2006.

### 3 Transition team

A Transition Team was established in 2003/04 with a separate allocation of grant-in-aid in order to fund the activities necessary to plan the transition to the Gambling Commission. The transition activity, which has continued since that time, is explained in more detail in the Annual Report. A summary of the transition team income and expenditure follows:

	Notes	2006 (6 months) (£000)
Grant-in-aid	2	2,416
Expenditure		
Staff costs	7	306
Other operating costs	8	2,108
Depreciation		2
		2,416

# 4 Fee receipts

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

	2006 (6 months) (£000)
Section 19 certificates	325
Section 27 certificates	348
Certificates of Consent	
– Bingo	89
– Casino	205
Multiple Bingo	-
Total Gaming	967
Lotteries and Amusements Act	343
Total fee income	1,310
Interest on fee income	4
Total	1,314

The Commission collects its fee income on behalf of the DCMS, and surrenders the receipts in full to DCMS. As a result, the income from fees, and related payments to DCMS, are not included in the Commission's Income and Expenditure Account. Any outstanding balance due to DCMS at the end of the financial year is included in the Balance Sheet within 'Other Creditors'. At 31 March 2006, the balance due to DCMS was £295,083 after appropriations of £1,191,027.

## 5 Criminal Records Bureau

The Commission is registered with the Criminal Records Bureau (CRB) to obtain disclosures, where necessary, on individuals making application for certificates with the Commission. The CRB charge a fee for this work, currently £34 per application, which is invoiced to the Gambling Commission. The Commission therefore has to collect the relevant fees from applicants and hold them, pending a request for payment from the CRB. The income and expenditure arising from the CRB services are included within the operating income and expenditure respectively. The recovery of CRB fees is disclosed in Note 6.

### 6 Other income

	2006 (6 months) (£000)
Landlord contribution to works on new offices at Victoria Square House, Birmingham Recovery of CRB fees	147 48
	195

#### **561** 84 Recovery of CRB fees Landlord contribution to works on new offices at Victoria Square House, Birmingham **471** (2003) (2003) 2000

### 6 Other income

The recovery of CRB fees is disclosed in Note 6. expenditure arising from the CRB services are included within the operating income and expenditure respectively. the relevant fees from applicants and hold them, pending a request for payment from the CRB. The income and £34 per application, which is invoiced to the Cambling Commission. The Commission therefore has to collect individuals making application for certificates with the Commission. The Ckb charge a fee for this work, currently

The Commission is registered with the Criminal Records Bureau (CRB) to obtain disclosures, where necessary, on

# 5 Criminal Records Bureau

.720,191,13 fo anoitaingongga the Balance Sheet within 'Other Creditors'. At 31 March 2006, the balance due to DCMS was £295,083 after and Expenditure Account. Any outstanding balance due to DCMS at the end of the financial year is included in As a result, the income from fees, and related payments to DCMS, are not included in the Commission's Income The Commission collects its fee income on behalf of the DCMS, and surrenders the receipts in full to DCMS.

PIE,I	Total
ל	Interest on fee income
018'1	Fotal fee income
343	Lotteries and Amusements Act
<b>496</b>	Total Gaming
	Multiple Bingo
502	OnizsJ –
68	ognia –
	Certificates of Consent

018'1	Total fee income
343	Lotteries and Amusements Act
<b>496</b>	Dotal Caming
_	Multiple Bingo
502	onisa) –
68	ognia –
	Certificates of Consent
348	Section 27 certificates
372	Section 19 certificates
(0003) (squow 9) 900Z	

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

## 4 Fee receipts

### Notes to the accounts continued

The contribution rates are set to meet the cost of the benefits accruing during 2005/06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

#### .%2.22 bns %[.7[

For the six months ending 31 March 2006, employer contributions of £258,229 were payable to the PCSPS at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands (the rates in 2004/05 were between 12% and 18.5%). The scheme actuary reviews employer contributions every four years following a full scheme valuation. From 2006/07 the salary bands will be revised and the rates will be in a range between

(i) **Staff** The Commission provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). This is a contributory, unfunded multi-employer defined benefit scheme and the Cambling Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

The following disclosures are made in accordance with FRS 17, 'Retirement Benefits'.

#### b) Retirement benefits

2,122	908	918'1	lstoT
<b>4</b>	_	۷Þ	Adjustments on pensions
9	_	9	Interest costs on pensions
<b>690'Z</b>	308	<b>E9</b> 2'I	Staff costs
(0003) (squow 9)	(0003) (squow 9) 900Z	(0003) (sq;uom 9) 900Z	
lstoT	Transition	SnoiseradO	

The above analysis comprises the following figures from the income and Expenditure statement:

2,122	908	918'1	zizoo firita laioT
312	68	273	Total other pension costs
<b>4</b>	_	۷۶	Recognised in statement of total     recognised gains and losses
9	_	9	- Included as other finance costs
526	<b>6</b> E	220	- Included within operating profit
			Other pension costs
125	77	128	Social Security costs
1'658	243	SI <del>b</del> 'l	sagaw bna sainsla2
(0003) (9003) 9007	(0003) (squow 9) 900Z	(0003) (squom 9)	
lstoT	noitiensaT	snoi)sraqO	

a) Analysis of staff costs

Staff costs

Jenti Oi Oi Text / Sig: 48 / Plate A

#### Jenti Oi Oi Text / Sig: 48 / Plate A

### 7 Staff costs

#### a) Analysis of staff costs

	Operations	Transition	Total
	2006 (6 months) (£000)	2006 (6 months) (£000)	2006 (6 months) (£000)
Salaries and wages	1,415	243	1,658
Social Security costs	128	24	152
Other pension costs  - Included within operating profit  - Included as other finance costs  - Recognised in statement of total recognised gains and losses	220 6 47	<b>39</b> -	259 6 47
Total other pension costs	273	39	312
Total staff costs	1,816	306	2,122

The above analysis comprises the following figures from the Income and Expenditure statement:

	Operations	Transition	Total
	2006 (6 months) (£000)	2006 (6 months) (£000)	2006 (6 months) (£000)
Staff costs	1,763	306	2,069
Interest costs on pensions	6	_	6
Adjustments on pensions	47	_	47
Total	1,816	306	2,122

#### b) Retirement benefits

The following disclosures are made in accordance with FRS 17, 'Retirement Benefits'.

(i) Staff The Commission provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). This is a contributory, unfunded multi-employer defined benefit scheme and the Gambling Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For the six months ending 31 March 2006, employer contributions of £258,229 were payable to the PCSPS at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands (the rates in 2004/05 were between 12% and 18.5%). The scheme actuary reviews employer contributions every four years following a full scheme valuation. From 2006/07 the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%.

The contribution rates are set to meet the cost of the benefits accruing during 2005/06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,183 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £200, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £333. No contributions were prepaid.

**(ii) Chairman** In addition to the above, pension benefits are provided to the current Chairman and three former chairmen under a defined benefit scheme which is broadly by analogy with the civil service classic scheme. There is no minimum retirement age and there are certain minor modifications to the standard civil service arrangements in respect of enhancements. The scheme is unfunded and there is no surplus or deficit. Benefits are paid as they fall due.

A full actuarial valuation of the scheme was carried out by the Government Actuary at 31 March 2004. The main financial assumptions used by the actuary in calculation of the liability for the scheme are as follows:

	31 March 2006
Inflation assumption	2.5%
Rate on increase in salaries	4.0%
Rate of increase for pensions in payment, in line with price inflation	2.5%
Discount rate for scheme liabilities	5.4%

The present value of the scheme liability at 31 March 2006 is £232,500.

The present value of the scheme hability at 51 March 2000 is £252,500.	
	2006 (6 months) (£000)
Analysis of amount charged to operating surplus: Current service cost	11
Analysis of amount charged to other finance costs: Interest on pension scheme liabilities	6
Analysis of amount recognised in statement of total recognised gains and losses (STRGL):	
Actuarial (loss)  Overnight increase in liability (change on return)	4 (51)
Total (loss) recognised in STRGL	(47)

The change in opening liability with effect from 1 October 2005 reflects the impact of a change of contract for the Chairman on transfer from the Gaming Board for Great Britain. The estimated cost of accruing for the liability in respect of the current Chairman at 31 March 2006 is equivalent to 19.7% of his actual total salary.

The change in opening liability with effect from 1 October 2005 reflects the impact of a change of contract for the Chairman on transfer from the Gaming Board for Great Britain. The estimated cost of accruing for the liability in respect of the current Chairman at 31 March 2006 is equivalent to 19.7% of his actual total salary.

(44)	Total (loss) recognised in STRCL
(12)	Overnight increase in liability (change on return)
<b>b</b>	Actuarial (loss)
	recognised gains and losses (STRGL):
	Analysis of amount recognised in statement of total
9	Interest on pension scheme liabilities
	Analysis of amount charged to other finance costs:
11	Sorive taryice cost
	Analysis of amount charged to operating surplus:
(0003) (5431400m 9)	
	The present value of the scheme liability at 31 March 2006 is £232,500.
% <del></del> b'S	Discount rate for scheme liabilities
7'2%	Rate of increase for pensions in payment, in line with price inflation
%0'₽	Rate on increase in salaries
%5'Z	noitation assumption
31 March 3005	

A full actuarial valuation of the scheme was carried out by the Covernment Actuary at 31 March 2004. The main financial assumptions used by the actuary in calculation of the liability for the scheme are as follows:

are paid as they fall due.

(ii) **Chairman** In addition to the above, pension benefits are provided to the current Chairman and three former chairmen under a defined benefit scheme which is broadly by analogy with the civil service classic scheme. There is no minimum retirement age and there are certain minor modifications to the standard civil service arrangements in respect of enhancements. The scheme is unfunded and there is no surplus or deficit. Benefits arrangements in respect of enhancements.

re prepaid.

Contributions due to the partnership pension providers at the balance sheet date were £333. No contributions

death in service and ill-health retirement of these employees.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,183 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £200, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on

### Notes to the accounts continued

228	
7	Other
375	Land and buildings Other
(0003) (squow 9) 900Z	

These may be analysed as follows:

Included within operating costs are payments made by the Commission during the year under operating leases.

\*\* The external audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor Ceneral. This amount does not include fees in respect of non-audit work and no such work was undertaken.

<b>489'</b> ٤	2,108	6 <b>2</b> 5'I	Total Operating Costs
29	12	<b></b>	Other
84	_	84	Amounts payable to CRB
9	L	S	Internal audit costs
<b>41</b>	7	SI	External audit fee**
<b>593</b>	12	242	səsivrəs əsifiO
01	L	6	Hospitality
316	<b>29</b> 7	6₽	Recruitment, training and development
210	02 L	340	Agency and other staff costs
681	01	64 L	Travelling and subsistence
199'1	9 <del>7</del> 5'l	102	Professional & accountancy fees
179	84	243	Accommodation
lstoT (0003)	noiiisnaT (0003)	snoitsaaqO (0003)	

2006 (6 months)

# 8 Other operating costs

102	81	48	
ÞΙ	L	13	noiJisnaาT
88	<b>41</b>	12	Operational Transition
lstoT	Agency	Tial2	
	9007		

c) Average number of persons employed by the Gambling Commission was:

# Deunifucosts continued

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#### Jenti Oi Oi Text / Sig: 49 / Plate A

# 7 Staff costs continued

### c) Average number of persons employed by the Gambling Commission was:

		2006	
	Staff	Agency	Total
Operational	71	17	88
Operational Transition	13	1	14
	84	18	102

# 8 Other operating costs

	2006 (6 months)		
	Operations (£000)	Transition (£000)	Total (£000)
Accommodation	543	78	621
Professional & accountancy fees	105	1,546	1,651
Travelling and subsistence	179	10	189
Agency and other staff costs	340	170	510
Recruitment, training and development	49	267	316
Hospitality	9	1	10
Office services	242	21	263
External audit fee**	15	2	17
Internal audit costs	5	1	6
Amounts payable to CRB	48	_	48
Other	44	12	56
Total Operating Costs	1,579	2,108	3,687

<sup>\*\*</sup> The external audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. This amount does not include fees in respect of non-audit work and no such work was undertaken.

Included within operating costs are payments made by the Commission during the year under operating leases. These may be analysed as follows:

	2006 (6 months) (£000)
Land and buildings	375
Other	2
	377

# 9 Tangible fixed assets

Net book value at 30 September 2005	2	_	11	7	20
Net book value at 31 March 2006	158	224	10	6	398
At 31 March 2006	29	2	11	13	55
Disposals	_	_	_	_	_
Provided in year	4	2	1	1	8
Revaluations	_	_	_	_	_
Accumulated depreciation At 1 October 2005	25	_	10	12	47
At 31 March 2006	187	226	21	19	453
Disposals	_	_	_	_	_
Additions	160	226	_	_	386
Revaluations		_		_	_
Cost/Valuation At 1 October 2005	27	_	21	19	67
	Information Technology (£000)	Fixtures & Fittings (£000)	Furniture & Office Equipment (£000)	Telecoms (£000)	Total (£000)

The fixed assets held at 1 October 2005 are those which belonged to the Gaming Board for Great Britain and which were transferred to the Gambling Commission under the provisions of the Gambling Act 2005 when the Board ceased operations on 30 September 2005.

# 10 Debtors

	(£000)
Staff season ticket loans and expense imprests	29
Bank interest accrued	3
Other debtors	6
Prepayments	92
	130

2006

2006

# 11 Creditors (amounts falling due within one year)

	(0003)
Trade creditors	225
Payroll	206
Other creditors	316
Bank overdraft	4
Accruals	985
	1,736

The bank overdraft represents cheques which were unpresented at balance date. There was no actual overdraft on the bank account at 31 March 2006.

**98** | **Appendix III** The Gambling Commission

The bank overdraft represents cheques which were unpresented at balance date. There was no actual overdraft on the bank account at 31 March 2006.

	98Z'I
Accruals	<b>S</b> 86
Bank overdraft	<b>b</b>
Other creditors	918
Payroll	907
Trade creditors	225
	(0003)
[1] Creditors (amounts falling due within one year)	2000
	130
Ргераутелts	76
Other debtors	9
Bank interest accrued	3
Staff season ticket loans and expense imprests	67
	(0003)
IO Debtors	9007

The fixed assets held at 1 October 2005 are those which belonged to the Caming Board for Creat Britain and which were transferred to the Cambling Commission under the provisions of the Cambling Act 2005 when the Board ceased operations on 30 September 2005.

Net book value at 30 September 2005	7	_	ΙΙ	۷	50
Net book value at 31 March 2006	8S I	722	01	9	868
At 31 March 2006	67	Z	LL	13	SS
Disposals	_	_	_	_	_
Provided in year	$\forall$	7	L	L	8
Revaluations	_	_	_	_	_
At 1 October 2005	52	_	01	15	<b>∠</b> ₽
Accumulated depreciation					
At 31 March 2006	<b>Z8</b> L	526	LZ	6 L	423
Disposals	_	_	_	_	_
snoi jibb A	091	526	_	_	988
Revaluations	_	_	_	_	_
At 1 October 2005	72	_	12	6 l	<b>4</b> 9
noitsulsV\text{1200}					
	Information Technology (£000)	& senutxiA spnittiA (0003)	Furniture & Office Equipment (£000)	smoɔələT (0003)	lstoT (0003)

8 Tangible fixed assets

### Notes to the accounts continued

Jenti Oi Oi Text / Sig: 49 / Plate B

31 March 2006	(678)	418	432
ease for depreciation	_	(8)	(8)
ant deferred for capital purchases	_	964	964
Justment on pensions	(74)	_	(47)
	(332)	56	(306)
ficit for year	(297)	_	(297)
J October 2005	(9)	56	(68)
	& emoonl Expenditure Presenve (£000)	Deferred Covernment Crant Reserve (£000)	lstoT (0003)

### 14 Reserves

٦t	At 31 March 2006
٦t	Provided ni bebivor
-	At 1 October 2005

#### (0003) 5000

This provision recognises a liability in respect of redundancy payments arising on closure of the London offices of the Cambling Commission. The liability has arisen as a result of the relocation of the Cambling Commission of the Gambling Commission of the Cambling Commission of the Cambridge Commission of th

# 13 Other provisions

At 31 March 2006	732
Paid in year	(S)
Actuarial loss in the period	(4)
Interest cost	9
Surrent service cost	11
Adjusted actuarial valuation at 1 October 2005	722
Adjustment to opening balance	23
At 30 September 2005	173

#### (0003)

Tor Great Britain.

This provision recognises the accruing pension liability for the current Chairman of the Gambling Commission, together with payments due in respect of three former chairmen of the Caming Board. The adjustment to the opening liability reflects the impact of a change of contract for the Chairman on transfer from the Caming Board

# 12 Pension liability

Jenti Oi Oi Text / Sig: 50 / Plate A

#### Jenti Oi Oi Text / Sig: 50 / Plate A

# 12 Pension liability

This provision recognises the accruing pension liability for the current Chairman of the Gambling Commission, together with payments due in respect of three former chairmen of the Gaming Board. The adjustment to the opening liability reflects the impact of a change of contract for the Chairman on transfer from the Gaming Board for Great Britain.

	(£000)
At 30 September 2005	173
Adjustment to opening balance	53
Adjusted actuarial valuation at 1 October 2005	224
Current service cost	11
Interest cost	6
Actuarial loss in the period	(4)
Paid in year	(5)
At 31 March 2006	232

# 13 Other provisions

This provision recognises a liability in respect of redundancy payments arising on closure of the London offices of the Gambling Commission. The liability has arisen as a result of the relocation of the Gambling Commission offices to Birmingham and is due to be paid by the end of June 2006.

	2006 (£000)
At 1 October 2005	_
Provided in period	14
At 31 March 2006	14

# 14 Reserves

At 31 March 2006	(379)	814	435
Release for depreciation	_	(8)	(8)
Grant deferred for capital purchases	_	796	796
Adjustment on pensions	(47)	_	(47)
	(332)	26	(306)
Deficit for year	(267)	_	(267)
At 1 October 2005	(65)	26	(39)
	Income & Expenditure Reserve (£000)	Deferred Government Grant Reserve (£000)	Total (£000)

18 Capital commitments

Bank overdraft

Cash at bank and in hand

for the new Cambling Commission offices in Birmingham.

## Notes to the accounts continued

# 15 Impact of pension liability on income and expenditure reserve

	Notes	2006 (6 months) (£000)
Income and expenditure reserve excluding pension liability		(147)
Pension liability	12	(232)
Income and expenditure reserve	14	(379)

# 16 Reconciliation of operating (deficit) to the net cash inflow from operating activities

Operating (deficit) Depreciation provided in year Release of deferred government grant Transfer to deferred government grant reserve Increase in provision relating to operating activities (Increase) in debtors relating to operating activities Increase in creditors relating to operating activities Net cash inflow from operating activities		(6 months) (£000)
Release of deferred government grant Transfer to deferred government grant reserve Increase in provision relating to operating activities (Increase) in debtors relating to operating activities Increase in creditors relating to operating activities	Operating (deficit)	(274)
Transfer to deferred government grant reserve Increase in provision relating to operating activities (Increase) in debtors relating to operating activities Increase in creditors relating to operating activities	Depreciation provided in year	8
Increase in provision relating to operating activities (Increase) in debtors relating to operating activities Increase in creditors relating to operating activities	Release of deferred government grant	(8)
(Increase) in debtors relating to operating activities Increase in creditors relating to operating activities	Transfer to deferred government grant reserve	410
Increase in creditors relating to operating activities	Increase in provision relating to operating activities	20
	(Increase) in debtors relating to operating activities	110
Net cash inflow from operating activities	Increase in creditors relating to operating activities	532
	Net cash inflow from operating activities	798

# 17 Analysis of balances of cash as shown in the balance sheet

	Notes	30 Sept 2005 (£000)	Cash flow (£000)	31 March 2006 (£000)
Cash at bank and in hand Bank overdraft	11	1,059 (108)	830 104	1,889 (4)
		951	934	1,885

# 18 Capital commitments

Capital commitments at 31 March 2006 amounted to £3,642,393 in respect of new IT systems and fit out costs for the new Gambling Commission offices in Birmingham.

(628)	þΙ	Income and expenditure reserve
(747) (232)	12	Income and expenditure reserve excluding pension liability Pension liability
2002 (50003) (0003)	s9toM	

# 16 Reconciliation of operating (deficit) to the net cash inflow

862	Net cash inflow from operating activities
235	Increase in creditors relating to operating activities
011	(Increase) in debtors relating to operating activities
50	Increase in provision relating to operating activities
014	Transfer to deferred government grant reserve
(8)	Release of deferred government grant
8	Depreciation provided in year
(574)	Operating (deficit)
(0003) (0003)	

862	Net cash inflow from operating activities
<b>Z</b> \$ <b>S</b>	Increase in creditors relating to operating activities
011	(Increase) in debtors relating to operating activities
50	Increase in provision relating to operating activities
014	Transfer to deferred government grant reserve
(8)	Release of deferred government grant
8	Depreciation provided in year
(574)	Operating (deficit)
(0007)	

Capital commitments at 31 March 2006 amounted to £3,642,393 in respect of new IT systems and fit out costs

1,885

688'L

(0003)

31 March

**(**7)

934

10t

830

(0003)

Cash flow

156

(80I)

650'l

(0003)

11

Notes

862	tel/
235	Increase in creditors relating to operating activities
011	(Increase) in debtors relating to operating activities
50	Increase in provision relating to operating activities
014	Transfer to deferred government grant reserve
(8)	Release of deferred government grant
8	Depreciation provided in year
(474)	Operating (deficit)
(0003) (syluom 9) 900Z	

# from operating activities

19 Analysis of balances of cash as shown in the balance sheet

# 15 Impact of pension liability on income and expenditure reserve

There are no contingent gains or losses to report in the six months to 31 March 2006.

## 22 Contingencies

The Commission has obtained consent from its sponsoring department to place surplus funds on bank deposit. It would also require consent from its sponsoring department prior to acquiring financial instruments or borrowings.

FRS 13 [Derivatives and Other Financial Instruments] requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Cambling Commission has no borrowings and relies entirely 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.

### 21 Financial instruments

During the period none of the Commissioners, members of key management staff or other related parties has undertaken any material transactions with the Cambling Commission.

#### the accounts.

The Department for Culture, Media and Sport is regarded as a related party. During the six months to 31 March 2006, the Cambling Commission has had various material transactions with DCMS, comprising largely grant-in-aid and appropriation of fee income. These transactions are shown in the Income and Expenditure Account and notes to

#### Culture, Media and Sport.

The Cambling Commission is a Non-Departmental Public Body financed by grant-in-aid from the Department for

# 20 Related party transactions

	<b>S</b> 26	L
Ονετ five years	806	_
In the second to fifth years inclusive	_	_
Within one year	<b>49</b>	L
Operating leases which expire:		
	bns bnsJ sgnibliud (0003)	Other (0003)
	200	9

the year to 31 March 2007.

At 31 March 2006, the Commission was committed to making the following payments under operating leases in

# 19 Commitments under operating leases

Jenti Oi Oi Text / Sig: 51 / Plate A

#### Jenti Oi Oi Text / Sig: 51 / Plate A

## 19 Commitments under operating leases

At 31 March 2006, the Commission was committed to making the following payments under operating leases in the year to 31 March 2007.

	2006	
	Land and buildings (£000)	Other (£000)
Operating leases which expire:		
Within one year	67	1
In the second to fifth years inclusive	_	-
Over five years	908	_
	975	1

## 20 Related party transactions

The Gambling Commission is a Non-Departmental Public Body financed by grant-in-aid from the Department for Culture, Media and Sport.

The Department for Culture, Media and Sport is regarded as a related party. During the six months to 31 March 2006, the Gambling Commission has had various material transactions with DCMS, comprising largely grant-in-aid and appropriation of fee income. These transactions are shown in the Income and Expenditure Account and notes to the accounts.

During the period none of the Commissioners, members of key management staff or other related parties has undertaken any material transactions with the Gambling Commission.

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The Commission has obtained consent from its sponsoring department to place surplus funds on bank deposit. It would also require consent from its sponsoring department prior to acquiring financial instruments or borrowings.

# 22 Contingencies

There are no contingent gains or losses to report in the six months to 31 March 2006.

# **Appendix IV:**

# Gaming and lotteries fees - 2006|07

	England, Wales and Scotland From 1 April 2006
	New
Casinos licences	21.062
Grant Renewal	31,063 9,395
Transfer	8,561
Tansiei	0,501
Bingo licences	
Grant	4,232
Renewal	1,778
Transfer	1,827
Casino certificate of consent	
New licence	8,938
Transfer of licence	5,586
Bingo certificate of consent	0.070
New licence	8,852
Transfer of licence	5,901
Certificate to organise games of multiple bingo	
Grant	173,680
Renewal (for 3 years)	166,400
Registration of club or institute  Part	235
Renewal of registration	120
Part III	115
Renewal of registration	70
nenewar or registration	
Employees certificate of approval (Section 19)	
Certificate of approval	222
Gaming machines	
Grant of certificate for the sale, supply or maintenance of gaming machines	7,000
diant of certained of the sale, supply of maintenance of garning machines	7,000

4,789

68 <b>∠</b> '₺	Renewal of certificate for the sale, supply or maintenance of gaming machines
000'∠	Crant of certificate for the sale, supply or maintenance of gaming machines
	saning machines
222	Certificate of approval
	Employees certificate of approval (Section 19)
02	Renewal of registration
SII	Part III
150	Renewal of registration
532	Registration of club or institute
00.400.	
004,881	Renewal (for 3 years)
089'EZ I	Certificate to organise games of multiple bingo
106'S	Transfer of licence
ZS8,8	New licence
	Bingo certificate of consent
985'S	Transfer of licence
886'8	92n92l WeW
	Casino certificate of consent
ZZ8' I	Transfer
8ZZ'I	Kenewal
Z8Z,4	Grant
	Bingo licences
195,8	Transfer
S6E'6	Kenewal
890,18	Crant Crant
wəN	Casinos licences

Appendix IV: Caming and lotteries fees – 2006|07

Renewal of certificate for the sale, supply or maintenance of gaming machines

England, Wales and Scotland From 1 April 2006

#### Jenti Oi Oi Text / Sig: 52 / Plate A

England, Wales and Scotland From 1 April 2006

01	Inspection of lottery return by member of the public
۷06'S ۱	Application for certification as a lottery manager under Schedule AA
<b>48</b> 7	More than £200,000
324	More than £50,000 to £200,000
111	More than £20,000 to £50,000
	(no fee payable for eighth and subsequent lotteries in same calendar year)
111	More than £10,000 to £20,000
	(no fee payable for eighth and subsequent lotteries in same calendar year)
111	More than £2,000 to £10,000
I!N	£2,000 or less
	Lottery with turnover (total value of tickets or chances sold) of:
202	Renewal of registration of society or local authority lottery scheme (three yearly)
251,2	Application for registration of society or local authority lottery scheme
	Lotteries
Mew	

There are two circumstances in which fees are not chargeable to the public. These are: (i) Lotteries with turnover of £2,000 or less;

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. (ii) The eighth and subsequent lotteries payable in the same calendar year is extended to those with a turnover of £20,000 or

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

The Cambling Commission Appendix IV | 103

#### Jenti Oi Oi Text / Sig: 52 / Plate A

**England, Wales and Scotland** From 1 April 2006

The Gambling Commission **Appendix IV** | **103** 

	New
Lotteries	
Application for registration of society or local authority lottery scheme	5,152
Renewal of registration of society or local authority lottery scheme (three yearly)	202
Lottery with turnover (total value of tickets or chances sold) of:	
£2,000 or less	Nil
More than £2,000 to £10,000	111
(no fee payable for eighth and subsequent lotteries in same calendar year)	
More than £10,000 to £20,000	111
(no fee payable for eighth and subsequent lotteries in same calendar year)	
More than £20,000 to £50,000	111
More than £50,000 to £200,000	324
More than £200,000	487
Application for certification as a lottery manager under Schedule 2A	15,907
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;

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

<sup>(</sup>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.

# **Appendix V:**

# **Casino permitted areas**

List of areas in which the licensing of clubs for gaming other than bingo is permitted showing the number of licenced clubs operating on 1 April 2005 and 31 March 2006

	peruanig on 171	prii <b>2</b> 00	3 and 31 March 2000	01 April 05	31 March 06
England That area which is within the	yron specified in th	o liconci	ng (Matrapolitan Special		
That area which is within the a Hours Area) Order 1961 – plus	•				
of Kensington and Chelsea	the city of Westi	iii ister ai	ia the Royal Boloagii	24	24
	n Doroughs Non	Country [	Doroughs and Urban Districts o	£.	
The areas of the Former Coun	ty Borougns, Non-	County i	soroughs and Orban Districts o	T:	
	01 April 05 <b>31 M</b>	1arch 06		01 April 05	31 March 06
Birkenhead	1	1	Northampton	2	2
Birmingham	6	7	Nottingham	3	2
Blackpool	3	3	Plymouth	2	2
Bolton	2	2	Portsmouth	3	3
Bournemouth	2	2	Ramsgate	1	1
Bradford	2	2	Reading	2	2
Brighton	3	3	Ryde	0	0
Bristol	4	4	Salford	2	2
Coventry	2	2	Sandown/Shanklin	0	0
Derby	2	2	Scarborough	1	2
Dudley	1	1	Sheffield	3	3
Great Yarmouth	2	2	Southampton	3	3
Hove	1	1	Southend-on-Sea	3	3
Huddersfield	1	1	Southport	1	1
Kingston-upon-Hull	2	2	Stockport	2	2
Leeds	4	4	Stoke-on-Trent	2	2
Leicester	3	3	Sunderland	1	1
Liverpool	4	4	Teesside/Middlesbrough	1	1
Luton	3	3	Torbay	1	1
Lytham St Annes	1	1	Walsall	2	2
Manchester	6	6	Warley	0	0
Margate	2	2	West Bromwich	1	1
Newcastle upon Tyne	3	4	Wolverhampton	2	2
Wales					
The Areas of the Former Coun	ty Boroughs of:				
Cardiff				3	3
Swansea				1	1
Scotland		-			
The Areas of the Former Coun	ties of the Cities o	t:			
Aberdeen				2	2

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Dundee

Edinburgh

Glasgow

**Total** 

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	138				Total
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3 7	5 7				
ν I	l l				99bnuC
7	7				Aberdeen
	C			טו נווכ כונוכז טוי:	
				'to seitin edt to se	<b>Scotland</b> The Areas of the Former Countie
					baclios
L	Į.				วุพชมรษิส
3	3				Hibre
				Boroughs of:	The Areas of the Former County
					Wales
7	7	Wolverhampton	Þ	8	√owcastle upon Tyne
l .	l	hoiwmora teaW	7	7	Margaťe
0	0	Warley	9	9	Manchester
7	7	llselsW	L	I	sənnA 12 msd14.
L	L	Torbay	3	3	นดุวท-
L	Į	Teesside/Middlesbrough	Þ	$\forall$	-iverpool
L	L	Sunderland	3	3	-eicester
7	7	Stoke-on-Trent	Þ	$\forall$	spəə-
7	7	Stockport	2	Ζ	lluH-noqu-notspni>
L	L	Southport	L	l	-luddersfield
3	£	Southend-on-Sea	L	l	€VOF
3		Southampton	2	2	Great Yarmouth
3	5	Sheffield	L	l	γəlbuC
7	l	Scarborough	2	2	Ydra
0	0	Sandown/Shanklin	2	Ζ	Coventry
7	7	Salford	Þ	$\forall$	lotzin
0	0	Ryde	3	5	nobhging
7	7	Reading	7	Ζ	Sradford
L	L	Ramsgate	7	Ζ	sournemouth
3	5	Portsmouth		7	Solton
7	7	Рlутоиth	3	8	Slackpool
7	5	Мотгіпдһат	_	9	msdpnimiis
7	7	Northampton	L	L	Sirkenhead
31 March 06	Z0 linqA ſ0		90 I	10 April 05 <b>31 Marcl</b>	
		oroughs and Urban Districts of:	uty B	Boroughs, Non-Cou	The areas of the Former County
77	77				of Kensington and Chelsea
		d the Royal Borough	er an	re city of Westminst	Hours Area) Order 1961 – plus tl

01 April 05 **31 March 06** 

1

**4 5** 

140

4

138

List of areas in which the licensing of clubs for gaming other than bingo is permitted showing the number of licenced clubs operating on 1 April 2005 and 31 March 2006



England