

REGULATORY IMPACT ASSESSMENT
INCREASE IN GAMING AND LOTTERIES FEES 2005

The Gaming Act (Variation of Fees) (England and Wales) Order 2005 No. 566

Gaming Act 1968 (variations of Fees) Order 2005 No. 567

The Lotteries (Gaming Board Fees) Order 2005 No. 568

The Gaming (Bingo) Act 1985 (Fees) Order 2005 No. 570

1. Purpose and intended effect

The objective

- 1.1 Gaming and lotteries fees are reviewed annually to ensure the costs in administering the controls on gaming and lotteries are met.

The background

- 1.2 The four Orders are made under the Gaming Act 1968, the Lotteries and Amusements Act 1976 and the Gaming (Bingo) Act 1985, respectively as listed above, and increase the fees for certain gaming licences and lotteries fees issued under the Acts. These Orders amend the fees for:

- 1.3
- Casino certificate and licence fees (Grant, renewal and transfer of casino certificates of consent and licences);
 - Bingo certificate and licence fees (Grant, renewal and transfer of bingo certificates of consent and licences);
 - Section 27 certificates (Grant and renewal of certificates for the sale, supply and maintenance of gaming machines);
 - The National Bingo Game licence fee (Grant and renewal);
 - Society and local authority lottery registration fees; lottery promotion fees and registrations of lottery managers.

- 1.4 The Gaming Act 1968 (Variation of Fees) (England and Wales) Order 2005 extends to England and Wales. The other three Orders extend to Great Britain.

Risk assessment

- 1.5 The Government's aim in setting these fees is to meet the cost of administering the licensing process. The licensing process enables the Gaming Board for Great Britain, the Courts and others to ensure that those involved in organising gaming are fit and proper to do so, and that gambling is kept free from criminal infiltration and is run fairly and in accordance with the law. If the fees are too high, the Government will be needlessly reducing the profitability of the gaming and lottery sectors. If the fees are too low, the costs of administering the licensing regime would not be covered by fees received and the costs of regulation would need to be subsidised out of taxpayers' money. Either would be contrary to Treasury guidance and to the recommendations of the National Audit Office, which produced a report on

the Gaming Board for Great Britain in 2000.¹ The report may be viewed on the NAO web site at www.nao.org.uk.

- 1.6 Table 1 below shows the expected income from fees (based on current fee levels) and the anticipated cost of regulation in 2005/6.

Table 1	Income with no change in fees (£)	Costs of regulation 2005/06 (£)
Section 19	945,000	857,296
Section 27	633,673	643,188
Casino sector	1,720,030	1,802,866
Bingo sector	1,185,675	1,281,145
National Bingo Game	106,666	136,750
Lotteries fees	467,676	483,868
Registered clubs	264,420	185,863
Total	5,323,140	5,390,978

As can be seen, maintaining fees for 2005/2006 at the same level as 2004/2005 would produce an overall deficit of nearly £68,000 of income against regulation.

Options

- 1.7 Two options have been identified.

Option 1 – an increase of 4% on casino and bingo certificate and licence fees.

- 1.8 An increase of 4% on casino and bingo certificate and licence fees in order for the bingo and casino sections to break even combined. This would generate a surplus for the year of £79,000. However, the casino and bingo sections would not break even purely on the basis of the 4% increase in fees but would be cross-subsidised from section 19 fees (i.e. certificates of approval for bingo and casino employees). Since NAO does not approve of cross subsidy, we have been eliminating this practice in recent years.

Option 2 – an increase of 5% on bingo and 8% on casino certificate and licence fees as shown in table 2 below.

- 1.9 An increase of 5% on casino and 8% on bingo certificate and licence fees. This would enable the casino and bingo sections to break even without support from section 19 fees. This option would produce a surplus of £141,000. This option will meet the objectives and ensure that costs of regulation are fully met by licence and registration fees.

¹ The NAO's conclusions, endorsed by the House of Commons Public Accounts Committee, was that there should be a more reliable basis for determining the costs of licensing and police authorities and achieving their full recovery, and that cross subsidies between various sectors of the gaming industry and lotteries should be eliminated.

Both Options

1.10 Both options would require an increase of just under 3% for Section 27 (machine suppliers) and lotteries fees and 4% for the National Bingo Game licence fees. There will be no increase in Section 19 (employees certificate of approval) or club registration fees.

New Fees and forecast 2005/2006 income

1.11 Ministers have approved option 2. Table 2 sets out the increase from the current 2004/2005 to the new 2005/2006 fees.

Table 2	Old Fee (£)	New fee (£)	Increase (%)
Casino			
Grant	29,640	31,063	4.80
Renewal	8,150	8,541	4.80
Transfer	7,855	8,232	4.80
Consent Application	8,200	8,594	4.80
Consent Transfer	5,125	5,371	4.80
Bingo			
Grant	3,915	4,232	8.10
Renewal	1,495	1,616	8.09
Transfer	1,595	1,724	8.09
Consent Application	7,725	8,351	8.10
Consent Transfer	5,150	5,567	8.10
Section 27 (Machine suppliers)			
New	6,425	6,605	2.80
Renewals	4,395	4,518	2.80
National Bingo Game			
New	167,000	173,680	4.00
Renew (Fee covers three years)	160,000	166,400	4.00
Lotteries			
>£200k	454	468	3.08
>£50k	303	312	2.97
>£10k	104	107	2.88
<£10k	104	107	2.88
Registration Fee (Society Normal)	4,810	4,954	2.99
Registration Fee (LA normal)	4,810	4,954	2.99
Renewal Fee (LA and Society)	188	194	3.19
Lottery Manager	14,850	15,295	3.00

1.12 Table 3 shows the income that will be generated during 2005/2006 using the new fees. The new fees will create a surplus of £141,500.

Table 3	Income from fees £	Costs of regulation 2005/06 £
Section 19	945,000	857,296
Section 27	649,888	643,188
Casino sector	1,802,568	1,802,866
Bingo sector	1,281,647	1,281,145
National Bingo Game	107,426	136,750
Lotteries fees	481,593	483,868
Registered clubs	264,420	185,863
Total	5,532,542	5,390,978

Benefits

Option 1 -an increase of 4% on casino and bingo certificate and licence fees and an approximate increase of 3% across the lottery sector.

1.13 Increasing the fees in this manner will cover the costs of certificate and licence administration. It would, however, involve cross-subsidising of the bingo and casino sectors by the section 19 fees.

Option 2 -an increase of 5% on bingo and 8% on casino certificate and licence fees and an approximate increase of 3% across the lottery sector.

1.14 Increasing the fees will ensure that the costs of the regulation of gambling, i.e. those of the Gaming Board for Great Britain, the courts and the police, will be met by the industry. The fees requiring an increase have been identified as being in those sectors where current fee levels would result in projected deficits, and the increases meet Treasury rules.

Business sectors affected

1.15 Casino and bingo clubs operators, gaming machines suppliers and vendors, lotteries and lotteries managers.

Costs

Compliance costs

1.16 The compliance cost to business is the fee itself and administration costs in applying for the certificate or registration. The fees are calculated on the

basis that each of these sectors will meet its own cost and reflect the anticipated cost of regulation during the financial year 2005/06.

1.17 The increases required to meet the regulatory costs are shown in Table 2.

Option 1 -an increase of 4% on both casino and bingo certificate and licence fees. and an approximate increase of 3% across the lottery sector.

1.18 The Gaming Board estimates that fees paid by the industry would be £5,323,140. This will be sufficient to cover the costs of regulation and provide a surplus of £79,419. It should be noted that this would be contrary to the PAC ruling on cross-subsidising.

Option 2 -an increase of 5% on bingo and 8% on casino certificate and licence fees and an approximate increase of 3% across the lottery sector.

1.19 The Gaming Board estimates that fees paid by the industry would be £5,532,542. This will cover the full costs of regulation and lead to a surplus of £141,564 as shown in Table 3. The fees are rounded to the nearest £1 for administrative convenience. The aim is that receipts match costs as closely as possible based on the estimated demand for licences.

Other costs

1.20 There are small costs associated in preparing the Orders and laying them before Parliament and informing the industry about the changes.

Impact on small businesses

1.21 We do not expect these fees rises to place an unreasonable burden on small business and they meet the costs of regulating these sectors.

Industry and lotteries

1.22 These Orders are unlikely to have a negative competitive impact on those who supply or maintain gaming machines or lotteries. The fees are a very small proportion of the costs in setting up or entry to the business, or ongoing costs.

1.23 The fees are at a fixed rate and are exactly the same for all sectors of the industry applying for the same types of licences or registrations. All the new fees will be effective from 1 April 2005.

Enforcement, Monitoring and Review

1.24 Operators and employees must pay these fees before they are granted an appropriate licence or certificate. The Department for Culture, Media and Sport writes to the main industry representatives about the fees.

1.25 The Gaming Board of Great Britain reviews the fees annually to ensure that the fees cover the costs of regulating the gambling industry.

Consultation

1.26 The Gaming Board for Great Britain has been consulted.

Summary

- 1.27 It is recommended that option 2 is pursued. This will deliver the objectives set out in paragraph 1.1, it will cover the costs of regulation in 2005/06 and ensure that regulatory costs are met in full by the industry. This is therefore the option the Government prefers.

Ministerial Declaration:

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs

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