



department for
**culture, media
and sport**

GAMBLING ACT 2005 - PROPOSALS FOR GAMBLING COMMISSION FEES FROM 1ST AUGUST 2008

March 2008

Our aim is to improve the quality of life for all through cultural and sporting activities, support the pursuit of excellence, and champion the tourism, creative and leisure industries.

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Section 1: Proposals for Gambling Commission fees from 1 August 2008

Introduction

1. The Gambling Act 2005 (the Act) gives the Secretary of State for Culture, Media and Sport the power to make regulations setting fees to be paid to the Gambling Commission (the Commission) in respect of the exercise of certain of its functions under the Act. In doing so, the Secretary of State intends to ensure such fees are set in accordance with the Act and HM Treasury's Fees and Charges Guide and at a level, which enables the Commission to recover the full costs of delivering its responsibilities, taking one year with another, while ensuring fairness and value for money for the gambling industry.
2. This is a joint consultation exercise by the Department for Culture, Media and Sport (the Department) and the Commission and the first to review the level of the fees system overall. The Secretary of State undertook to review fees this year in the light of the Commission's initial experience of licensing, compliance and enforcement work with the industry.
3. Licensing arrangements have been in place since 1 January 2007 and there is therefore some information on the resources needed to licence operators. However, the compliance and enforcement arrangements have only been in place since 1 September 2007 and so the information here is more limited. The approach adopted, therefore, is to review the assumptions on which the current fees were based and to make changes where there are good grounds for considering that the original assumptions were inaccurate. As a result, the changes proposed this year are generally minor, but, in addition, a more radical approach to setting some remote licence fees is also outlined for consideration in Appendix 4.
4. The implementation of a new regime requires a careful review of the full impact of the arrangements and we have identified some areas that would benefit from change. We are also grateful to those who have alerted us within this first year of operation to other areas that we should consider in this review.
5. This consultation paper sets out the Department's and the Commission's proposals for the fee levels to apply from 1 August 2008 and invites comments on them. The fee regulations will be subject to the "negative resolution" procedure in Parliament. An initial Impact Assessment (IA) is attached at Appendix 5.

Summary

6. The key proposals contained in this document are:
 - Revised application workloads and fees for remote casino, bingo, general betting, betting intermediaries and gambling software.
 - Application fees for all other operating licences will be increased by approximately 4% to reflect changes in cost assumptions.
 - Annual fees to be reduced for some small operators to reflect reduced workload and cost assumptions.

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- Annual fees to be increased for the largest operators to reflect increased workload and cost assumptions.
- Additional size categories for some non-remote and remote licences to reflect effort assumptions more closely.
- New categories of non-remote linked licences to be created for non-remote gaming machine technical suppliers, gaming machine software and gambling software licences.
- Ancillary remote licences for hand held terminals to be integrated into a single generic licence for the use of hand held terminals in any licensed premise.
- New categories of linked remote licences to be created for gaming machine technical and gambling software licences.
- New category of restricted remote betting intermediary licence to cater for trading rooms and similar activity.
- An increase in the charge for variations to operating licence details where a personal declaration is required.
- A new variable scale of fees for changes of control to reflect the variety of work required.
- A proposal for a revised way of calculating fees for remote casino, bingo and betting on virtual events.

How to respond to the consultation document

7. This is a joint consultation paper prepared by the Department and the Commission and we welcome comments on these proposals and the initial IA from all those who may be interested, including existing and potential new operators in the gambling industry, faith groups, those involved in problem gambling prevention and treatment, other interested stakeholders, and individuals. Copies of the consultation document are available at the Department for Culture, Media and Sport and Commission websites (www.culture.gov.uk/ and www.gamblingcommission.gov.uk/).
8. The closing date for responses is 2nd June 2008. Please send your comments by e-mail to donald.sproson@culture.gsi.gov.uk or to:-

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Department for Culture, Media and Sport
Gambling and National Lottery Licensing Division
2-4 Cockspur Street
London SW1A 5DH
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copied to consultation@gamblingcommission.gov.uk or to

Consultation Coordinator
Gambling Commission
Victoria Square House
Victoria Square
Birmingham
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9. All information in responses, including personal information, may be subject to publication or disclosure under Freedom of Information legislation. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under the legislation. Any such request should explain why confidentiality is necessary. Any automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in the main text of your response. This consultation is being carried out in accordance with the Cabinet Office Code of Practice on Consultation. The criteria are listed on the Department's and the Commission's websites, together with details of who to contact with any comments on the consultation procedure or complaints about the way it is being conducted.

Background

10. The Commission licenses and regulates virtually all commercial gambling in Great Britain, including casinos, bingo, betting, arcades, larger lotteries and the manufacture, supply and use of gaming machines and gambling software. The Commission licenses operators in both the non-remote and remote sectors. The Commission does not license or regulate the National Lottery, which remains the responsibility of the National Lottery Commission, or spread betting, which remains the responsibility of the Financial Services Authority.
11. In the course of the last year, the Commission has issued new operating licences to most providers of gambling facilities. A small number of new operators and late applicants are still being dealt with but the majority, some 97% of the operators in the industry, are now licensed. The Commission continues to issue personal licences to those who are new recruits to the industry and for those managers who did not previously require a personal licence under the previous regime. From 1 September 2007, the Commission started to carry out compliance and enforcement work under the Act in relation to both licensed and unlicensed operators.
12. After a year of working with the new arrangements the Commission is undertaking a number of other reviews as well as this fees review:
 - The Licence Conditions and Codes of Practice with a view to implementing any changes by January 2009.
 - The licensing process with a view to implementing changes by mid 2008.
 - The guidance it provides to local authorities with a view to reissuing this by the end of 2008.

Full details are set out in the Commission's Corporate Plan (www.gamblingcommission.gov.uk/Client/mediadetail.asp?mediaid=317)

Proposed approach to setting fees

13. The legal framework, which enables the Secretary of State to set fees for the Gambling Commission and the Commission itself to set one other fee, is summarised at Appendix 2.
14. In last year's consultation, the Department stated that none of the costs of Commission activities associated with licensing, compliance and enforcement should fall on the taxpayer, but rather on those choosing to engage in such activities. This approach is consistent with good regulatory practice and Ministers remain of the view that the correct approach is for the Commission to operate on a full cost recovery basis, funded by licence fee income.
15. Fees will therefore be set by the Secretary of State at such a level as to enable the Commission to recover the full costs of its regulatory activities, while ensuring fairness and value for money for the gambling industry. Grant-in-Aid from the Department will be used, as last year, to fund agreed research, including plans for further studies on the prevalence of gambling. Currently, Ministers look to the industry to fund the costs of education on responsible gambling and of research and treatment on problem gambling voluntarily, principally via the Responsibility in Gambling Trust. The Commission is undertaking a review of research, education and treatment to consider the funding needs and arrangements. Full details can be found at www.gamblingcommission.gov.uk/client/redir.asp?Contentid=294

Gambling Commission's planned activity levels

16. Revised fee proposals have been generated from the Commission's fee model and reflect the Commission's best estimates of:
 - The number of operators in each type and category of licensable activity and estimates of the regulatory effort required for each operator (Table 2) and the number of personal licences (Table 3);

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- The average workload (expressed in person days) for each category and type of licensable activity, based on the Commission's proposed approach (Tables 4 and 5)
 - The costs per day required to achieve full cost recovery, given the workload and operational and support requirements of the Commission (paragraph 35)
17. The Commission currently estimates that its total operational costs will be £15.5m in 2006/07 and £15.1m in 2007/08 and £14.5m in 2008/09. In addition, the Commission expects to receive and spend £0.5m Grant in Aid on research, including the prevalence study. The Commission's budget estimates and supporting assumptions have been used as the basis for setting fee levels.

Table 1: Outline Budget 2007/08

Income & Expenditure Account	Forecast 2007/08 £'000	Plan 2008/09 £'000	Plan 2009/10 £'000	Plan 2010/11 £'000
Licence Fee Income 2005 Act	15,362	13,224	13,460	13,455
Other Income	-	-	-	-
Total Income	15,362	13,224	13,460	13,455
Operating Activity				
Salaries & Wages	9,139	9,295	8,824	8,541
Other Operating Costs	6,316	5,709	5,523	5,261
Research, education and treatment				
Salaries & Wages	296	310	305	309
Other Operating Costs	204	190	195	191
Depreciation	721	775	800	825
Total Costs	16,676	16,279	15,647	15,127
Retained surplus/deficit for the year	(1,314)	(3,055)	(2,187)	(1,672)
Release of Deferred Government Grant Reserve	721	721	721	721
Net interest	277	250	250	250
Grant in Aid Drawdown	3,039	500	500	500
Net surplus/ (deficit) after financing	2,723	(1,584)	(716)	(201)

(NB these figures are provisional and subject to finalisation of the Commission's 2008/09 budget)

18. Table 1 shows the Commission's forecast costs and income, based on current workload assumptions and prices. The costs are within the parameters originally envisaged for the Commission and reflect the following significant issues:
- Overall workload is higher than originally forecast, with more operators being licensed and the mix of licences being held being more complex. This is particularly the case in the remote sector.
 - Staffing numbers are lower, reflecting the planned reduction in staff now that the re-licensing process has been completed.
 - Average staff unit costs are expected to rise, reflecting the development of the necessary expertise to deliver the more complex workload, with particular reference to larger operators and the remote sector.
 - In the light of feedback from industry bodies, a reduction of around 10% per annum in the number of smaller operators, reflecting consolidation in the industry and economic pressures. This is a significant change from the Commission's initial assumption of overall growth in operator numbers.
19. For comparative purposes, the estimated total annual costs for the Commission in taking on the full range of its responsibilities was put in the range of £10m - £14m in the Regulatory Impact Assessment that accompanied the Act. (These figures were at 2003 prices – the equivalent at 2008 prices based on RPI, but without adjustment for the different workload, is £11.8m - £16.5m).

20. The estimated number and types of operators who are expected to be subject to direct regulatory activity during the year are set out in table 2. (Categories of licence type are set out in tables 6 and 8, below.) Virtually all licensed operators will have some regulatory activity in relation to them carried out in year, for example, compliance visits, reviewing regulatory returns amending records or dealing with a query by telephone.
21. The Commission now expects to see a slight shift in the necessary regulatory cost from the smaller operators to the larger operators, reflecting the additional costs of the specialist work required to carry out corporate reviews and regulate the remote sector. In addition, estimates have been made of the churn in operating and personal licences, variations to licences, the number of licensees who will be visited and subject to direct compliance engagement and the amount of enforcement activity.

Table 2: Current number and type of operating licences

Operator Licence	Non remote					Remote		
	A	B	C	D	E	F	G	H
Casinos:2005 Act		3	2			15	2	1
Casinos: 1968 Act	48	36	3					
Bingo	202	15	2		2	8		1
General betting: standard	618	50	18	4	5	71	15	2
General betting: limited	416	260	50			44		
Pool betting	25	4				29	1	
Betting intermediary	4					14	1	1
Gaming machine general: AGC	543	74	13	6	1			
Gaming machine general: FEC	336	17	4	1	1			
Gaming machine technical: full	23	25	12			4	10	4
Gaming machine technical: supplier	125	16	2			2	1	
Gaming machine technical: software	9	1				3	1	
Gambling software	31	11	3			25	9	5
Lottery manager	4	6	10			9	5	1
Society lottery	18	24	17			12	3	3
Converted lottery	301	99	72					
Converted machine	451							
Ancillary						419		

(Note: licence categories are defined in tables 6 and 8, below)

Converted lottery licences and Section 27 Certificates

22. Under the Act, two types of existing permissions are carried forward without the requirement to undergo a licence renewal process. These operators will come fully within the ambit of the fees regime over the coming years.
23. Machine suppliers licences issued under Section 27 of the Gaming Act 1968 are carried forward until their existing renewal date. However, the 2005 Act requires holders of such licences to comply with the conditions that apply under the new legislation. The licences were issued for five years originally and, as they expire, holders are required to apply for licences under the new regime and thenceforth pay the application and annual fees.
24. The certificates for society lotteries under the Lotteries and Amusements Act 1976 were converted to licences under the 2005 Act. These certificates lasted for three years and, when they expire, holders are required to apply for licences under the new regime. Under the previous arrangements, lotteries were required to pay a fee for each lottery draw held. The 2005 Act requires them to pay annual fees from 1 September 2007 instead.

New applications and other changes

25. In the light of experience since the current fees were set and feedback from the industry, we have also made some assumptions about the likely changes in the industry in terms of the number of new operators, the number of changes to operating licences that will be required and the number of operators who may stop trading.
26. The key assumptions are:
- The number of operators in the smaller categories of licenses will decline by 10% per annum across all sectors.
 - Some 400 operating licence applications a year will be received across all sectors from new operators and those whose converted licences expire. In the main, these will be in the smallest categories of operators.
 - Less than ten applications for changes of control to operating licences will be received each year.
27. The estimates of the number of personal licence applications for the next year are set out in table 3.

Table 3: Personal licences, expected numbers

Personal Licence Types	New licence applications expected per annum	Licences lapsed, revoked etc per annum
Personal management licences	300	30
Personal functional licences	3200	320
Total	3500	350

Operating licence fees

28. We have reviewed the application and annual fees charged last year and the effort assumptions on which they were based. We have assessed the impact of our workload effort assumptions, the more accurate figures of numbers and types of operators and licence numbers and have taken into consideration areas where regulatory costs could not be held at the current level or reduced. Details of the proposed fees, which result, are at Appendix 1.

New effort assumptions and resulting fees

29. For application fees, the majority of the effort figures for this year do not differ from those finally used last year (Table 4). However, these figures do differ from those published in the first consultation document because of changes made following representations received. The revised workload figures on which actual fees were based were not published.
30. The Commission's experience in the last year suggests that our revised estimates were reasonably accurate. However, they were based on re-licensing the existing industry and, going forward, the applications for operating licences will be exclusively from new operators. The Commission currently has limited experience of the effort required for licensing new operators, but we would assess them as likely to need more work than existing operators. However, with the exception of certain categories of remote licence, we have decided not to change the resources needed at application stage until we have a full year's experience beyond the re-licensing process to review. The proposed application fees are shown at Appendix 1.
31. For some remote licences, the information now available suggests that the workload assumed for the original application fees does not match actual requirements. Revised workloads for these categories, which reflect the better information now available, are set out in table 4.

Table 4: Application fees effort assumptions (average person days per application)

Operating licence type	Average effort to support licence application work									
	Non-remote					Remote				
	A	B	C	D	E	F	G	H	I	J
Casino: 2005 Act	80	105	120			20	40	60	80	105
Casino: 1968 Act	20	30	60	60	60					
Bingo	3	5	30	50	60	10	22	50	60	80
General betting: standard	3	5	50	50	115	10	22	50	60	80
General betting: limited	0.5	1.0	2.9			1.7				
Pool betting	2	5	15			2	5	15	15	15
Betting intermediary	1	1	1			20	40	50	60	80
Betting intermediary: trading rooms only						3	5	15		
Gaming machine general: AGC	3	5	15	50	60					
Gaming machine general: FEC	3	5	15	50	60					
Gaming machine technical: full	3	5	50			3	5	50		
Gaming machine technical: supplier	3	5	15			3	5	15		
Gaming machine technical: software	3	15	50			3	15	50		
Gambling software	3	15	50			20	40	50		
Lottery manager	3	5	7			3	5	7		
Society lottery	0.5	0.8	1			0.5	0.8	1		

32. The original estimates for the costs of the Commission's work for the purpose of calculating fees were made in 2006. Since then, certain key costs have risen, for example to reflect pay and energy costs. These have been offset, where relevant, by efficiency savings, for example in the development of the Commission's approach to regulation and better matching of the required staff skills for certain areas of work. The fees proposed in this consultation will apply to 2008 and 2009. It is therefore necessary to ensure that the fees are set so that they recover all costs. We have therefore proposed an increase in all non-remote operating licence application fees by 4%; which we estimate is the overall impact of known and forecast cost increases and reflects the day rate set out in paragraph.38.
33. For remote operators, the review of workload described in paragraph 31 means that there are revised workloads for casino, bingo, general betting, betting intermediaries and gambling software. The revised application fees which are proposed reflect the new workloads and the day rate for licensing set out in paragraph 38.
34. Table 5 sets out the workload that supports the annual fee calculation: the compliance and enforcement effort assumptions and the licensing activity carried out on existing licensees. In the light of our experience to date, it is our view that, by and large, regulatory effort for the largest operators is greater than originally forecast and requires more senior staff input than originally estimated. As a result, we have adjusted the effort and staff mix assumptions for larger operators.
35. Our work to date shows that our original assumptions about the range and scale of operators in the casino sector and the work required to regulate those operators need revision.
- Firstly, we had underestimated the number of medium sized operators that there are. As a result, our first two fees categories cover a wide range of sizes of operators with widely varying compliance requirements. The result is that those at the upper end of the first category are paying too little compared to the compliance effort undertaken for them. We have therefore proposed a new category to better reflect the compliance effort for these operators.
 - Secondly, we have underestimated the number of very large operators with a similar outcome. We have therefore proposed additional fee categories in order to better reflect the compliance effort required for the larger operators.

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Table 5: Annual fees effort assumptions (average person days per application)

Operating licence type	Average compliance annual workload									
	Non-remote					Remote				
	A	B	C	D	E	F	G	H	I	J
Casino: 2005 Act	40	88	184			15	41	79	120	158
Casino: 1968 Act	17	21	63	281	378					
Bingo	2	9	17	34	74	15	41	79	120	158
General betting: standard	2	9	17	35	202	15	41	79	120	158
General betting: limited	0.3	1	2			2				
Pool betting	2	4	4			2	41	79	120	158
Betting intermediary	0.3	5	5			15	41	79	120	158
Betting intermediary: trading rooms only						2	8	20		
Gaming machine general: AGC	2	9	17	30	40					
Gaming machine general: FEC	1	6	9	20	34					
Gaming machine technical: full	4	8	16			8	20	40		
Gaming machine technical: supplier	2	4	4			8	20	40		
Gaming machine technical: software	2	5	7			8	20	40		
Gambling software	2	5	7			8	20	40		
Lottery manager	3	3	3			8	20	40		
Society lottery	0.4	1	2			0.4	1	1		

36. The effort assumptions are combined with a cost per day in order to produce the fee itself. Costs per day include all direct costs and the Commission's fully allocated overhead.

37. For licensing costs, the Commission has continued to use a single day rate for all application work. For annual fees, a number of composite day rates have been used. These reflect expected staff inputs and are based on mixes of:

- The licensing day rate, (used for the application fee, enquiries and part of the annual fee activity)
- A standard compliance and enforcement day rate.
- A specialist day rate, reflecting the higher costs of, for example, forensic accountancy and IT skills and the complexity of issues under consideration in larger operators and the remote sector. The specialist rate applies mainly to the largest and remote operators, reflecting, in particular, the complexity of corporate engagement with these operators.

38. The unit costs for the three levels of operational staff with the overheads fully absorbed within them are:

- Licensing staff: £343 per day
- Compliance and Enforcement staff: £754 per day
- Specialist staff: £1,489 per day,

39. As a result of the use of a higher day rate for more complex operators and changes to workloads to reflect the effort required for corporate reviews, fees for some of the smallest operators have been reduced and those for the larger operators have been increased. The Commission estimates that the overall impact of these changes on its total revenues from annual fees is broadly neutral. Proposed annual fees are at Appendix 1.

40. Annual fees for all non-remote operators will continue to be discounted by 25% in the first year after licensing because of the work already undertaken in the licensing process. Annual fees for existing operators will rise to the full annual fee level this year.

Consultation Question

1. Do you have any comments on the size and structure of the industry or the effort assumptions for application and annual fees?

2. Do you have any comments on the proposed changes to the fees categories for 1968 Act Casinos?

Non-remote operating licences

41. In accordance with its Statement of Principles for Licensing and Regulation and its Compliance and Enforcement Policy Statement, the Commission assesses risk in terms of both impact and probability. The potential risk increases with the size of the operation and greater regulatory effort is therefore needed to mitigate overall risk. We therefore proposed to maintain the arrangements outlined in last year's consultation that operators should apply for a type of licence or licences, based on the scale of operation which they run, or wish to run, determined by a financial or operational unit measure depending on the category of licence. Before we could consider any move to other measures, we would need to have more information on the compliance costs for all types of operators and better information on the risks they pose to the licensing objectives. The basis for the current framework is set out in Table 6.
42. The Commission's experience to date suggests that size is one easily accessible indicator of regulatory resources needed. However, there has been much debate, both during the last consultation period and subsequently, as to the exact measures which would be appropriate, the extent of economies of scale and, more importantly, how they should be applied.
43. The main area of continuing contention has been where the factor used relates to the number of licensed premises. Smaller operators argue that, if fees were calculated on a per shop basis, this would be fairer and would prevent what they regard as a subsidisation per shop for the larger operators. Some sectors of the industry are characterised by large number of very small operators and a very few very large operators with relatively few medium sized ones. This distribution emphasises the issue even more. The suggestion put to us most frequently (and exclusively by smaller operators) is that it would be fairer to charge on a sliding scale per shop or arcade.
44. This point was considered in detail during the last consultation and reflected in the Department's response to that consultation. The Department and Commission have nevertheless considered the issue again. Our view is that the Commission's statutory responsibilities, and therefore its costs, are based on regulating operators, not regulating individual shops or outlets. As a result, the cost of regulating an operator with many outlets, calculated on a per shop basis, is less than the cost of dealing with an operator with a single outlet, where all of the regulatory costs fall on a single shop. Furthermore, the Commission is able to look to the larger operators' own compliance arrangements for some of the compliance effort that would otherwise fall to the Commission and can make effective sample checks as to compliance. As noted above, we have nonetheless proposed an adjustment to the regulatory effort needed for the larger operators, to better reflect the compliance resources needed.
45. We have considered at length whether we should alter the basis for calculating size for those sectors where we currently use number of outlets. However, it remains our view that this would not reflect the Commission's regulatory responsibilities or the costs of the effort taken to regulate the large and medium sized operators and would result in cross subsidy of the smaller operators by the larger ones. This would not be permissible under the Government's guidelines for setting fees based on the level of regulatory activity that is assessed as necessary for each operator category. It is not therefore, in our view, a workable option and we do not propose to change the factors used in the scales for assessing size of licence. Conversely, we do not explicitly reflect the number of premises in the casino operator licence as, at present, gross gambling yield by itself seems to provide a good indicator of compliance effort. We will keep this under review.

Consultation Question**3. Do you have any comments on the factors used to estimate size of operator?****Categories of non-remote operating licences**

Table 6: Non-remote Operating Licenses

Operating licence type	Unit	A	B	C	D	E
Casino: 2005 Act	Nature of premises licence	Small	Large	Regional		
Casino: 1968 Act	Gross gaming yield	Up to £5m	£5m - £25m	£25m - £100m	£100m - £250m	over £250m
Bingo	Licensed premises	4 or less	5 - 15	16 - 50	51 - 99	100 and above
General betting: standard	Licensed premises	4 or less	5 - 15	16 - 50	51 - 199	200 and above
General betting: limited	Person days worked	0 - 75	76 - 199	200 and above		
Pool betting	Gross betting yield	Up to £5m	£5m - £100m	Over £100m		
Betting intermediary	Gross betting yield	Up to £5m	£5m - £100m	Over £100m		
Gaming machine general: AGC	Licensed premises	4 or less	5 - 15	16 - 50	51 - 99	100 and above
Gaming machine general: FEC	Licensed premises	4 or less	5 - 15	16 - 50	51 - 99	100 and above
Gaming machine technical: full	Value of gross sales	Under £0.5m	£0.5m - £6m	Over £6m		
Gaming machine technical: supplier	Value of gross sales	Under £0.5m	£0.5m - £6m	Over £6m		
Gaming machine technical: software	Value of gross sales	Under £0.5m	£0.5m - £6m	Over £6m		
Gambling software	Value of gross sales	Under £0.5m	£0.5m - £6m	Over £6m		
Lottery Manager	Annual Proceeds	Under £100k	£100k - £500k	Over £500k		
Society Lottery	Annual Proceeds	Under £100k	£100k - £500k	Over £500k		

N.B. Gross gaming yield is calculated as the total amount paid to the licensee in stakes and/or other amounts (fees and sales) directly in connection with the activities authorised by the licence, less winnings paid out, as defined in S.I. 2006 No.3284

46. The current licence categories in Table 6 were set to reflect the types of gambling defined in the Act. We propose a change to these arrangements. We are aware that a number of operators who have gaming machines also maintain their own machines. To do this, they have also to hold a Gaming machine technical: supplier licence for the maintenance of the machines, in addition to whatever permissions they have for making machines available for use. There are also a number of operators who create and install software onto their own gaming machines and other types of equipment as a small element of their licensed activities.
47. In our view, the additional regulatory risk posed by these additional activities is relatively slight and so we propose to address this by creating new non-remote linked licence categories. The unit of division of these licence fee categories will be based on the annual gross value of the linked activity up to £50,000. The Commission has also prepared some guidance that will go out separately to those affected to explain further what tasks trigger the need for these types of licence. Table 7 describes these licences.

Table 7: Non-remote linked licences

Non-remote linked licence type	Definitions	Unit
Gaming machine technical: supplier	Obtainable by the holder of a non-remote casino, non-remote bingo, non-remote general betting (standard), non-remote gaming machine general (adult gaming centre) or non-remote gaming machine general (family entertainment centre) operating licence, AND only authorises the licensee to manufacture, supply, Install, adapt, maintain and repair a gaming machine, part of a gaming machine or software for a gaming machine where this activity is linked to the main licensed activity.	Gross value up to £50,000
Gaming machine software	Obtainable by the holder of a non-remote or remote operating licence, AND only authorises the licensee to manufacture, install or adapt gaming machine software where this activity is linked to the main licensed function.	Gross value up to £50,000
Gambling software	Obtainable by the holder of a non-remote or remote operating licence, AND only authorises the licensee to manufacture, install or adapt software where this activity is linked to the main licensed function.	Gross value up to £50,000

Consultation question

4. Do you have any comments on the new non-remote linked categories?

Remote operating licences

48. For remote operators, we remain of the view that the level and potential impact of risk are also related to the scale, complexity and volume of operation. The current arrangements reflect the view that the most appropriate measures for remote operations are:

- The gross gambling yield, which the operator expects to generate.
- For gaming machine technical operators and gambling software operators, the value of gross sales
- For lotteries, the annual proceeds of the lottery.

Table 8 sets out the measures to be used.

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Table 8: Remote Operating Licenses

Operating licence type	Unit	F	G	H	I	J
Casino	Gross gambling yield	up to £5m	£5m - £100m	£100m- £200m	£200m- £500m	over £500m
Bingo	Gross gambling yield	up to £5m	£5m - £100m	£100m- £200m	£200m- £500m	over £500m
General betting	Gross gambling yield	up to £5m	£5m - £100m	£100m- £200m	£200m- £500m	over £500m
General betting: telephone only	Gross gambling yield	Less than £0.25m				
Pool betting	Gross gambling yield	up to £5m	£5m - £100m	£100m- £200m	£200m- £500m	over £500m
Betting intermediary	Gross gambling yield	up to £5m	£5m - £100m	£100m- £200m	£200m- £500m	over £500m
Betting intermediary: trading rooms only	Gross gambling yield	under £0.5m	£0.5m - £5m	Over £5m		
Gaming machine technical: full	Value of gross sales	under £0.5m	£0.5m - £5m	Over £5m		
Gaming machine technical: supplier	Value of gross sales	under £0.5m	£0.5m - £5m	Over £5m		
Gaming machine technical: software	Value of gross sales	under £0.5m	£0.5m - £5m	Over £5m		
Gambling software	Value of gross sales	under £0.5m	£0.5m - £5m	Over £5m		
Lottery Manager	Annual proceeds	under £0.5m	£0.5m - £5m	Over £5m		
Society Lottery	Annual proceeds	under £100k	£100k - £500k	Over £500k		

N.B. Gross gambling yield is calculated as the total amount paid to the licensee in stakes and/or other amounts (fees and sales) directly in connection with the activities authorised by the licence, less winnings paid out, as defined in S.I. 2006 No.3284

49. As a result of its licensing activities, the Commission now has good information on the range and type of remote operators. Many more operators applied for a remote licence than expected in the original consultation and the range of activities included within this group of licensees was greater than expected.
50. In our view, the current £6m upper boundary for gross sales and annual proceeds, type G categories, is inconsistent with workload and risk. It is therefore proposed to reset this boundary at £5m.
51. Our review of arrangements for remote casino, bingo, general betting, pool betting and betting intermediaries of remote licence suggest that the fee scales for these categories should be extended at the top of the range to reflect the additional risk and regulatory effort, which is required for very large operators. The introduction of these larger categories also allows the fee structure to better allow for the impact of growth in the industry. Two additional bands (I and J) are therefore proposed for these categories.
52. The Department and the Commission have reviewed the current approach to licensing operators who offer remote gambling which is based on the use of random number generators (RNGs). This covers the current remote casino and bingo licences and the element of general betting that relates to providing remote facilities for betting on the outcome of virtual events (section 68 (4) of the Act).
53. Our view is that these activities have distinct synergies and are subject to the same regulatory consideration. The key issue is that the RNG and other supporting systems are working correctly, not how the game is portrayed to the user. Consequently, although combining these activities introduces a level of complexity to the Commission's work, it is questionable as to whether current fee structures are the best reflection of the work required.
54. In order to address the issue fully, it would be necessary to split the general remote betting licence by applying conditions to limit licences to either betting on real events or virtual events. This

approach has not been previously taken, but our expectation in setting current workload and fee assumptions had been that the volume of betting on virtual events would be very small. The Commission's initial information suggests that this is the case. Work required to regulate both real and virtual event betting provided by the same operator on any scale would be significantly greater than the current fees allow.

55. The Department and the Commission also believe that a composite licence fee for RNG based remote activities would help to avoid some of the current uncertainties as to what category a particular game should properly belong, or whether a particular game is a betting, bingo or a casino game, by reducing the financial impact of holding the right licence types..
56. In our view, it would be more effective and fairer to introduce a different approach to setting fees for licensing these activities. Such an approach would calculate a fee based on the aggregated gross gaming yield (GGY) derived by an operator from the relevant activities (remote casino, bingo and betting on virtual events), rather than on the individual GGY for each activity. The additional complexity involved in regulating a combined licence would be addressed through the addition of a fixed rate licence fee for each additional activity.
57. We would seek to set fees at levels, which continue to recover its costs, but do not have a significant impact on individual operators. The Commission's information shows that very few operators are likely to be affected initially. The advantages would become increasingly available to operators as activity in this area develops.
58. The application and annual fees for this group would be set against a longer fee scale than the current scale to allow a better fit of fee to licensing activity.
59. The composite fee for the RNG activities would be treated as a single fee within the overall fee structure and would be subject to discounts if held in with other licences.
60. We have made some initial estimates of how this fee arrangement might work and have created a model and these are described in Appendix 4. Currently, the Commission has limited data on which to base the proposed fee, but would welcome feed back from and discussions with stakeholders on:
 - The synergies between RNG driven activities
 - The distinction between betting on real and betting on virtual events
 - The operation of the potential fee structure and its impact on operators
61. We recognise that a number of people use the facilities of dedicated trading rooms in order to connect to other betting operators. Under the Act, the provision of such trading rooms amounts to the provision of facilities for betting and, as such, has to be licensed. A remote betting intermediary's licence would be required for such a trading room under current arrangements. However, we accept that the majority of the risk associated with the trading room falls on the operators providing the services to which they are connected and not on the provider of the trading room itself. We therefore feel that, while regulation is required, it should be relatively light touch. We have therefore created a new remote betting intermediary: trading room only licence for this type of activity, based on lower compliance effort assumptions.

Consultation questions

5. **Do you have any views on the two alternative approaches to fees for remote operating licences?**
6. **What are your views on:**
 - **The synergies between RNG driven activities?**
 - **The distinction between betting on real and betting on virtual events?**
 - **The operation of the potential fee structure and its impact on operators?**

7. What are your views on the proposed new category of fees to address the issue of trading rooms?

Categories of remote operating licences

62. We are proposing to amend the definition of ancillary licences currently available for hand held terminals in bingo clubs or casinos, to cover the use of such terminals in any type of premises already licensed for gambling. We are aware that such terminals can be used in arcades and so the two types of ancillary licence for hand held terminals will be merged into one with a single definition “for use only on single premises already licensed for gambling.” Table 9 describes the ancillary licence arrangements and the fees are at Appendix 1.

Table 9: Remote Ancillary Licence Types

Licence Types	Definitions
Hand held terminals	Obtainable by the holder of a non-remote operating licence and a gambling premises licence AND only authorises the licensee to provide facilities for a single premises gaming by means of remote communication equipment. This is equipment other than a gaming machine that is used to facilitate remote communication and that is situated entirely on the set of premises on which the gaming takes place.
Bingo: National game	Obtainable by the holder of a non-remote bingo operating licence and does not authorise the licensee to provide facilities for the playing of bingo other than by means of remote communication equipment, and by people who are situated on licensed premises
General betting	Obtainable by the holder of a non-remote general betting (limited) or (standard) operating licence AND only authorises the licensee to provide facilities for betting by means of a telephone, which is ancillary to the main licence.
Gaming machine technical: software	Obtainable by the holder of a non-remote gaming machine technical: full, non-remote gaming machine technical: supplier, non-remote gaming machine technical: software or non-remote gambling software operating licence AND authorises the licensee to supply software by email.

Consultation Question

8. What are your views on the revision of the categories of ancillary fees for remote activities?

63. We also propose to create a further category of remote linked licences with an annual gross value of up to £50,000 for gambling software and gaming machine technical: software remote licences. This is in order to address the fact that a number of non-remote operators require a remote licence for a small element of their activities, which does not always involve direct contact with gamblers. This activity is, in our view, low risk and the compliance costs will consequently be moderate as well. The new fees for these remote linked licences will continue to reflect the lower workloads required to issue licences and carry out compliance for these types of licence. Table 10 describes these changes and the fees are at Appendix 1.

Table 10: Remote linked licences

Remote linked licence type	Definitions	Unit
Gaming machine technical: software	Obtainable by the holder of a non-remote gaming machine technical: full, non-remote gaming machine technical: supplier, non-remote gaming machine technical: software or non-remote gambling software operating licence AND authorises the licensee to supply software.	Gross value up to £50,000
Gambling software	Obtainable by the holder of a non-remote or remote licence AND only authorises the licensee to supply software electronically	Gross value up to £50,000

Consultation Question

9. What are your views on the creation of the remote linked licences?

Discounting

64. We have reviewed the discounting arrangements for application fees where more than one licence is applied for and have considered whether any changes are needed. In our view, the arrangements for discounting the application fee are appropriate. Application fees for all licence types, excluding any ancillary remote licences, will continue to be discounted by 75% for all but the most expensive licence in the combination.
65. It is proposed that the current discount of 25% on the first annual fee for non-remote licences to reflect initial work carried out during the licensing process should remain, as described in paragraph 37.
66. We have also reviewed the discount arrangements where annual fees cover more than one activity and again we assess the discount for annual fees on non- remote licences to be appropriate and proportionate. We will therefore continue with the current arrangements of discounts of 10% for all but the most expensive licence in the combination.

Consultation question

10. Do you have any comments the discounting arrangements?

Other Fees relating to operating licences

67. The Act contains powers to set a number of other fees for the Commission's regulatory functions. Fees for these activities are set out in Table 10 below and have been set, as before, with reference to either:
- The average relative effort (and therefore cost) that the Commission's workload model shows is required compared to the issue of a new licence; or
 - For smaller tasks, a standard administrative charge to cover the work required with appropriate on costs.
68. We have found that, in the majority of cases, these fees have covered the costs of the activities they relate to and so, for most of them no change is planned.
69. However, the administrative fee of £25 to cover changes to the licence details does not currently cover the Commission's costs when a Personal Declaration (Annex A) and Criminal Records Bureau forms have to be completed to secure the change. In these cases, the cost to the

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Commission (including CRB charges) is greater than £25. We therefore propose to increase this fee to £100 in such instances.

70. We have received comments from operators going through a change of control, triggered by acquisition of 10% or more of share capital, that the fee of 75% of the operating licence fee is high, given that the information needed to carry out checks to satisfy the licensing regime will be readily available to the Commission. This is particularly the case where both operators are already licensed by the Commission and there are no other changes planned in financing, organisational structure or management.

71. The original costing estimate for such changes was based on the assumption that, usually, the party acquiring control (that is by acquiring 10% or more of share capital) would not be licensed by the Commission. However, to date this has not been the case. As a result, we propose to introduce three levels of charging for changes of control:

- Where both parties to the change are already licensed by the Commission and no structural or other changes are involved. The fee would be an administrative charge of £100.
- Where both parties are licensed by the Commission but the change of control results in structural, financial or personnel changes that require further investigation. This fee would be 50% of the cost of the application fee for the relevant licence
- Where the party acquiring control was not already licensed by the Commission. This fee would remain as 75% of the cost of the application fee for the licence.

72. Proposals for other fees are set out in Table 11.

Table 11: Operating Licence Other Fees

	Charge
Changes in control	
Changes in control (when acquiring entity is not licensed)	75% of standard licence fee
Changes in control (when acquiring entity is licensed and there are financial or structural changes)	50% of standard licence fee
Changes in control (when acquiring entity is licensed and there are no financial or structural changes)	£100 admin fee
Change resulting from divisions	75% of standard licence fee
Variations	
Add licensed activity	25% of standard licence fee
Amend licensed activity	25% of standard licence fee
Remove licensed activity	£25 admin fee
Change details	£25 admin fee
Change details (where a Personal Declaration - Annex A is required)	£100 admin fee
Add a condition to the licence	25% of standard licence fee
Amend a condition to the licence	25% of standard licence fee
Remove a condition to the licence	25% of standard licence fee
Copy of licence	£25 admin fee
Copies of the register of operating licences (NB available via email for no charge)	£25 admin fee

Consultation question

11. Do you have any views on the revised fees for the Commission's other regulatory activities?

Personal licence fees

Application fees

73. For personal licences we will continue to set application fees for personal functional licences (PFLs) and personal management licences (PMLs), reflecting the costs of licensing. The workload associated with issuing these amounts, on average, to 0.5 days for a PFL and 1.0 days for a PML. However, we have managed to contain costs in this area and the fees for these licences remain the same. Details of the fees are at Appendix 1.

Periodic fees

74. The Commission needs to undertake periodic general updates of its licensing information to ensure a robust and current licensing system. The periodic maintenance fee is payable every five years, on the fifth anniversary of the date of the issue of that personal licence. The maintenance fee is currently fixed as the same fee as the application fee and this will remain the same.
75. For both application and maintenance fees, personal licences will fall into one of two categories:
- Personal management licences for those required to hold a licence as a result of their role in the management of an organisation holding an operating licence.
 - Personal functional licences for those required to hold a licence as a result of the nature of their job.

In both categories, licensees will incur an application fee and a maintenance fee.

76. Where PML or PFL applications are made on line, a reduction of 10% per application is made to reflect the reduced costs of processing the application.

Other fees relating to personal licences

77. Applications for a copy licence, variation to licences or copies of register of licences will incur fees on the basis set out in Table 12.

Table 12: Personal Licence Other Fees

	Charge
Variations	
Add licensed activity	25% of standard licence fee
Amend licensed activity	25% of standard licence fee
Remove licensed activity	£25 admin fee
Change details	£25 admin fee
Add a condition to the licence	25% of standard licence fee
Amend a condition to the licence	25% of standard licence fee
Remove a condition to the licence	25% of standard licence fee
Copy of licence	£25 admin fee
Copies of the register of personal licences	
(NB available via email for no charge)	£25 admin fee

Consultation question

12. What are your views on the proposed fee rates for personal licence holders in Appendix 1?

Future reviews of fees

78. The fees set in the proposed Regulations will be reviewed again next year. At that point, the Commission will have a more comprehensive risk assessment of the whole industry and more information on the resources required for and costs of compliance and enforcement. It will be important to review the fees again in the light of that knowledge. It should then be possible to move to a less frequent review of fees – probably every three years. That would give the industry more certainty about the costs it will have to bear without allowing too long a period before costs are reviewed. That would not, of course, preclude a review if major costs or other changes occurred meanwhile.

Consultation question

13. What are your views about the appropriate time period for reviewing fees beyond next year?

Other Issues

79. We have also considered carefully the occasional request that we receive for payment by instalments. However, the Act requires that application fees are paid in advance and that an application is therefore not valid until the full application fee has been paid. Similarly, annual fees must be paid in advance, so instalments in arrears are not possible. At present, we do not see that there would be any benefit to operators in arrangements to pay annual fees in advance by instalment.

Consultation questions

80. You are invited to comment freely on any aspect of this consultation document. However, you may find it helpful to have a checklist of questions below, which cover the main points on which the Department and the Commission would particularly welcome views.

- 1. Do you have any comments on the size and structure of the industry or the effort assumptions for licensing and annual fees?**
- 2. Do you have any comments on the proposed changes to the fees categories for 1968 Act Casinos?**
- 3. Do you have any comments on the factors used to estimate size of operator?**
- 4. Do you have any comments on the new non-remote linked categories?**
- 5. Do you have any views on the two alternative approaches to fees for remote operating licences?**
- 6. What are your views on:**
 - The synergies between RNG driven activities?**
 - The distinction between betting on real and betting on virtual events?**
 - The operation of the potential fee structure and its impact on operators?**
- 7. What are your views on the proposed new category of fees to address the issue of trading rooms?**
- 8. What are your views on the revision of the categories of ancillary fees for remote activities?**
- 9. What are your views on the creation of the linked licences?**
- 10. Do you have any comments the discounting arrangements?**
- 11. Do you have any views on the revised fees for the Commission's other regulatory activities?**

- 12. What are your views on the proposed fee rates for personal licence holders in Appendix 1?**
- 13. What are your views about the appropriate time period for reviewing fees beyond next year?**

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Appendix 1 - Details of proposed operating and personal licence fees

Operator Licence Application Fees (in pounds sterling)

Operating licence type	Proposed licence application fees									
	Non-Remote					Remote				
	A	B	C	D	E	F	G	H	I	J
Casino: 2005 Act	£30,148	£39,569	£45,221			£6,860	£13,703	£20,580	£30,148	£39,569
Casino: 1968 Act	£6,852	£10,277	£20,556	£20,556	£20,556					
Bingo	£1,028	£1,713	£3,426	£17,986	£21,583	£3,430	£7,546	£17,130	£20,580	£30,148
General betting: standard	£1,028	£1,028	£3,597	£17,986	£42,139	£3,430	£7,546	£17,130	£20,580	£30,148
General betting: limited	£187	£374	£1,030			£624				
Pool betting	£685	£1,713	£5,139			£685	£1,713	£5,139	£5,139	£5,139
Betting intermediary	£208	£208	£208			£6,680	£13,703	£17,130	£20,580	£30,148
Betting intermediary: trading rooms						£624	£1,028	£1,713		
Gaming machine general: AGC	£1,028	£1,028	£1,713	£5,139	£17,130					
Gaming machine general: FEC	£1,028	£1,028	£1,713	£5,139	£17,130					
Gaming machine technical: full	£1,028	£1,713	£17,130			£1,028	£1,713	£17,130		
Gaming machine technical: supplier	£1,028	£1,713	£5,139			£1,028	£1,713	£5,139		
Gaming machine technical: software	£1,028	£5,139	£17,130			£1,028	£5,139	£17,130		
Gambling software	£1,028	£5,139	£17,130			£6,680	£13,703	£17,130		
Lottery manager	£1,028	£1,713	£2,398			£1,028	£1,713	£2,398		
Society lottery	£172	£257	£342			£172	£257	£342		

Operator Licence Annual Fees (in pounds sterling)

Operating licence type	Proposed annual licence fees									
	Non-Remote					Remote				
	A	B	C	D	E	F	G	H	I	J
Casino: 2005 Act	£48,825	£101,771	£203,543			£12,733	£35,885	£69,658	£110,820	£146,282
Casino: 1968 Act	£16,356	£21,752	£69,572	£310,316	£417,436					
Bingo	£1,571	£7,077	£16,860	£37,579	£82,002	£12,733	£35,885	£69,658	£110,820	£146,282
General betting : standard	£1,571	£7,077	£16,860	£38,705	£222,990	£12,733	£35,885	£69,658	£110,820	£146,282
General betting: limited	£200	£467	£1,267			£1,500				
Pool betting	£2,121	£4,083	£4,083			£1,500	£35,885	£69,658	£110,820	£146,282
Betting intermediary	£267	£4,083	£4,083			£12,733	£35,885	£69,658	£110,820	£146,282
Betting intermediary: trading rooms						£1,500	£6,367	£17,942		
Gaming machine general: AGC	£1,564	£6,464	£12,928	£27,812	£38,705					
Gaming machine general: FEC	£1,047	£4,683	£9,365	£22,352	£37,579					
Gaming machine technical: full	£2,961	£6,325	£14,883			£6,367	£17,942	£34,829		
Gaming machine technical: supplier	£1,201	£3,243	£4,083			£6,367	£17,942	£34,829		
Gaming machine technical: software	£1,535	£3,861	£6,188			£6,367	£17,942	£34,829		
Gambling software	£1,535	£3,861	£6,188			£6,367	£17,942	£34,829		
Lottery manager	£1,981	£2,261	£2,541			£6,367	£17,942	£34,829		
Society lottery	£348	£692	£1,392			£348	£692	£1,392		

Other Fees

Application for a permit under Section 250(2) - Single gaming machine permit	£25
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Ancillary Licence Type	Fees	
	Application	Annual
Hand held terminals	£100	£25
General betting	£100	£25
Bingo: National game	£100	£25
Gaming machine technical: software	£100	£25

Linked Licence Fees

Remote Linked Licence Type	Fees	
	Application	Annual
Gaming machine technical: software	£165	£375
Gambling software	£165	£375

Non-remote Linked Licence Type	Fees	
	Application	Annual
Gaming machine technical: supplier	£364	£500
Gaming machine technical: software	£364	£500
Gambling software	£364	£500

Appendix 2 - Authority to set fees

- 1, The Act contains powers for the Secretary of State to prescribe and the Commission to charge various fees for performing its licensing and regulatory activities.
2. The fees relating to operating licences are,
 - Application Fees, payable by anyone applying for an operating licence (section 69);
 - Annual fees, payable annually by all operating licence holders for the maintenance of their licence (section 100) to meet the costs of the Commission's compliance and enforcement activities in maintaining the licence, which is indefinite in duration;
 - Change or Variation of Licence fees, payable by holders of operating licences when applying for specific types of amendment to the licence (section 101 (change of circumstance) or section 104 (variation of licence));
 - Change of Control fees, payable when seeking a determination that an operating licence can continue to have effect following changes in the corporate control of the licence holder (section 102) and
 - Copy of Licence fee, payable for the provision of a replacement copy of an operating licence (section 107).
3. The Act provides similar fee-setting powers in relation to personal licences. The Act allows for application fees, change and variation of licence fees and copy of licence fees (section 128). There are powers to set a periodic maintenance fee for a personal licence, which need not be annual, (section 132).
4. All of these fees are set by the Secretary of State through regulations, subject to the negative resolution procedure in Parliament. In all cases, the Secretary of State has the power to set the fees differentially, according to the class or type of licence, type of activity, or particular cases or circumstances (section 355(1), together with sections 69(5), 100(3), 132(3)).
5. The Commission itself can set fees for making registers containing information about licences available to the public (section 106). These fees must not exceed the reasonable cost of providing the service (section 106(3)).

Appendix 3 - Basis for setting fees

1. This section sets out how fees are calculated, describing the costs which will be included in the assessment of the fee levels and, where relevant, the basis of the allocation of central costs to the particular fees.

Cost of service provided

2. In pursuit of its licensing objectives the main duties and functions that the Commission will undertake, the costs of which will be recovered from licence and other fees, are:
 - Issuing operating licences to authorise commercial gambling operators to provide facilities for gambling;
 - Issuing personal licences to authorise personnel working in the gambling industry to perform the functions of a specified management office PML or a specified operational function PFL;
 - Setting general conditions for operating licences and personal licences and any individual licence conditions considered appropriate;
 - Issuing codes of practice about how facilities for gambling are provided;
 - Monitoring licence holders and advising both licence holders and local authorities to ensure compliance with licence conditions and the law; and
 - Investigating and prosecuting illegal gambling and other offences under the Act.
3. In line with HM Treasury's Fees and Charges Guide, the proposed fees reflect the costs to the Commission in undertaking the above duties associated with the operation and administration of the regulatory and licensing regime. These costs include the full direct and allocated costs (including depreciation) of the regulatory and licensing regime allocated appropriately to avoid any cross subsidisation between categories and types of fees.
4. The Commission is developing its understanding of and intelligence on the nature and scale of illegal activity outside the licensed sector, but it remains difficult at present to forecast the precise extent of the Commission's activity in the unlicensed sector. Although the Commission has started enforcement action in a number of areas, with only a few months' experience we are not yet able to judge the actual cost of such activities or indeed the extent of unlicensed provision with any more certainty than last year. For these reasons, the Commission has decided that, for the time being, the resources available for enforcement work will remain unchanged.
5. One area where the Commission has found that it is carrying out more work than forecast is in liaising with local authorities. This reflects the arrangements for operating and premises licensing and any resulting compliance and enforcement work. This is clearly worthwhile and useful work during the establishment of a new regulatory regime and an investment for future collaborative and efficient working which will benefit both the regulators and the industry. Therefore, it has been included as one of the costs that the fees will cover (See Appendix 1).
6. The annual fees proposed include compliance costs from 1 August 2008 and as last year, an element of the costs of establishing the Commission's compliance and enforcement function. To ensure equity of treatment, the recovery of the latter costs will be spread over the Commission's first five years, of which this is the second year.
7. The costs to be recovered from fees do not include:
 - Costs of the prevalence studies and any other specified research, which will continue to be funded by grant in aid. (Although a prevalence study has been completed this year, the initial planning of the next one in September 2009 is already underway);
 - Costs associated with prosecution and enforcement that are recovered by way of cost awards;
 - Costs associated with reviews where costs are recovered as a part of a financial penalty under section 121; and
 - Costs associated with the residual licensing work required under the Gaming Act 1968 in relation to those casino applications not yet dealt with by local justices.

Appendix 4 - Changes to the arrangements for calculating fees for remote gambling operators

1. A revised approach to calculating fees for remote gambling which is driven by a random number generator (RNG) is set out in paragraphs 52 to 60 of the paper. This appendix sets out an illustrative framework for fees that would be charged under such an arrangement.
2. These proposed fees cover the RNG group – casino, bingo and betting on virtual events. An illustrative table of fees against bandings of gross gambling yield¹ (GGY) and a standard additional licence fee to cover the complexity of combining these licences is set out below.

Illustrative fees framework for remote casino, bingo and betting on virtual events– application fees

Category	Aggregate GGY		Fee
	From	To	
	£ms	£ms	
1		0.5	3,087
2	0.5	5	7,546
3	5	25	17,130
4	25	100	20,580
5	100	250	30,148
6	250	500	39,569
7	500		39,569

I Standard additional application licence fee: £1,029 (payable for the first and subsequent combined licences)

Illustrative fees framework for remote casino, bingo and betting on virtual events– annual fees

Category	Aggregate GGY		Fee
	From	To	
	£ms	£ms	
1		0.5	3,000
2	0.5	5	9,000
3	5	25	12,733
4	25	100	35,885
5	100	250	69,658
6	250	500	110,820
7	500		146,282

Standard additional annual licence fee: £2,500 (payable for the first and subsequent combined licences)

Example

¹ Gross gambling yield is calculated as the total amount paid to the licensee in stakes and/or other amounts (fees and sales) directly in connection with the activities authorised by the licence, as defined in S.I. 2006 No.3284

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Gamco provides remote casino, bingo, betting on virtual events and betting on real events. The GGY for each activity is:

	GGY (£ms)
Casino	50
Bingo	20
Betting (virtual)	5
Betting (real)	45

Under existing arrangements, Gamco would require type G licences for remote casino, bingo and betting, giving an annual fee of £99,559.60 after the standard discount and based on the increased fees proposed in this consultation

Under the new arrangements, Gamco would require remote casino, bingo, remote (virtual event) betting and remote (real event) betting licences:

- The remote (real event) betting would be covered by a type G licence as under current arrangements (£35,885)
 - The RNG based activity licences would calculate the fee as follows:
 - Aggregate GGY for RNG activities: £75m
 - GGY related annual fee (band 4): £35,885
 - Standard additional licence fee for combining extra two activities: £5,000
 - Total RNG activity fee: £40,885
 - Total fee (after 10% discount) £73,181.50
3. The Commission does not yet have comprehensive data on the combinations of GGY for operators. A model will be placed on the Commission's web site to allow operators to check their positions and we will welcome comments on the workings of this arrangement for individual operators.

Appendix 5

Initial Impact Assessment

Summary: Intervention & Options

Published: March 2008

Department /Agency: Gambling Commission		Title: Gambling Commission Fees from August 2008	
Stage: Review		Version: 1	Date: March 2008
Related Publications: Proposals for Gambling Commission Fees – Consultation Paper (DCMS, July 2006); Summary of Responses to ‘Proposals for Gambling Commission Fees – Consultation Paper’ (DCMS, December 2006); The Gambling (Operating Licence and Single-Machine Permit Fees) Regulations 2006 (The Stationery Office, December 2006); The Gambling (Personal Licence Fees) Regulations 2006 (The Stationery Office, December 2006).			

Available to view or download at: www.culture.gov.uk

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What is the problem under consideration? Why is government intervention necessary?

Under the Gambling Act 2005 persons wishing to provide gambling facilities and opportunities to the public must first purchase a licence from the Gambling Commission, the body responsible for regulating gambling in Great Britain. This requirement came into full effect on 1 September 2007 and the Department for Culture, Media and Sport (DCMS) and the Commission have agreed that the level of licence fees will be kept under review and modified annually if necessary. The consultation document published alongside this assessment sets out proposals to modify the fee structure with effect from 1st August 2008.

What are the policy objectives and the intended effects?

The objective of the fee structure is to enable the Commission to recover its operating costs in full (and no more) while ensuring fairness and value for money in regulating the gambling industry. The principle underlying this approach is that the fee paid by licensees will reflect the resources expended by the Commission on ensuring licensees comply with the licensing objectives set out in the Act. This ensures that one sector or class of operator does not subsidise another. Thus, fee levels vary according to the sector and size of the licensee. Since the fee levels set from September 2007 were based on assumptions about the extent of the Commission’s activities, DCMS agreed that they would be reviewed after one year to check that the assumptions were correct.

What policy options have been considered? Please justify any preferred option.

1. No change to the existing fee structure.
2. A package of measures as set out in the consultation document and summarised in the assessment of options in this Impact Assessment. **This is the preferred option** as, based on available information, this best meets the objective of ensuring that the Commission is adequately resourced to carry out its regulatory functions while at the same time ensuring fairness for the gambling industry.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

This is a review stage assessment, but licence fees will be kept under review by DCMS and the Commission and further changes will be made in future years if that is felt to be appropriate.

Ministerial sign-off

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the Minister for Sport:

..... Date:

Gerry Sutcliffe

Summary: Analysis & Evidence

COSTS	ANNUAL COSTS		<p>Key monetised costs by main affected groups.</p> <p>The Commission predicts that it will receive approximately 400 operator licence applications next year. Based on the uplift of 4% on application fees the industry will incur the additional cost of £24,078 compared to the 2007 fees.</p> <p>The uplift to the annual fees for large operators will affect approximately 83 licensed operators. The industry will incur an increase of £214,948 on the annual fees during one year.</p>
	One-off	Yrs	
	£		
	Average Annual Cost (excluding one-off)		
	£ 239,026		
		Total Cost (PV)	£ 239,026
Key non-monetised costs by main affected groups. None identified.			

BENEFITS	ANNUAL BENEFITS		<p>Key monetised benefits by main affected groups.</p> <p>The reduction in annual fees for some of the smallest operators will affect 1369 licensed operators. The cost to the industry will fall by £230,000 during one year.</p>
	One-off	Yrs	
	£		
	Average Annual Benefit (excluding one-off)		
	£230,000		
		Total Benefit (PV)	£230,000
Key non-monetised benefits by main affected groups Full set of licence types issued to operators			

Key Assumptions/Sensitivities/Risks

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	Net Benefit (NPV Best estimate) £		
What is the geographic coverage of the policy/option?		Great Britain			
On what date will the policy be implemented?		1 st August 2008			
Which organisation(s) will enforce the policy?		Gambling Commission			
What is the total annual cost of enforcement for these organisations?		n/a			
Does enforcement comply with Hampton principles?		Yes			
Will implementation go beyond minimum EU requirements?		n/a			
What is the value of the proposed offsetting measure per year?		n/a			
What is the value of changes in greenhouse gas emissions?		n/a			
Will the proposal have a significant impact on competition?		No			
Annual cost (£-£) per organisation (excluding one-off)		Micro - £ 168	Small £ 0	Medium £ 0	Large £ 2590
Are any of these organisations exempt?		No	No	No	No
Impact on Admin Burdens Baseline (2005 process)				(Increase – Decrease)	
Increase of	£ 0	Decrease of	£ 0	Net Impact	£ 0

Evidence Base

What is the problem under consideration?

Summary

1. Under the Gambling Act 2005 (the Act) persons wishing to provide commercial gambling facilities and opportunities to the public must first purchase a licence from the Gambling Commission, the body responsible for regulating gambling in Great Britain, and thereafter pay regular fees to maintain their licences. Fee levels are set by the Secretary of State for Culture, Media and Sports to enable the Commission to recover its operating costs in full while at the same time ensuring fairness and value for money in regulating the gambling industry.
2. The regulatory regime instituted by the Act came into full effect on 1st September 2007, although licences could be applied for from 1st January 2007. Following a joint consultation exercise with the Commission, the Department for Culture, Media and Sport set fee levels to apply from that date. Since this was a new regime, the Department and the Commission agreed to review fees after one year to ensure that the assumptions underlying the regime were correct and to see whether improvements might be made.
3. In the consultation, paper 'Proposals for Gambling Commission Fees for August 2008' the Commission and the Department set out proposals for modifying the fee structure with effect from 1st August 2008. This Impact Assessment looks at the impact of the proposals on the gambling industry.

Background

4. The Act put in place new arrangements for regulating gambling in Great Britain and repealed previous legislation, such as the Betting, Gaming and Lotteries Act 1963, the Gaming Act 1968 and the Lotteries and Amusements Act 1976. The Act also established the Gambling Commission as the body responsible for regulating all gambling in Great Britain, except the National Lottery and spread betting which are regulated by the National Lottery Commission and the Financial Services Authority respectively.
5. Government policy on fees, charges and levies charged by public bodies is set out in *Managing Public Money* published by HM Treasury in July 2007. This states the general principle that fees should be set to recover the full cost of the service provided. This principle applies in the case of gambling licences even though the function of the Commission is to regulate the gambling industry in the public interest, rather than to provide a service to the industry.
7. The Commission issues two types of gambling licence: operating and personal. Both are subject to a one-off application fee. Under the fee structure in place from 1st September 2007, fees for operator licences are based on fee bands and vary according to the sector and the appropriate fee band. Fee bands are based on either:
 - number of licensed premises owned by an operator (bingo, standard betting and arcades)
 - gross gambling yield (existing casinos, pool betting, betting intermediaries and remote casino, bingo and betting)
 - annual gross sales (gaming machines)
 - annual proceeds (lotteries)
 - size of premises (new casinos) or
 - number of working days (limited betting – e.g. on-course bookmakers).

GAMBLING ACT 2005 - PROPOSALS FOR GAMBLING COMMISSION FEES FROM 1ST AUGUST 2008

8. Operators must pay an annual fee to keep the licence. The level of annual fees is also determined by fee band.
9. There are two categories of personal licence:
 - personal management licence – required by all persons who occupy a specified management office in respect of the holder of an operating licence; and
 - personal functional licence – required by those individuals who perform any function which enables them to influence the outcome of gambling or who are involved in the receiving or paying of money in connection with gambling.
10. There is a flat rate for personal licence applications, which do not have an annual fee, although a maintenance fee is payable five years after the licence has been issued.
11. Fees are also payable to the Commission should the licence holder wish to change or vary an operating or personal licence. These fees are charged based on the average effort (and therefore cost) relative to the variation.
12. Any person providing commercial gambling opportunities to the public from fixed premises, rather than remotely, will need to purchase a premises licence from the relevant local authority. Premises licences are subject to an annual fee set by the local authority. As they are not administered by the Commission, premises licences were not included in the review of licence fees and hence are not considered in this Impact Assessment.

Why is government intervention necessary?

13. When fee levels were set for the first year of the new regulatory regime, the Department for Culture, Media and Sport and the Gambling Commission agreed to review fees in light of actual experience of licensing and compliance activity and, if necessary, to make changes with effect from 1st August 2008. Since licensing arrangements have been in place since 1st January 2007 it is the view of the Department and the Commission that there is sufficient evidence now to justify the proposed changes to fees.

Policy Objectives

14. The objective of this intervention is to improve the fee structure in terms of setting fee levels at a level, which enables full cost recovery of the Commission's licensing and compliance activities whilst ensuring fairness and value for money in regulating the gambling industry. This in turn underpins the Commission's functions, duties and powers in pursuing its three overarching licensing objectives set out in the Act. These are:
 - preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime,
 - ensuring that gambling is conducted in a fair and open way, and
 - protecting children and other vulnerable persons from being harmed or exploited by gambling.

Intended effects

16. The intended effect of the review of licence fees are to set a level, which enables full cost recovery of the Commission's licensing and regulatory activities whilst ensuring fairness and value for money for the gambling industry.
17. The wider intention behind the Act and the regulatory regime it put in place was to reform and update the regulation of the gambling industry and in so doing to limit gambling's potential for personal and

social harm. The outcome the Department and the Commission are seeking therefore is a well-regulated and socially responsible industry.

Consultation

18. The gambling industry and a wide range of other stakeholders who have an interest in the proposals in the document Proposals for Gambling Commission Fees for September 2008, published in March 2008.
19. Further text and information on representations made once consultation is concluded and representations analysed will be added here.
20. Further text and information on DCMS/Commission response to representations once that response has been issued will be added here.

Assessment of the policy options

21. The assessment of policy options is determined primarily by the availability of evidence on which to base changes. As has been noted above, the Department and the Commission agreed to review fees after one year of the new regulatory regime to ensure that the regime was working as intended and to see whether improvements might be made. In view of the relatively short time since the new regime has been in place, and hence the limited opportunity to gather evidence, only minor adjustments are being proposed (apart from the option of making a significant change to the way in which remote licence fees are calculated). The Department and the Commission do not consider that at present there are grounds for making more far-reaching changes, although that does remain a possibility for the future.

Options

Option 1: Do not make any changes to the current fees for operating and personal licences.

22. The Department and the Commission consider that making no changes is not a viable option, as a commitment was made to review the fee structure last year and further evidence exists since the new fee regime came into operation. The purpose of the fee review under consideration here is to assess whether the existing assumptions of effort and the numbers of licences are working as expected, and to make changes where justified by the evidence. Since there is evidence that changes are warranted, and could be implemented without undue disruption, it would be unacceptable to reject the opportunity of making improvements to the fee structure in favour of the status quo. This option is therefore rejected.

Option 2: A package of modifications as set out in the consultation document and summarised in the assessment of options in this Impact Assessment.

23. Based on available information, this option best meets the objective of ensuring that the Commission is adequately resourced to carry out its regulatory functions while at the same time ensuring fairness in regulating the gambling industry.

The package is made up of the following measures:

- a. Revised application workloads and fees for remote casino, bingo, general betting, betting intermediaries and gambling software;

GAMBLING ACT 2005 - PROPOSALS FOR GAMBLING COMMISSION FEES FROM 1ST AUGUST 2008

- b. Application fees for all other operating licences to be increased by approximately 4% to reflect changes in workload and cost assumptions
- c. The annual fees to be reduced for the small operators to reflect reduced workload and cost assumptions.
- d. The annual fees to be increased for the large operators to reflect increased workload and cost assumptions.
- e. Additional size categories for some non-remote and remote licences to reflect effort assumptions more closely.
- f. New categories of non-remote linked licences to be created for non-remote gaming machine technical suppliers, gaming machine software and gambling software licences.
- g. Ancillary remote licences for hand held terminals to be integrated into a single generic licence for use of hand held terminals in any licensed premise.
- h. New categories of linked remote licence types to be created for gaming machine technical and gambling software licences.
- i. New category of restricted remote betting intermediary licence to cater for trading rooms and similar activity
- j. An increase in the charge for variations to operating licence details where a personal declaration is required.
- k. A new variable scale for changes of control fees to reflect the variety of work required.
- l. A proposal for a revised way of calculating fees for remote casino, bingo and betting on virtual events.

Economic impact

24. The package of modifications outlined within Option 2 will have various impacts upon the industry. The modifications are designed to address the anomalies, which have come to light with the existing arrangements. The Department and the Commission consider that the majority of operators will not incur any additional one-off costs. However, it is recognised that a percentage of operators do not have a complete set of licences, which cover all of their business activities, and will incur costs when completing their full set of licences. All operators are required to hold a full set of licences to cover all of their business activities to prevent contravention of the Gambling Act 2005.
25. Option 2a will significantly reduce application fees for remote casino, and the smallest categories of remote betting intermediaries and gambling software, reflecting revised workload assessments. Application fees for remote general betting and remote bingo will be increased, reflecting revised workload assessments.
26. Option 2b will increase all other operating licence application fees by approximately 4%. The changes reflect a combination of increased costs and a better understanding regarding the effort required to licence an operator. The current fees were set in late 2006 and came into effect from 1st January 2007. The proposed fees will have effect from 1st August 2008 and would apply into 2009. The Department and the Commission believe that, to maintain consistent regulatory effort and to set the most accurate fees for new entrants, this uplift for application fees is justifiable for operating licenses. The Commission predicts that it will receive approximately 400 new operator licence applications next year. The difference in cost between the current fees (2007) and the proposed fees (2008) will be £24,078.
27. Option 2c will reduce the annual fee for some of the smallest operators compared to the full-year cost outlined in 2006 fees regulation. As the compliance and enforcement arrangements have only been in place since 1st September 2007, the information here on resource requirements is more limited. Nevertheless, it is the view of the Department and the Commission that there is sufficient evidence now to justify the reduction. The reduced fee also reflects the relative workload and lower unit costs, which are applicable to some of the smallest operators. The reduction in annual fees for some of the smallest operators will affect 1369 licensed operators. The cost to the industry will fall by £230,000 during one year.

28. Option 2d will uplift the annual fee for large operators compared to the full-year cost outlined in 2006 fees regulation. The changes to the annual fee reflects a combination of increased costs, efficiency savings, differential day rates and an assumption that the visit pattern and resources shift towards larger operators to reflect the levels of work required for the corporate review work. The Department and the Commission recognise that the information on resource requirements for compliance and enforcement arrangements is limited, as they have only been in place since 1st September 2007. Nevertheless, it is the view of the Department and the Commission that there is sufficient evidence available to justify the change. The uplift to the annual fees for large operators will affect approximately 83 licensed operators. The industry will incur an increase of £214,948 in annual fees during one year.
29. Option 2e will create additional size categories for non-remote and remote licences to reflect effort assumptions more closely. The Commission and the Department have recognised that the original assumptions regarding the size of casino operators need to be reassessed. The number of medium sized operators and very large operators has been underestimated and as a result, the current fee structure does not reflect the widely varying compliance requirements. The creation of the additional size categories for the medium-small operators and very large operators is to properly reflect the compliance effort.
30. Option 2f will create new linked licence types with the gross value up to £50,000 for non-remote gaming machine technical suppliers and gaming machine software and gambling software. The Department and the Commission are aware that a number of operators who have gaming machines also maintain their own machines. At present, this arrangement requires them to hold a suppliers licence for the maintenance of the machines in addition to whatever permissions they have for making machines available for use. However, it is clear that the regulatory risk posed by carrying out this additional task is relatively slight and this option will address this problem. Additional guidance has been prepared which will go out to those affected separately to further explain what tasks trigger the need for this type of licence.
31. Option 2g will combine remote ancillary casino and remote ancillary bingo licences for hand held terminals into an integrated single generic licence, which will allow the use of hand held terminals in any licensed premise. At present, some terminals are being made available within premises outside of the current licence. Therefore, the redefinition into an integrated single licence will capture all licensed premises.
32. Option 2h will create new linked licence types with the gross value up to £50,000 for remote gambling software and gaming machine technical software. The amendment to the structure of remote ancillary licences is to address the fact that a number of non-remote operators require a remote licence for a small element of their business activities, which does not always involve direct contact with gamblers. The Department and the Commission view this as a low risk activity and therefore the compliance costs will consequently be moderate as well. The category will also capture existing operators completing their full set of licences, existing operators with a gross gambling yield value less than £50,000 and new very small businesses probably in start up mode.
33. Option 2i will create new category of restricted remote betting intermediary licence to cater for trading rooms and similar types of operators. The Commission and the Department recognise that a number of people use the facilities of dedicated trading rooms in order to connect to Betfair or other betting operators. Under the current arrangements, the provision of such trading rooms would require a remote betting intermediary's licence. However, it is accepted that the majority of the regulatory risk posed falls on the operators to which the trading room is connected and not on the operator of the trading room itself. Therefore, while regulation is required it should be relatively light touch.
34. Option 2j will create a second higher level for the change details variation (where changes are required to the details that appear on an existing licence). At present only one level of the change details variation exists, and incurs the administrative fee of £25. However, this administrative fee does not cover the costs when a change of details variation requires the investigation of a new individual. Where a Personal Declaration – Annex A form has to be completed, the cost is much greater than the current £25 fee. The Department and the Commission believe that, to maintain

consistent regulatory effort a second higher-level fee of £100 will be applicable when a Personal Declaration – Annex A is required.

35. Option 2k will create two new additional levels for the change of control variation. At present, only one level exists, which has a fee of 75% of the standard application. This fee structure does not take into consideration situations when the entity making the acquisition is already known to the Commission. Therefore, the Department and the Commission consider the introduction of a three levels of charges for change of control variation.
- The first level would be where the acquiring entity is an existing Commission licence holder and there are no changes to financial or operational structures. An administrative charge of £100 would be charged.
 - The second level two would be where the acquiring entity is an existing Commission licence holder and there are financial or operational structure changes. A fee of 50% of the standard application fee will be charged.
 - The third level would be where the entity making the acquisition is not licensed by the Commission. A fee of 75% of the standard application fee will be charged.
33. Option 2l is a proposal for a new way of calculating fees for some types of remote providers. This is further detailed within Appendix 4 of the consultation document.

Competition assessment

34. The Department and the Commission do not expect any significant changes in the structure of the gambling industry as a result of the proposed fee changes. The requirement is applied across all of the licensed commercial gambling industry in Great Britain, except the National Lottery and spread betting, which are regulated by other authorities. While the cost of new licences will increase, the Department and the Commission consider that this in itself will not deter possible new entrants to the market. The increase is intended only to offset increased costs, which cannot be dealt with in efficiency savings.
35. A simple competition assessment of this proposal has been undertaken in accordance with Better Regulation Executive/Office of Fair Trade guidance and has concluded that a full competition assessment is unnecessary. The fees proposed reflect the regulatory costs as they relate to their licensing activities, which in turn reflect the risks and complexity posed to the statutory licensing objectives of the Commission. Thus, large complex, higher risk operations will be charged at a higher rate than smaller simpler and lower risk operations. This is because although the costs of research and design will be similar no matter what the size of the gambling operation, monitoring and enforcement costs are both likely to increase as the size, complexity and risk of the operation increases. In addition, the fee levels do not become an unreasonable barrier for businesses wishing to operate in the gambling industry. The proposals are designed to be fair to all sectors of the gambling industry, whilst taking into account the size and of a business within a particular sector in determining the level of fees.
36. The Act removes restrictions and statutory requirements for businesses that may act as impediments to entry. The proposed fees will in all probability be passed on to customers. They are unlikely to affect competition between firms in the same sub-sector of the industry.
37. This form of differential pricing is unlikely to affect the structure of the industry or the number or size of firms. This is because the charges will be small relative to turnover or profitability. Moreover, they will affect existing firms in the same way as new firms both in terms of set up and on going costs.
38. The gambling sector is characterised by rapid technological change. Recent years have witnessed major changes in the mechanisation of many forms of gambling. This trend is likely to continue and is unlikely to be affected by the proposed changes. In particular, there is nothing in the changes, which affects the ability of firms to choose the price, quality, range or location of their product. Indeed, the

Act incorporates a high degree of regulatory flexibility making it less likely than in the past that the licensing regime itself influences the structure of the gambling industry.

39. The overall conditions of competition in the British gambling industry are unlikely to be materially affected by the proposed changes.

Small firms impact test

41. The fee structure is designed to reflect the relative risk of operators in relation to the Commission's compliance activities – higher fees reflect higher levels of compliance activity. Thus smaller operators are required to pay lower fees than larger operators since they are judged a lower risk, and this is underlined by the proposal that annual fees for small operators will be reduced to reflect reduced workload and cost assumptions. This principle of proportionate charging, which ensures fairness to smaller operators, is not affected by the proposed changes to fees.
40. The package of modifications outlined within Option 2, re-balances the fee structure by addressing the anomalies, which have come to light with the existing arrangements. The reduction in annual fees for the small operators is justified by information available regarding the resource requirements for compliance and enforcement. The information also reflects the increased levels of work required for the corporate review work for larger operators and the consequent increase in the annual fees.
42. Trade organisations that have both large and small operators as members and the Department for Business Enterprise & Regulatory Reform (BERR)'s Enterprise Directorate will be consulted on the proposed changes to the fee structure. The Department and the Commission's objectives, within the overall framework for effective regulation, will be to minimise any disproportionate impact on small businesses.
43. Neither the Department nor the Commission consider that the regulation will unfairly impact upon small firms or new entrants into the gambling industry. However, these changes enable the Commission to re-balance the fee structure by addressing the anomalies, which have come to light with the existing arrangements. This is in accordance of the Government's commitment through BERR's Enterprise Directorate support of small businesses.

Legal aid

44. Neither the Department nor the Commission consider that the regulation will have any impact on demand for legal aid. Under the provisions of the Act, individuals are required by law to pay fees to purchase and maintain licences.

Sustainable development and environmental impact

45. Neither the Department nor the Commission consider that there are any significant environmental considerations (such as in respect of sustainable development or carbon emissions) attributable to actions taken by the industry in complying with the regulation.

Health impact

46. The changes to the Commission's fees do not in themselves have implications for health. However, the changes enable the Commission to carry out its functions effectively. This includes working with partners in Government and the industry to ensure that gambling is conducted in a socially responsible way and that steps are taken to reduce problem gambling. This is a health matter to the extent that the problems associated with excessive gambling are evident not only in the finances and material well-being of those affected by it, but also in their physical and mental health.

Impact on equality and human rights

47. As a public body, the Commission has specific responsibilities to promote equality and eliminate unlawful discrimination, and must assess all of its proposed policies and practices in relation to their consequences in this regard.
48. Neither the Department nor the Commission consider that the changes to the fees will have any impact on equality or human rights issues; but the Commission will provide operators with any advice and support they may need to adjust to the new fee structure.

Impact on rural areas

49. There is no reason to suppose that operators or outlets located in rural areas will be at a disadvantage from this measure. Neither the Department nor the Commission consider that the requirement will have a differential impact on rural areas.

Sectors and Groups affected by the regulation

50. All sectors of the gambling industry, except the National Lottery and spread betting, are affected by the regulation. This includes anyone wishing to enter the industry or to sell specialist equipment to it and the potential and actual staff employed in key roles. This numbers some 4,000 operators, varying from some of the biggest entertainment companies in Great Britain to owner/operators of single arcades and betting shops.

Future considerations

51. As the consultation document, points out we are at the early stages of the implementation of this legislation and as a result the arrangements and priorities for the future are likely to change and such changes may impact differently on the industry. For example, we are not yet able to predict the level of enforcement activity with any accuracy. We have made the assumption in the consultation that we will be carrying out roughly the level of enforcement activity envisaged in the original planning assumptions for the Commission. However, it is becoming clear that the regulatory arrangements around playing of poker are such that considerable effort may have to be expended in order to ensure that this popular activity is carried out legally. Similarly, in the machines area, the illegal supply and locating of machines looks likely to need considerable effort. In addition, recent legislation on money laundering may well result in the need for increased compliance and enforcement activity beyond that already planned.
52. Changes to technology and business models always present a challenge to the regulator to ensure that the regulation is proportionate and properly focussed and new developments can radically change the face of the industry. Similarly, there is evidence at present of a degree of consolidation among certain sectors; this too may change the regulatory environment.
53. Finally, the industry and the trade associations have stated often that among licensed operators the level of non-compliance with the new legislation will be very low. If this proves to be the case then the resources devoted to compliance activity could well be different to those assumed at present.



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