



department for  
**culture, media  
and sport**

# Gambling Act 2005:

Proposals for Gambling Commission Fees from 6 April 2012

22 September 2011

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: Overview

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## **Background**

- 1.1 The Gambling Act 2005 (the Act) gives the Secretary of State for Culture, Olympics, Media and Sport the power to make regulations setting fees to be paid to the Gambling Commission (the Commission) for operating and personal licences. In doing so, the Secretary of State intends to ensure such fees are set in accordance with the Act and HM Treasury's rules and guidance on fees, levies and charges set out in *Managing Public Money*<sup>1</sup> and at a level that enables the Commission to recover the full costs of delivering its responsibilities, with no cross subsidies and ensuring fairness and value for money for the gambling industry.
- 1.2 This is a joint consultation exercise by the Department for Culture, Media and Sport (the Department) and the Commission, on proposals put forward by the Commission as a result of the regular fees review, but also to further the Government's drive to reduce regulatory burdens.
- 1.3 With the experience of over three years of regulating on the basis of the Act to draw on, the Commission has further assessed and reviewed its workload, costs and fees. In the light of that experience, and the government's policies on deregulation and on arm's length bodies, the Commission is proposing a number of changes designed to reduce the burden of regulation so far as possible and to recover the costs of regulation more equitably.
- 1.4 This consultation paper describes in more detail the proposed fees and the Commission's approach and cost basis as a background to these. The changes in fees will come into effect on the 'common commencement' date of 6 April 2012. This date will help businesses to manage their affairs, by ensuring that the proposed fees which reflect the outcome of those discussions take effect before licensees are due to pay their 2012 annual fee.
- 1.5 This consultation paper sets out the Commission's proposals for the fee levels to apply from 6 April 2012 to allow the Commission to achieve full cost recovery in the fee year 2012-13 and invites comments on them. The proposed fees are at **Appendix 1**. The fee regulations will be subject to the 'negative resolution' procedure in Parliament. An initial impact assessment is attached at **Appendix 2**.

## **Summary**

- 1.6 Despite the various upward pressures on the Commission's costs (described more fully in the paper), the Commission proposes to reflect the benefit of sustained efficiency savings and more targeted compliance and enforcement efforts (where the balance of the Commission's effort continues to shift even more towards the larger and higher impact operators) by maintaining the overall fee burden on the industry at the level set in cash terms in 2009, representing a significant reduction in real terms. The Commission regulates an industry with

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<sup>1</sup> *Managing Public Money* HMT, October 2007

a gross gambling yield (GGY) of around £5.6 billion<sup>2</sup>. The Commission's costs of £14.27m in 2008/9 and £12.86m in 2009/10, the latest years for which we have GGY figures, represent 0.25% and 0.23% respectively of the industry's GGY in those years. The Commission's projected costs of £12.33m for the year 2012/13 when the proposed fees come into effect would represent 0.22% of the current industry GGY. Although industry yield may of course fluctuate year-on-year, costs have been reduced both in cash terms and real terms, as detailed in Table 4.

- 1.7 The proposals reflect the continuing shift in focus of compliance and enforcement activity, and use the accumulated experience of three years operating under the 2005 Act to recover the necessary costs of regulation more equitably across operators in each sector, and between sectors. Most non-remote operators would see reductions in annual fees after April 2012. Fees would remain unchanged for around half of all operators, although a few operators, particularly larger organisations in the betting sector, would see significant increases. The proposals also take the opportunity to correct some anomalies which have emerged since fees were first set and to reduce the administrative burden the current fee structure imposes on day-to-day business operations. The principle underpinning the proposed fees structure is that there will be no cross-subsidisation.
- 1.8 In particular the Commission's main proposals entail:
- splitting the non-remote fee bands for the larger adult gaming centre and general betting (standard) operators (categories D and E) to ensure that the smaller operators in those bands do not cross subsidise the larger ones by bearing a disproportionate share of that sector's regulatory costs.
  - a shift in the cost recovery from smaller operators to larger ones for non-remote operators holding the general betting (standard), adult gaming centre, family entertainment centre and bingo licences, reflecting the move away from visits and involvement with smaller operators. Reductions averaging 7% are proposed for the smaller operators (categories A and B) with increases averaging just under 10% being proposed for larger operators (categories D and E). For a handful of betting operators (where current fee bands have been sub-divided to ensure that regulatory costs are shared more equitably among the operators within those bands) the overall combined fee increase is significant.
  - changes to fees and banding for non-remote and remote external lottery managers (ELMs), non-remote pool betting and some remote betting fee categories, to enable fees to reflect better the actual regulatory costs.
  - (deregulatory) reductions in some of the fees charged for operating licences when applications are made to change the legal entity of the licence holder or to continue the business of a deceased sole proprietor or dissolved partnership, to best reflect regulatory costs. Following a review of the regulatory effort involved, we believe it is possible to reduce the fees in these circumstances to best reflect the costs of processing licence applications and regulating new entities.
  - changed arrangements for first annual fees for 2005 Act casino operators to make the fees charged more accurately reflect costs to the Commission.

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<sup>2</sup> [Gambling Industry statistics 2009/2010 - update covering 1 October 2009 to 30 September 2010](#)

- various minor and technical changes to ensure fees accurately reflect the full costs incurred by the Commission and avoid accidental over-recovery.

### How to respond to the consultation document

- 1.9 The Secretary of State and the Commission welcome comments on these proposals and the initial Impact Assessment 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/](http://www.culture.gov.uk/) and [www.gamblingcommission.gov.uk/](http://www.gamblingcommission.gov.uk/)). The closing date for responses is **15 December 2011**. Please send your comments by e-mail to [Gambling.fees.consultation@culture.gsi.gov.uk](mailto:Gambling.fees.consultation@culture.gsi.gov.uk) or to:-

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copied to [consultation@gamblingcommission.gov.uk](mailto:consultation@gamblingcommission.gov.uk) or to

Consultation Coordinator  
Gambling Commission  
Victoria Square House  
Victoria Square  
Birmingham  
B2 4BP

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.

## Section 2: Introduction

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### Role of the Gambling Commission

- 2.1 The Commission 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. It 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 (NLC)<sup>3</sup>, or spread betting, which remains the responsibility of the Financial Services Authority (FSA).
- 2.2 The Commission licenses new applicants for operating licences and issues personal licences to relevant personnel who are required to hold a personal management or functional licence. It maintains existing operating and personal licences, dealing with applications for variations of and changes to licences. The Commission carries out compliance and enforcement work under the Act in relation to both licensed and unlicensed operators. It has a duty to advise central and local government on the impact of gambling and its regulation.
- 2.3 The Commission has been fully operational since September 2007 and has expended considerable effort on improving data on the industry from regulatory returns and the Commission's compliance work, which is essential for an effective assessment of scale and risk and fair allocation of costs for fees purposes. This effort has supported the development of the Commission's risk based approach, compliant with Hampton Principles<sup>4</sup>. The Department and the Commission have also been considering the implications for the Commission's work of the Government's policies on localism, deregulation and on arm's length bodies.
- 2.4 The Commission has drawn on its experience gained from three years of operation and these discussions to propose revised fees more closely aligned to actual costs expended and planned in the different sectors and on different types of regulatory activity than was the case when fees had been set previously. The proposals reflect the continuing difficult economic climate and seek to minimise the burden of regulation on operators wherever possible. They assume a further £0.5m cost saving over both this financial year and next on top of the £1.4m secured since the last fee review despite the continued scale and popularity of gambling in Great Britain (as evidenced by the recent Gambling Prevalence Survey<sup>5</sup>), and consequent pressure on Commission resources.

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<sup>3</sup> The Government proposes to merge the NLC and the Commission under its arm's length bodies proposals. Any merger is not expected to happen before Summer/Autumn 2012 and is subject to Parliamentary approval.

<sup>4</sup> [Reducing administrative burdens: effective inspection and enforcement. Philip Hampton HMT March 2005](#)

<sup>5</sup> [British Gambling Prevalence Survey 2010. Wardle et al, National Centre for Social Research 2011.](#)

## Determination of fees by the Secretary of State

- 2.5 The legal framework for setting fees is summarised at **Appendix 3**. In brief, the Secretary of State prescribes the fees the Commission is required to charge for its licences and related activities by means of regulation subject to negative resolution by Parliament. Fees have to be collected in advance, annually in the case of operating licences, and there is no statutory provision for instalments or delay in payments. See para **4.44** for further discussion of this.
- 2.6 Government policy remains, as set out in previous fee consultations, 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 provide and engage in licensed activities. The Department considers that this approach is consistent with good regulatory practice; correspondingly it expects the Commission to continue to operate on a full cost recovery basis, funded by licence fee income but, as exemplified in these proposals, also reducing the regulatory burden and overall fee levels whenever possible for the industry without compromising consumer protection or the other aims of the Act.
- 2.7 The responses to this consultation document setting out the Commission's proposals for fees coming into effect on 6 April 2012 will be taken into account by the Secretary of State in determining what fee regulations to make.

## Structure of document

- 2.8 The remainder of this paper:
- describes the Commission's activities in relation to its four strategic objectives
  - taking into account the forecast size of the various sectors it regulates, provides estimates of the volume of regulatory work over this financial year and next and associated costs and revenue
  - proposes various fee changes to take account of these estimates and to improve the way in which necessary costs are recovered from different parts of the industry
  - considers the alternative option of no change, and
  - poses various consultation questions.



# Section 3: Gambling Commission Regulatory Costs

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## Description of Gambling Commission activities by objectives

- 3.1 The Commission's proposed activity levels and the key cost drivers in 2011/12 and 2012/13 are set out in the following paragraphs. They are considered under each of the Commission's strategic objectives:
- **Regulating gambling in the public interest:** delivering a proportionate regulatory regime which delivers best practice licensing and enforcement and ensures compliance by licensees.
  - **Providing authoritative advice on gambling and its regulation:** building the Commission's knowledge base through knowledge management, intelligence and research.
  - **Engaging with stakeholders:** ensuring that the Commission is accountable, properly balanced and informed in its work.
  - **Developing its employees and organisation:** delivering professional, responsive, accountable and fair regulation.

## Regulating gambling in the public interest (strategic objective 1)

- 3.2 The main drivers for the Commission's work are the volume of gambling activity, the number of licensed operators, and the volume and complexity of compliance and enforcement casework, and of the technical and policy issues put to the Commission. These drive the Commission's assessments of scale and risk and, consequently, its work on compliance, enforcement and licence changes and variations, as well as the basic management of the regulatory regime.

**Table1: Assumed and Actual Workload (volume of licences)**

Sector	April 2005 Original Impact Assessment	Licensed Operators				
		2009/10 Actual	2010/11 Actual	2011/12 Estimate	2012/13 Estimate	
<b>Non-remote operators</b>						
Casino: 2005 Act	17 operators	3	3	5	5	
Casino: 1968 Act	153 casino premises	55	50	43	42	
Bingo	696 bingo clubs	216	228	234	232	
General Betting (Limited)		714	681	642	641	
General Betting (Standard)	4000 bookmakers	650	589	597	589	
Pool Betting	8000 shops	26	23	27	27	
Betting Intermediary		3	2	1	1	
<b>Total Betting</b>		<b>1393</b>	<b>1295</b>	<b>1267</b>	<b>1258</b>	
Gaming machine general: AGC	2000 arcades	632	612	573	575	
Gaming machine general: FEC		319	274	226	227	
<b>Total Arcades</b>		<b>951</b>	<b>886</b>	<b>799</b>	<b>802</b>	
Gaming Machine Technical: Full	750	54	61	62	61	
Gaming Machine Technical: Supplier		582	551	446	445	
Gaming Machine Technical: Software		11	12	13	13	
<b>Total Gaming Machines</b>		<b>647</b>	<b>624</b>	<b>521</b>	<b>519</b>	
Gambling Software		55	50	49	49	
External Lottery Manager	700	28	24	31	31	
Society Lottery		492	420	450	450	
<b>Total Lotteries</b>		<b>520</b>	<b>444</b>	<b>481</b>	<b>481</b>	
<b>Total non-remote</b>		<b>3840</b>	<b>3580</b>	<b>3399</b>	<b>3388</b>	
<b>Remote operators</b>						
Casino: 2005 Act	150	20	18	20	20	
Bingo		9	12	7	7	
General betting (Telephone Only)		40	41	42	41	
General Betting (Standard) (Real Event)		72	73	68	68	
General Betting (Standard) (Virtual Event)		9	18	18	20	
Pool betting		42	53	60	60	
Betting Intermediary		14	10	10	11	
Betting Intermediary: Trading Room only		0	14	22	21	
Gaming Machine Technical: Full		12	12	12	12	
Gaming Machine Technical: Supplier		2	1	0	0	
Gaming Machine Technical: Software		3	5	7	7	
Gambling Software		44	40	39	40	
External Lottery Manager		10	10	17	17	
Society Lottery		50	96	135	135	
<b>Total remote</b>			<b>327</b>	<b>403</b>	<b>457</b>	<b>459</b>
<b>Total all</b>			<b>4167</b>	<b>3983</b>	<b>3856</b>	<b>3847</b>

3.3 **Table 1** sets out the actual workload in terms of number of operating licensees by sector for the periods 2009/2010 and 2010/2011 and estimated workload to 2012/2013. Where available, figures from the original impact assessment are included for comparative purposes. The analysis does not build in the implications of the decision by the government to change its approach to licensing overseas remote gambling operators targeting British consumers.<sup>6</sup> A further consultation will be held on proposed fees for remote operators once the necessary legislation is in place

<sup>6</sup> Written Ministerial Statement on Remote Gambling Policy Proposals  
[http://www.culture.gov.uk/news/ministers\\_speeches/8293.aspx](http://www.culture.gov.uk/news/ministers_speeches/8293.aspx)

- 3.4 **Operating Licences:** The Commission received approximately 350 new applications for operating licences in 2009/10 and approximately 420 in 2010/11, slightly more than had been projected given the economic downturn. The vast majority of these applications in 2010/11 were for the smallest categories of operating licence and include some machine licence conversions. The Commission has assumed that no more than 275 applications will be received in either 2011/12 or 2012/13 given the continuing uncertainties over the economic climate.
- 3.5 In addition, based upon experience to date, the Commission expects a churn rate of approximately 9 to 10%, with a net loss of 1 to 2%, in the amount of operating licences held. Although there is a licence surrender rate of approximately 9 to 10% per annum, many of these are replaced through new applications. It is expected that this rate will continue through 2011/12 and 2012/13. Consolidations and amalgamations will also account for a small decrease in licence volumes.

**Table 2: Estimated number and type of operating licences 2011/12**

Sector	Estimated number of operators 2011/12							Total
	A	B	C	D	E	Total		
<b>Non-remote operators</b>								
Casino: 2005 Act	0	5	0	0	0	5		
Casino: 1968 Act	27	9	5	2	0	43		
Bingo	213	15	4	0	2	234		
General Betting (Limited)	387	228	27	0	0	642		
General Betting (Standard)	548	30	10	5	4	597		
Pool Betting	24	3	0	0	0	27		
Betting Intermediary	1	0	0	0	0	1		
<b>Total Betting</b>	<b>960</b>	<b>261</b>	<b>37</b>	<b>5</b>	<b>4</b>	<b>1267</b>		
Gaming machine general: AGC	479	70	17	5	2	573		
Gaming machine general: FEC	212	9	5	0	0	226		
<b>Total Arcades</b>	<b>691</b>	<b>79</b>	<b>22</b>	<b>5</b>	<b>2</b>	<b>799</b>		
Gaming Machine Technical: Full	34	17	11	0	0	62		
Gaming Machine Technical: Supplier	400	42	4	0	0	446		
Gaming Machine Technical: Software	11	1	1	0	0	13		
<b>Total Gaming Machines</b>	<b>445</b>	<b>60</b>	<b>16</b>	<b>0</b>	<b>0</b>	<b>521</b>		
Gambling Software	35	12	2	0	0	49		
External Lottery Manager	9	6	16	0	0	31		
Society Lottery	157	125	166	0	0	450		
<b>Total Lotteries</b>	<b>166</b>	<b>131</b>	<b>182</b>	<b>0</b>	<b>0</b>	<b>481</b>		
<b>Total non-remote</b>	<b>2537</b>	<b>572</b>	<b>268</b>	<b>12</b>	<b>8</b>	<b>3399</b>		
<b>Remote operators</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>	<b>K</b>	<b>L</b>	<b>Total</b>
Casino: 2005 Act	8	12	0	0	0	0	0	20
Bingo	7	0	0	0	0	0	0	7
General betting (Telephone Only)	42	0	0	0	0	0	0	42
General Betting (Standard) (Real Events)	59	8	0	1	0	0	0	68
General Betting (Standard) (Virtual Events)	13	4	1	0	0	0	0	18
Pool betting	58	2	0	0	0	0	0	60
Betting Intermediary	8	1	1	0	0	0	0	10
Betting Intermediary: Trading Room only	22	0	0	0	0	0	0	22
Gaming Machine Technical: Full	4	4	4	0	0	0	0	12
Gaming Machine Technical: Supplier	0	0	0	0	0	0	0	0
Gaming Machine Technical: Software	6	1	0	0	0	0	0	7
Gambling Software	28	8	3	0	0	0	0	39
External Lottery Manager	9	5	3	0	0	0	0	17
Society Lottery	68	24	43	0	0	0	0	135
<b>Total remote</b>	<b>332</b>	<b>69</b>	<b>55</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>457</b>

- 3.6 **Compliance and enforcement work in the licensed sector:** This is the Commission's largest area of activity. Initially, compliance and enforcement work focused on identifying licensed operators and supporting the development of awareness and delivery of the statutory licensing objectives. It also helped the Commission develop its risk based approach by giving it a better understanding of the risks to the licensing objectives and potential impact posed by different sectors and activities.
- 3.7 The Commission is now in a position to scale back its effort in relation to smaller operators in the betting, arcade and bingo sectors, and to concentrate its efforts in relation to those operators on working with local licensing authorities (to support their efforts to regulate premises where gambling is taking place and to combat illegal gambling). As local licensing authorities build up their expertise and need less support and as the Commission develops and disseminates good practice in relation to the 2005 Act, the Commission hopes to reduce further its day-to-day involvement with compliance and enforcement issues in relation to smaller operators and to explore further reductions in fees in line with costs for these operators.
- 3.8 The Commission's experience from its first three years of operations suggests that, in addition to its risk based cycle of work now being more firmly focused on medium and larger- sized operators<sup>7</sup>, the Commission will need to devote resources to:
- The continuing level of complex legal and regulatory issues arising from developing understanding of the Act as operators push to establish legitimate boundaries and as new issues of interpretation arise; the continuing work on primary purpose in betting shops and bingo halls is an example; developments in the kind of lotteries promoted by ELMs is another.
  - The continuing impact of the financial crisis, which increased the incentive for operators to identify new ways of generating business and has increased the risk to the licensing objectives as some operators reduce costs for example by reducing training or supervision.
  - Work on integrity in sports betting following the Parry report and implementation of its recommendations.
  - Thematic studies, such as those relating to poker tournaments, or test purchasing to underpin underage gambling controls.
  - Monitoring compliance of remote operators currently permitted to advertise in Great Britain with Gambling Commission standards, whether or not licensed by the Commission. There are particular cost pressures in the remote sector where some 80% by value of the GB-based consumers' gambling is now provided by overseas licensees.
- 3.9 **Enforcement against illegal activity:** As well as its work in the licensed sector, the Commission, along with local licensing authorities and the police, is responsible for enforcement against those providing gambling unlawfully. As explained in paragraph 2.6 (above) and as set out in previous consultation documents, the Department considers that the Commission's enforcement work should be funded through fees paid by those providing and engaging in licensed activities. The effective policing of this boundary protects the interests of the public and the legitimate activity of licensed operators (for example, activity against illegal lotteries increases the potential income available to good causes through licensed society lotteries.)

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<sup>7</sup> Impact of failure to comply by medium and larger sized operators poses a greater threat to the licensing objectives.

- 3.10 The Department originally estimated some £0.5m would be required to tackle illegal gambling; the Commission has been conscious since the start of the need to balance the discharge of its policing responsibilities in this area and the burden this places on the licensed sector but resources for this activity have been under significant pressure as the caseload has built up and cases move from investigation to prosecution or other deterrent or disruption activities. While the costs of field investigation can be maintained within the original envelope of £0.5m, the legal and other case work costs constitute a significant upward pressure. The profile of our activities to date has seen the bulk (but not the total) of our enforcement costs rise in two areas – the illegal supply of machines and betting integrity.
- 3.11 Areas expected to need particular effort from the Commission over the coming years include:
- threats to integrity in sports betting (where, in addition to working with the Department to implement the Parry report recommendations, the Commission is heavily involved in some very complex – and hence costly – criminal cases)
  - illegal supply and operation of gaming machines (including continuing issues relating to the skill with prizes/gaming machine boundary)
  - money laundering
  - illegal betting activity
- 3.12 **Personal licences:** The estimates for the number of personal licence applications are set out in table 3. It is estimated that significantly fewer personal licence applications will be received over the next two years in comparison to previous years. This is because all individuals who held a gaming certificate under Section 19 of the Gaming Act 1968 have now applied for a personal licence under the new Act to replace those permissions.

**Table 3: Personal licence applications, expected numbers to 2012/13**

Personal Licences	2009/10	2010/11	2011/12	2012/13
	actual	Estimate	estimate	estimate
Total personal licences	5,097	2,200	1,680	1,680
Of which PFLs	4,201	1,750	1,440	1,404

- 3.13 The Commission has started to plan for the five-yearly maintenance of personal licences, the first peak of which will be due in 2012 and on a rolling cycle thereafter. The current regulations require a maintenance fee to be paid to the Commission within thirty days of the fifth anniversary of the date on which a personal licence was issued. For those personal licences issued in 2007, maintenance fees will fall due from September 2012 onwards. The Commission has not included provision for either the costs (or the offsetting income) of maintaining personal licences, but is not proposing any change to the fee levels set in 2009. We estimate that around 3,200 personal licences will need to be dealt with in 2012/13 (1,400 personal management licences and 1,800 personal functional licences) with a corresponding fee income of £851,000.

- 3.14 **Development and maintenance of the regulatory framework:** The Commission is responsible under the Act for the development and maintenance of licence conditions and codes of practice that apply to licences issued by the Commission to gambling operators and personal licence holders in Great Britain. In addition, the Commission publishes and maintains other guidance and standards that support regulation. In particular following the agreement of the revised Commission /local licensing authority concordat<sup>8</sup> it has been developing with local licensing authorities a series of protocols mapping out how the Commission and licensing authorities can best work together effectively with minimum duplication of effort or burden to licensees.
- 3.15 The development and maintenance of the regulatory framework requires significant input from the Commission's more experienced staff and legal advisers. This reflects the complexities of the new legislation, the impact of technological developments and the volume and complexity of issues and queries raised with the Commission by operators. The need to involve the operators, local licensing authorities, the police and other interested parties in reviewing and in any proposed changes to the regime also involves the commitment of Commission staff resources. Areas where the Commission expects to continue to need to devote resources include:
- working with the Department on the government's deregulation agenda to see where the current regime might be relaxed or amended
  - preparing for the implementation of the decision on the Department's review of its approach to remote gambling regulation
  - working with local authorities to help them fulfil their role under the shared regulatory system created by the Act, and in line with the localism agenda
  - keeping LCCP up to date and proportionate. Over the past two years this work has included consultations on revisions and additions to the LCCP regarding primary gambling activity; lottery limits on prizes and proceeds; the casino gaming reserve; casino games approvals; occasional use notices; and regulatory returns annual submission periods<sup>9</sup>
  - continuing to work with the industry to accommodate technological development, particularly in the machines sector, within the framework of the Act, and to remove barriers to innovation (through, for example, review of gaming machine technical standards).

## **Providing authoritative advice on gambling and its regulation (strategic objective 2)**

- 3.16 The Commission has a duty to provide advice to the Secretary of State on matters relating to gambling, either in response to specific requests from the Secretary of State or where the Commission thinks this is appropriate. It also has a duty to provide guidance to local licensing authorities on the way in which they should exercise their functions under the Act and the principles to be applied. The demands on the Commission will continue as DCMS has continued to streamline its organisation.

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<sup>8</sup> Concordat between Gambling Commission and LG Regulation September 2010

<sup>9</sup> [LCCP consolidated version](#) published March 2011

- 3.17 Areas where the Commission expects to continue to need to devote significant resources at senior level include:
- the detailed regulatory implications of the results of the review of remote gambling regulation including any legislative implications
  - advice on machines stakes and prizes: the Commission is the principal source of advice to the Department on the regulatory implications of changes in stake and prize limits, and the extent to which such changes are likely (or not) to present risks to the licensing objectives. This activity requires a significant amount of analysis, which looks set to increase as a return to comprehensive triennial stake and prize reviews is now a matter of active debate.
  - more widely, both the machines and remote sectors in particular are highly innovative and it seems realistic to expect the Commission to be required to continue to invest significant resource in responding to technological developments and requests from the industry to advise on how new types of product might be treated by the Act. Recent examples include the very significant resource deployment on skill with prizes machines and to a lesser extent the review of Category C technical standards and the establishment of bingo characteristics to support product development in that area.
  - advising the Government on the prevalence of gambling and problem gambling and on ways of minimising harm from gambling, in particular through commissioning advice from the Responsible Gambling Strategy Board and advising on how best to monitor prevalence in future. (The Commission has a continuing role in securing the necessary evidence on which to formulate its policy and advice and then in formulating regulatory policy advice which requires it to maintain its client expertise).
  - providing advice and help - for example to the IOC and LOCOG in preparing for the Olympics.
  - working with local authorities and industry stakeholders to improve delivery of local regulation, for example in relation to illegal poker.
- 3.18 In order to provide the evidence on which to base its advice; to underpin effective risk and evidence based policy making and delivery; and to allocate effort and apportion fees, the Commission has been investing in the development of its information assets. Wherever possible, the Commission develops its intelligence and strategic assessments based on open source information and the data that it collects from operators in the course of its regulatory work, rather than making specific enquiries. For example, operators are required to submit annual or quarterly regulatory returns (depending upon the scale of their business).
- 3.19 The reporting period is flexible to allow operators to collate and submit data as it suits their annual or quarterly business cycle, and the information requests in the returns are subject to regular review in order to ensure the questions asked are both proportionate and appropriate.<sup>10</sup> The Commission is currently developing methods of publishing the data it holds in order that it may be used by others, for example through the production of more regular industry statistics (where we have moved from annual to six-monthly publication), and the potential automation of industry statistics dissemination via the regulatory returns web portal.

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<sup>10</sup> [Gambling Commission: Review of Regulatory Returns. August 2010](#)

- 3.20 The Commission had already commenced a consultation ([Collecting Adult Gambling Prevalence Data](#))<sup>11</sup> on whether to continue with a triennial gambling prevalence survey, or to change the way in which it provides government with advice on the prevalence of gambling and problem gambling. The announcement of the loss of grant for such work has highlighted the importance of establishing the most cost effective way forward, and the Commission is working closely with stakeholders to identify and agree a future direction. Clearly, part of this discussion relates to identifying future funding streams and exploring alternative funding models.
- 3.21 Pending the outcome of these discussions, the Commission intends to continue running its regular quarterly participation survey and associated development work. It is relatively inexpensive to run (approximately £40k per annum) but provides valuable trend data for analysis, and will enable the Commission to continue to track gambling participation rates, and monitor any changes. The Commission's planning includes some provision for further prevalence study work and for publishing the results. In the light of the recently published Prevalence Survey (BGPS 2010)<sup>12</sup> with its finding of growth in the numbers gambling, and inconclusive results as to whether the increase in problem gambling is a trend or a random fluctuation, the Commission must continue to be able to monitor changes.

### **Engaging with stakeholders (strategic objective 3)**

- 3.22 The Commission works closely with its stakeholders including DCMS, other government departments, operators, industry representative bodies, licensing authorities, other regulatory and law enforcement bodies and the Third Sector. This activity includes regular meetings with stakeholder groups and the provision of associated secretariat support, specific meetings on consultation issues and ad hoc meetings to discuss specific policy issues.
- 3.23 Working with stakeholders on complex or novel issues can involve significant requirements for policy advice, which tends to involve a proportionately higher level of input from more experienced staff, and costly legal advice. For example, the programme of work with the industry to engage with HMRC's review of the tax regime for skill with prizes machines, and the Commission's involvement with the Parry panel and follow up have been extremely resource-intensive; demands of this type are unlikely to diminish. There will continue to be a real cost in senior Commission staff time to develop clear and transparent relationships even in a 'business as usual' environment.
- 3.24 The Commission is devoting an increasing proportion of its efforts in this area on developing and improving its work with local partners, most particularly licensing authorities, as recommended in the 2009 Hampton Implementation Report<sup>13</sup> and in line with the government's localism agenda, and expects this to continue to be a major focus over the next two years.

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<sup>11</sup> [Gambling Commission: Collecting Adult Gambling Prevalence Data: September 2010](#)

<sup>12</sup> [British Gambling Prevalence Survey 2010](#)

<sup>13</sup> See Gambling Commission [website](#)



- 3.25 Routine activity in this area also includes providing advice and guidance through the Commission's enquiries team, which dealt with over 25,000 enquiries last year. This facility is most frequently used by smaller operators and individuals interested in providing non-commercial gambling, such as lotteries and raffles. The Commission has developed a range of web based information leaflets and FAQs to help enquirers and to reduce the costs of maintaining a contact centre.
- 3.26 The Commission conducted a series of well-attended and received open meetings with smaller operators across Great Britain last year. While they provided valuable input to the Commission's as well as to operators' understanding of gambling regulation, they were costly to stage. The Commission is exploring more economical ways to sustain its relationship with smaller operators, for example by improved collaborations with local authorities and regional groupings and by use of social media.

### **Developing its employees and the organisation (strategic objective 4)**

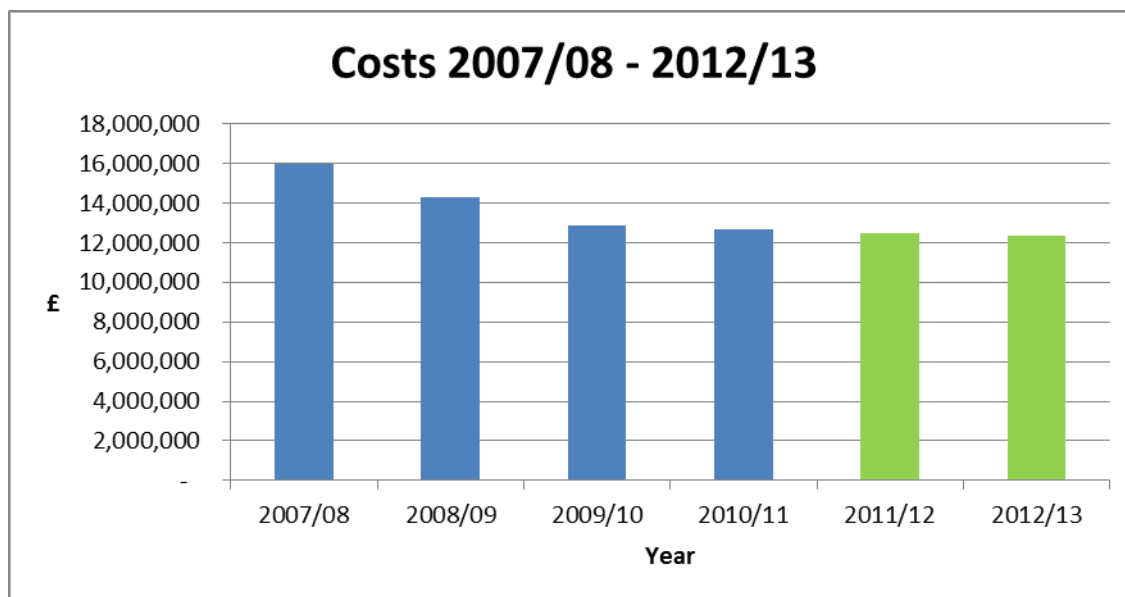
- 3.27 The activities in this area comprise:
- the governance of the Commission
  - financial management
  - people and organisational development
  - internal communication.
- 3.28 The Commission recognises that it must balance the overhead costs required to provide effective support to the delivery of its operational functions with the burden this imposes on those funding its regime. Following the major review of its operational support activities in 2008/9 (which led to a reduction in the number of directors and senior management costs), the Commission has continued to deliver efficiency gains.
- 3.29 The Commission has continued to bear down on support costs, for example by not replacing staff that have left. Developments in office systems have helped reduce administrative overheads and increase efficiencies as well as simplifying matters for licensees (for example through the introduction of the facility of payment by BACS to streamline the annual fees collection).
- 3.30 Such efforts in relation to administrative functions have however been offset to some extent by the need to work with the NLC on the proposed relocation of the NLC to Birmingham, the move to sharing common services such as HR, finance and legal services and consideration of the governance and accounting implications of the subsequent proposed merger with the Gambling Commission in late 2012. Co-location and eventual merger will in due course lead to significant savings in accommodation and other overhead and support costs attributable to each body, but over the next two years are generating pressures on HR and finance staff as well as raising governance issues that need senior staff input to resolve.
- 3.31 As identified in the 2009 fees consultation document, while the Commission is reducing its headcount significantly, there remains a need for greater specialist expertise in operational areas (for example, remote gambling and forensic accounting) which represents an upward pressure on costs. While the Commission expects to make the changes needed in its workforce by natural wastage and the redeployment and development of staff and selective recruitment where specialists are required, some restructuring costs may be required.

- 3.32 The Commission has continued to invest in training and development of its employees and systems to support improvements in consistency and understanding of the delivery of the regulatory regime, again, a theme highlighted in the 2009 Hampton Implementation Report.<sup>14</sup> Such investment is critical to achieving cost-effective regulation with the minimum proportionate burden on licensees.

## Implications for costs

- 3.33 This section sets out the detailed workload and expenditure assumptions which support the Commission's fee proposals for the fee year 2012-13. Over the past two financial years 2009/10 and 2010/11 (since fees were last revised), the Commission has taken £1.59m out of its cost base through improved efficiency and greater focus on higher impact operators and issues. These reductions in costs are reflected in the fee proposals with fees that will be lower in real terms. Costs have been reduced, for example, by the review of the regional organisation resulting in the amalgamation of two regions and a more streamlined way of handling regulatory issues. A number of internal reviews were undertaken, resulting in: increased use of desktop compliance; streamlined field management arrangements; improved enforcement case management leading to a reduction in time and effort expended, and improved compliance information management leading to a reduction in time taken to record and collate information.

**Table 4: Gambling Commission Costs<sup>15</sup>**



<sup>14</sup> [Gambling Commission: A Hampton Implementation Review Report](#) (2009)

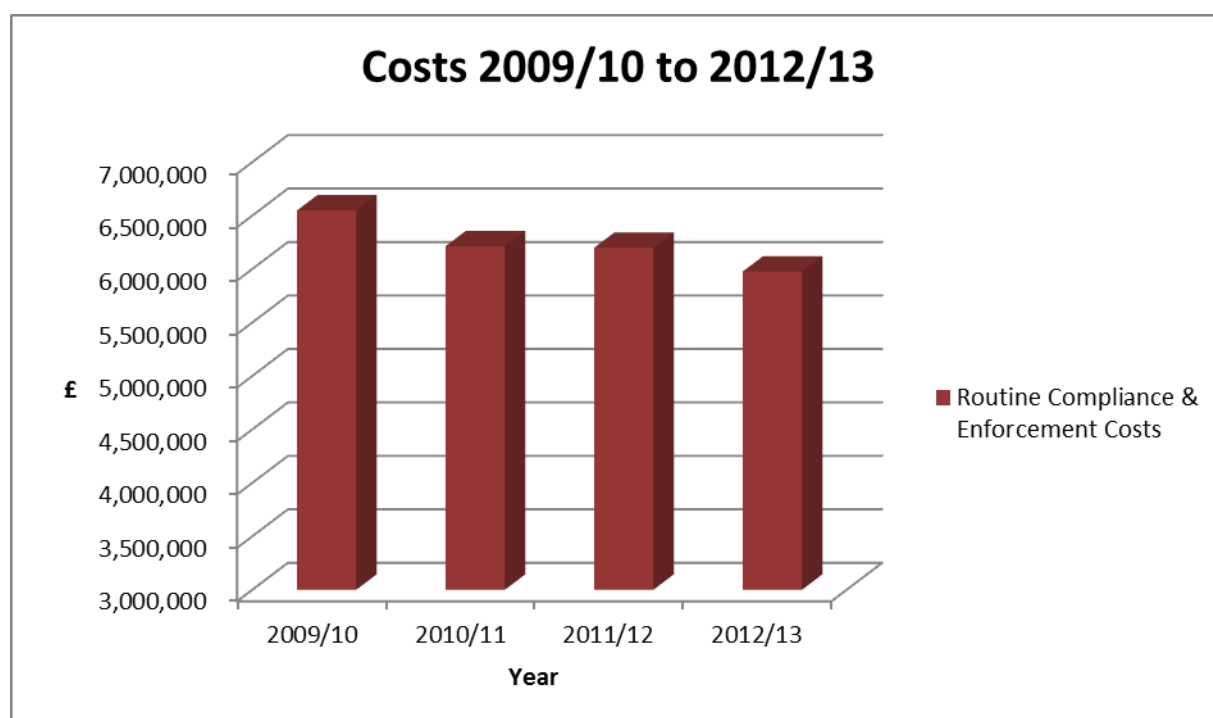
<sup>15</sup> Figures in the table reflect the NLC and Commission move to co location and the common administrative services but does not reflect merger

3.34 However the gross cost savings from these initiatives and other cut backs such as in (for example) travel and subsistence, use of consultancy, and from the recruitment freeze were partially offset by increased costs in other areas :

- investigating sports betting integrity (programme grown from under £100k to around £500k over the past year);
- supporting a range of structural reviews, including the remote review, Parry Review, skill with prizes machines, Category B3 gaming machine stake and entitlements consultation
- legal costs of test cases (the legislation is largely new and untested - one individual case setting legal precedent has cost in excess of £100k in legal fees and court costs to date)
- Increasing costs of investigating and prosecuting illegal machines supply
- Significant effort invested in ensuring that the regulatory framework is able to accommodate the high level of innovation, particularly in the machines sector.
- NLC merger preparations.

3.35 The Commission plans to continue to improve its cost-effectiveness by continuing efficiency savings, including those stemming from co-location and common services with the NLC, and by continuing to divert resources from involvement with smaller operators now that the initial education phase is over.

**Table 5: Gambling Commission Costs**

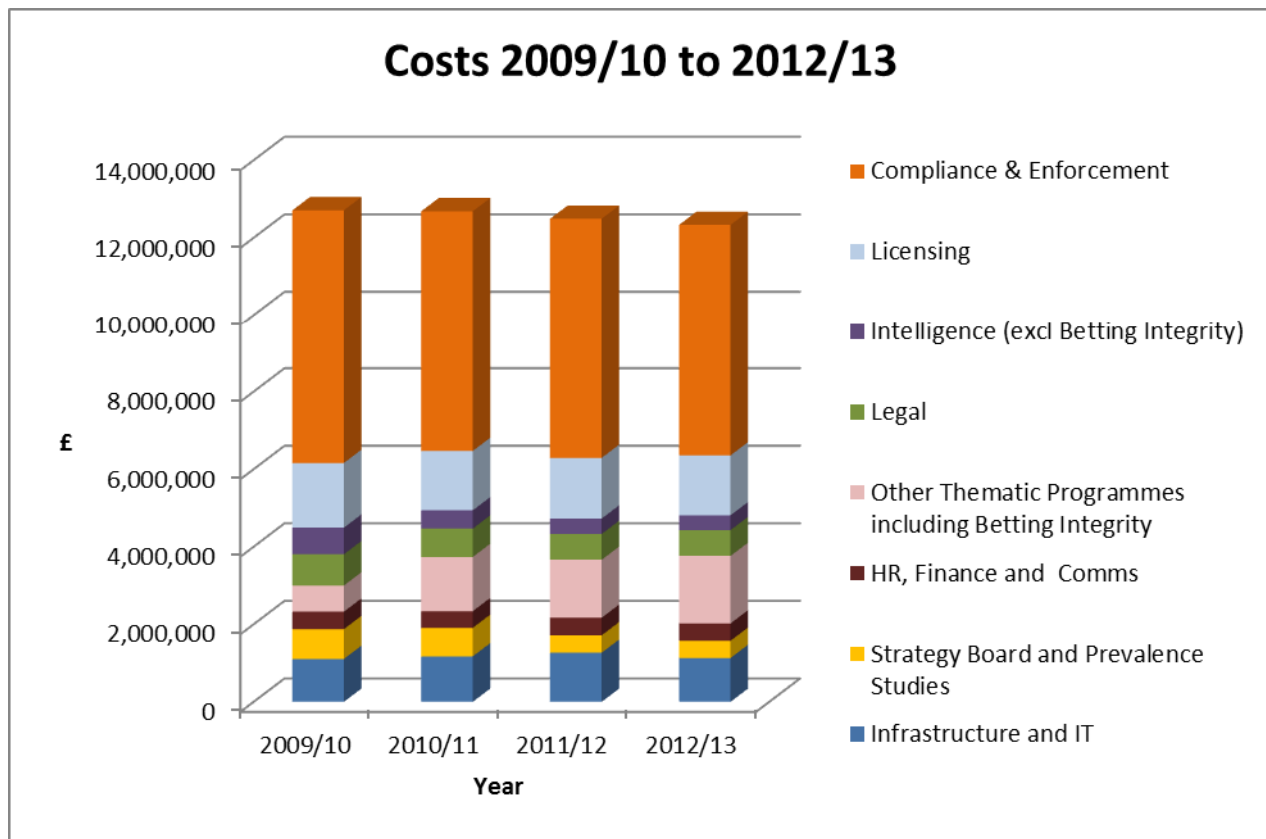


3.36 Looking more specifically at the Commission’s cost forecasts, **Table 5** shows how the focus of the Commission’s work has changed and is expected to continue to change. As the table demonstrates there will be continuing cost reductions from the reduced effort needed in relation to non-remote general betting standard, bingo and arcade operators. Much of the Commission’s effort in the early phases of its activity was focused on helping smaller

operators understand the new legislative framework and the principles-based approach to regulation adopted by the Commission. The bulk of that work is now complete, enabling the Commission to reduce significantly its effort and cost in this area.

- 3.37 The Commission will nevertheless need to continue to assist and support local licensing authorities with their work in these sectors by providing them with the information necessary for them to execute their functions under the Act, and in line with the localism agenda. In the longer term the level of support should reduce but for the next two years at least the Commission recognises it will need to devote considerable effort to helping local government develop its understanding and capability in relation to gambling regulation.

**Table 6: Total Costs Incurred split by category**



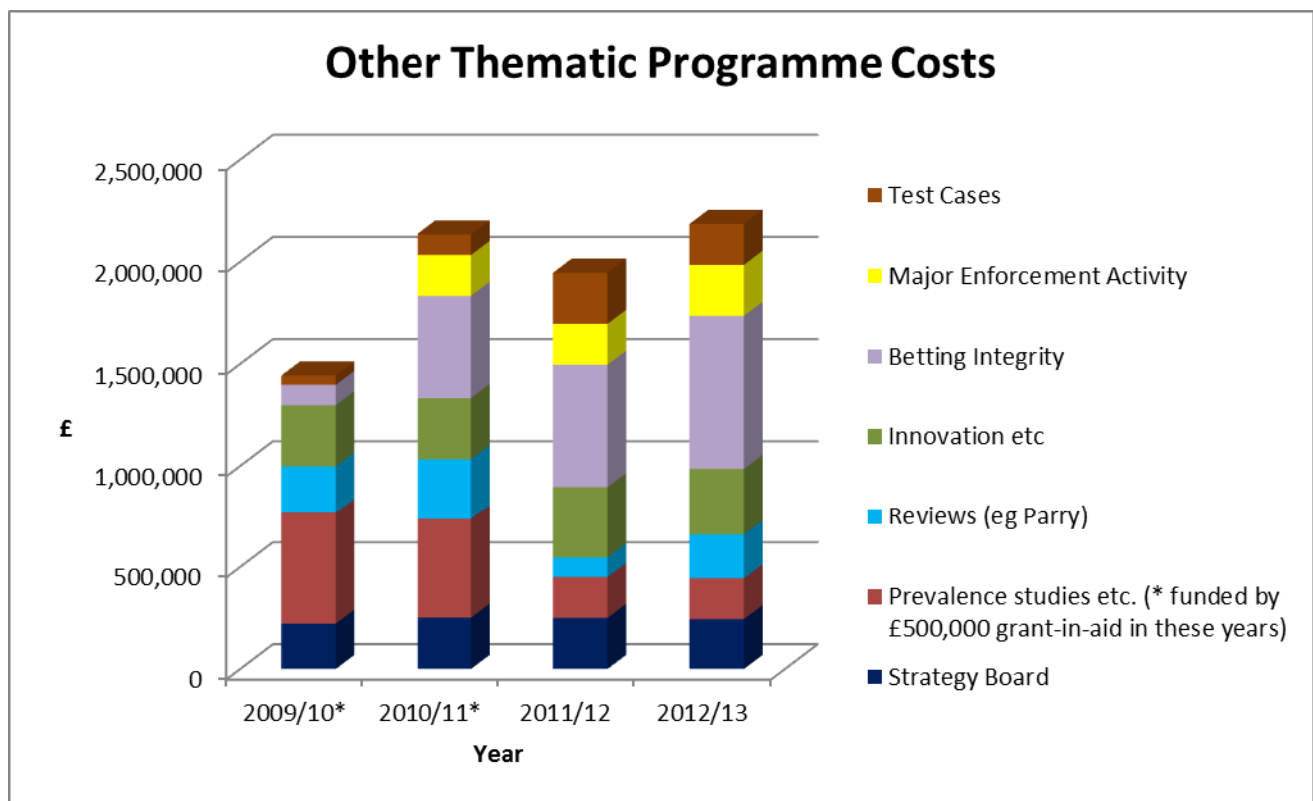
- 3.38 On the other hand the costs attributable to **establishing policy and precedent in untried aspects of the legislation** are expected to continue to mount. The Commission has expended a much higher than forecast level of resource on translating the framework of the Act into practical forms of regulation, and increased expenditure in this area is likely to be required. Much of this effort is a direct result of the industry's desire to test its own understanding of the legal framework, to seek clarity about where the boundaries lie and what might be permissible under the Act, combined with the approach that the Act takes of providing a high level legal framework that leaves much of the detail to secondary and tertiary legislation.

- 3.39 **Increased costs are expected attributable to ELMs** in particular in connection with innovation in relation to the promotion of multiple lotteries. ELM businesses are becoming

increasingly commercial in both scale and approach. There have also been significant developments in the sophistication of the kinds of product offered, particularly around the marketing of individual lotteries collectively on a national scale. As a result the Commission has had to invest significantly more effort in this sector than had been foreseen, and expects to continue to need to do so.

- 3.40 **The increased costs of dealing with sports betting intelligence** generated by the establishment of the SBIU. In the wake of the Government-sponsored Parry Report on integrity in sports betting the Commission established, as agreed, a Sports Betting Intelligence Unit and continues to invest significant resource in working with sports governing bodies and the betting industry to improve intelligence flows. In addition to the investment in the SBIU itself, the natural consequence of the improved intelligence flow is an increase in casework; although the unit will continue rigorously to prioritise it is estimated that the costs of the SBIU and its associated caseload will continue to run significantly in excess of level envisaged in the context of the Parry Report.
- 3.41 **The rising costs of supporting other British and overseas-based law enforcement and regulatory bodies.** As the Commission has moved from start-up to steady state, its enforcement caseload (including cases where it is in the lead and where it is supporting partners such as the police, HMRC, local authorities and, in some instances, overseas regulatory authorities) has increased steadily. The cost of our contribution to a small number of high profile sports cases now being taken forward by the police accounts for a significant proportion of the spend in this area over the past twelve months; . The effort we have invested in helping local authorities establish how to tackle, for example, illegal poker is another notable cost pressure among many in the enforcement arena (see **Table 7** below).

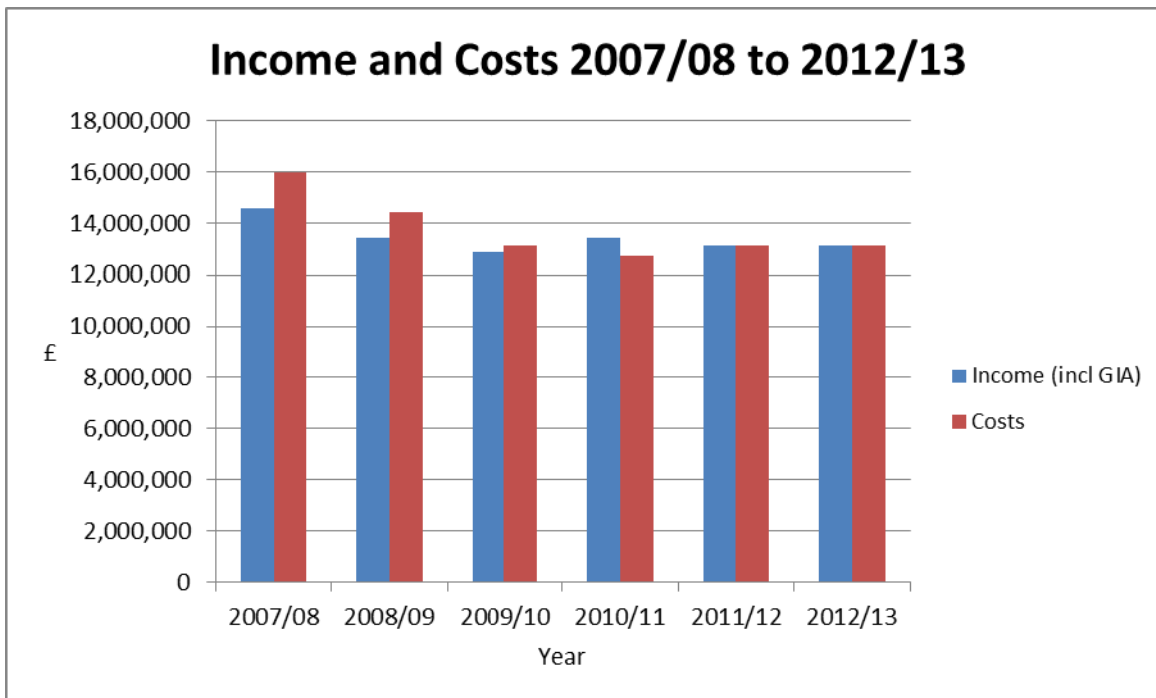
**Table 7: Thematic programme costs**



## Implications for fees

- 3.42 With unchanged fees and the forecast workload assumptions, the Commission estimates it would receive broadly the same income in line with costs over the next two years– see **Table 8** over.
- 3.43 However the changing nature of the workload and associated workload volume, as indicated above, mean that the fees charged to different size and type of operators needs amendment to avoid over or under recovery of costs in certain bands.

**Table 8: Income and Costs to 2012/3**



# Section 4: Fees Proposals

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## Background

- 4.1 Gambling Commission fees were originally set on best estimates of costs, based on what was known at that time regarding risks to the licensing objectives. As the Commission is required to charge fees in advance, fee bands were prescribed for different activities and size of operators providing operators with some certainty regarding the level of fees, and minimising the administrative costs from frequent changes in fees due or from the need to calculate or check fees for individual operators. In setting the fee bandings, the Commission took account of the shape and size of the industry at that time, and predicted levels of activity and related costs.
- 4.2 Some adjustments were made to fees in 2009 to reflect the increasing focus on higher impact issues and operators as well as the upward pressure on costs since fees had been set originally. With improved information held both on risk and on various industry sectors, the Commission is now in a better position to reflect the changing focus of its work and to distribute the costs of regulation more fairly across the industry between and within sectors by means of amended fees.
- 4.3 Fee band ranges were originally deliberately set to avoid operators being very close to the edge of a fee band. However the more recent assessment of the fees structure suggests that a number of existing fee bands now need to be subdivided to avoid over and under recovery of costs within bands.
- 4.4 The proposed changes (**Option one**) reflect the Commission's better understanding of cost drivers and its plans for 2012-13. In brief the proposals are to:
- subdivide a number of fee bands to spread sector costs more fairly across differently-sized operators with consequent additional application fees, to avoid cross subsidy within bands
  - reflect the reduced regulatory focus on smaller arcade, bingo and betting operators with fee reductions averaging 7%
  - recover the costs of increased regulatory efforts focused on higher impact issues and operators from larger arcade, non-remote bingo and betting operators
  - apply fee increases averaging just under 10% but with some individual large increases (up to 29% where banding changes (see para 4.14) account for up to two thirds of the total change)
  - reduce fees for operators bidding for the new 2005 Act casinos
  - recover a greater proportion of the costs of regulation from non-remote External Lottery Managers (businesses running Society Lotteries on a commercial basis)
  - reduce the administrative burdens that currently make it difficult for businesses to continue to operate e.g. following death of a sole trader
  - reduce fees for varying an operating licence from 25% to 20%
  - introduce a new remote supplementary licence fee for small lotteries accepting entries over the phone, by email, fax or direct debit

- raise the threshold for telephone-only betting up to £550k gross gambling yield.

## **Option 1: Making fees reflect costs within fee bands**

- 4.5 The Commission proposes to make fees more accurately reflect costs within fee bands for adult gaming centre, general betting standard, pool betting, remote betting intermediary, and ELM operators. The proposed fees and rebanding outlined in this section are designed to apportion more equitably the recovery of costs from the differently-sized operators within each sector. The size of operators is at present the best proxy for risk, and therefore size is used to apportion costs. The proposed fee levels are designed to achieve full cost recovery within each band of each licence type in fee year 2012-13, while avoiding cross subsidies between licence types and between bands.
- 4.6 As noted in the 2009 consultation document, the current fee bandings were set somewhat pragmatically taking account of the number and size of operators in each sector. Some additional bands were added in 2009 and it was proposed then that a more appropriate approach might be to introduce additional fee bands with the fees calculated on the basis of a fixed element and an additional element proportional to the additional number of premises or GGY.
- 4.7 The Commission considers this a better approach and one that would make the bandings and associated fees better reflect the full cost of regulatory effort and make the Commission income more resilient to consolidation within the industry and less at risk of significant over or under recovery of costs as operators change bands. If operators' businesses in some of the wider bands grow significantly or consolidate with other operators' businesses, fees would not accurately reflect costs. For example, if two category E betting operators merged leading to the surrender of one of their licences, the Commission would lose around £237k in annual fees; but that merged entity would generate a substantial proportion of the regulatory costs (e.g. Betting Integrity) previously generated by the two separate entities (over and above what that single entity would pay in annual fees).
- 4.8 While there are considerable economies of scale in dealing with a single large operator compared to a number of small ones with the same number of premises in aggregate, the costs of regulation increases with organisational complexity and with the potential impact operators' non compliance might have. Impact is related to scale of gambling provision. In addition with the reduced focus on premises visits and smaller operators, the proportion of costs attributed to thematic regulatory activity, such as combating sports betting corruption or illegal machine supply, has grown and needs to be allocated across different sizes of operators on a more equitable basis.
- 4.9 These new bandings are narrower, and link size (and associated risk) to fees more closely than the present bandings. Splitting the bands as proposed moves the majority of current operators into a new banding, based on their relative size in the sector. In some cases (notably the larger betting operators, and the larger ELMs) the re-banding results in a fairly significant increase to the current fee paid. The extent of the increase reflects the current imbalance in the cost recovery between operators of different sizes in the same fee band. However, for other operators where there are not the same size disparities within bands, the re-banding has no significant effect.
- 4.10 The proposed changes to fee bandings which are described below affect:
- non-remote general betting standard (Bands D and E split into a number of further bands)
  - AGCs (Band E split into further bands)
  - remote real events betting (Band G split into two bands)
  - remote pool betting (Bands F and G split into two bands)
  - non-remote pool betting (Bands A, B and C split to create five bands in total)



- remote betting intermediary (Band G split into two bands)
- ELMs (remote and non remote – each split into five bands)

**Table 9: General betting standard (non-remote)**

EXISTING BANDINGS		Categories of non-remote operating licences				
Operating Licence Type	Unit of Division	A	B	C	D	E
General Betting Standard: non remote	Number of licensed premises	4 or fewer	5 to 15	16 to 50	51 to 199	200 or more
	Existing annual fee	£1,646	£7,413	£17,914	£41,124	£236,927

PROPOSED CHANGES TO BANDINGS		Categories of non-remote operating licences											
Operating Licence Type	Unit of Division	A	B	C	D1	D2	E1	E2	E3	E4	E5	E6	Bands increase in increments of 500 with additional fee of £25,000
General Betting Standard: non remote	Number of licensed premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 to 199	200 to 349	350 to 499	500 to 999	1000 to 1499	1500 to 1999	2000 to 2499	
	New proposed annual fee	£1,531	£6,894	£17,914	£45,426	£51,555	£113,960	£169,960	£244,960	£264,960	£284,960	£304,960	

- 4.11 The existing general betting standard bands (bands D and E) for the larger non remote operators covers all operators with more than 200 premises. Within this very broad banding, the size ranges widely – from just over 500 premises to well over 2,000 premises, but with all operators in this band currently paying the same fee.
- 4.12 In addition when fees were first set, there were no operators at or around the 200 premises mark. However given growth in the sector and consolidations, there is a growing likelihood an existing operator may breach the 200 premises barrier. Under the current arrangements, that would mean an immediate increase in fees from £41,124 to £236,927.
- 4.13 To address these issues it is proposed that additional bandings be introduced. Category D will be split into two bands and category E will be split into a number of bands to create smaller increments in the quantity of premises between each fee category. The proposed new banding structure introduces smaller incremental fee increases to provide a more level ‘fee curve’. The proposed fees and rebanding are designed to apportion more equitably the recovery of costs from the differently-sized operators within the sector.
- 4.14 Up to two-thirds of the fee increases affecting certain category D and E operators is attributable solely to the more equitable recovery of necessary regulatory costs from different sized operators within the same band. However the size of the operators in category E, in terms of the number of premises licences held, has increased in the main over the previous three years. Premises numbers for these operators have risen by approximately 9% on average since 2007 but the growth has not been evenly spread. Increases in estate size have also occurred with some Category D betting operators. The Commission needs to ensure that it fully recovers its regulatory costs, and the proposed banding structure for

Categories D and E therefore also incorporate fee increases which provide a basis for full costs to be recovered on a band-by-band basis.

**Table 10: Remote General Betting Standard (Real Events) and Remote Betting Intermediary**

EXISTING BANDINGS		remote					
Operating Licence Type	Unit of Division	F	G	H	I	J	
Remote General Betting: Standard (Real Events) and Remote Betting Intermediary	Annual Gross Gambling Yield	Less than £5.5m	£5.5m to £110m	£110m to £220m	£220m to £550m	£550m +	
	Existing annual fee	£13,529	£38,128	£74,012	£117,746	£155,425	
PROPOSED CHANGES TO BANDINGS		Categories of remote operating licences					
Operating Licence Type	Unit of Division	F	G1	G2	H	I	J
Remote General Betting: Standard (Real Events) and Remote Betting Intermediary	Annual Gross Gambling Yield	Less than £5.5m	£5.5m to £55m	£55m to £110m	£110m to £220m	£220m to £550m	£550m +
	New proposed annual fee	£13,529	£38,128	£48,893	£74,012	£117,746	£155,425

- 4.15 It is proposed that an additional two bands will be added to both the remote general betting (standard) (real events) and remote betting intermediary licences. The effect is that the existing Category G band which incorporates operators with a GGY of £5.5 million to those with a GGY of £110 million per annum is split to make the increments between bands smaller and the recovery of regulatory costs more equitable.

**Table 11: Pool betting**

EXISTING BANDINGS		non-remote			remote								
Operating Licence Type	Unit of Division	A	B	C	F	G	H	I	J				
Pool Betting	Annual Gross Gambling Yield	Less than £5.5m	£5.5m to £110m	£110m or greater	Less than £5.5m	£5.5m to £110m	£110m to £220m	£220m to £550m	£550m +				
	Existing annual fee	£2,222	£4,277	£4,338	£1,594	£38,128	£74,012	£117,746	£155,425				
PROPOSED CHANGES TO BANDINGS		non-remote					remote						
Operating Licence Type	Unit of Division	A1	A2	B1	B2	C	F1	F2	G1	G2	H	I	J
Pool Betting	Annual Proceeds	£0 to £0.55m	£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m +	Less than £1.5m	£1.5m to £5.5m	£5.5m to £55m	£55m to £110m	£110m to £220m	£220m to £550m	£550m or greater
	New proposed annual fee	£2,222	£2,879	£4,277	£7,109	£17,477	£1,594	£13,529	£38,128	£48,893	£74,012	£117,746	£155,425

- 4.16 It is proposed that an additional two bands be added to both non-remote and remote pool betting sectors. The existing bands would be split to make the increments between bands smaller. The existing fee bands for pool betting are too broad to properly reflect the costs of regulating those operators with expanding businesses. For example, an existing Category B pool betting operator can generate a GGY of between £5.5 million and £110 million per annum.
- 4.17 Based on recent experience, the Commission considers that some of the non-remote pool betting fees were set at too low a level in relation to the overall regulatory effort required, and without sufficient regard to the size disparities between operators within the same fee band. The changes to these bandings are designed to ensure there is no cross subsidy from other pool betting operators' fees, and to ensure that the Commission fully recovers its costs from the larger operators that demand greater levels of regulatory effort. While the percentage fee increases proposed are large in the case of operators with yields over £5.5 million, the original fees were unrealistically low; the fee band covered too large a range of operators (and the new fees still represent less than 0.5% of GGY).

**Table 12: External Lottery Managers (ELM)**

EXISTING BANDINGS		Categories of non-remote operating licences			Categories of remote operating licences						
Operating Licence Type	Unit of Division	A	B	C	F	G	H				
External Lottery Manager	Annual Proceeds	Less than £0.55m	£0.55m to £6.6m	£6.6m and greater	Less than £0.55m	£0.55m to £6.6m	£6.6m and greater				
	Existing annual fee	£2,075	£2,368	£2,700	£6,765	£19,063	£37,006				
PROPOSED CHANGES TO BANDINGS		Categories of non-remote operating licences					Categories of remote operating licences				
Operating Licence Type	Unit of Division	A	B1	B2	C1	C2	F	G1	G2	H1	H2
External Lottery Manager	Annual Proceeds	Less than £0.55m	£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m +	Less than £0.55m	£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m +
	New proposed annual fee	£2,075	£2,368	£4,044	£6,675	£15,813	£6,765	£19,063	£24,372	£37,006	£48,893

- 4.18 It is proposed that an additional two bands be added to the non-remote and remote ELM sectors. The existing bands would be split to make the increments between bands smaller. The existing fee bands for ELMs are too broad to properly reflect the costs of regulating those operators with expanding businesses. For example, an existing Category G ELM operator can generate annual proceeds from the lotteries it manages ranging between £550,000 and £6.6 million per annum.
- 4.19 Based on recent experience, the Commission considers that non-remote ELM fees were set at too low a level in relation to the overall regulatory effort required, and without sufficient regard to the size disparities between operators within the same fee band. The changes to these bandings are designed to ensure that there is no cross subsidy from other ELM operators' fees; and the increase in fees for the larger ELM operators will represent a more realistic fee level for this licence type in terms of regulatory effort. While the percentage fee increases proposed are large, in the case of operators with proceeds over £10million, the original fees were unrealistically low at £2,700 (and it is anticipated that the new fees at £15,813 will represent less than 0.5% of proceeds raised).

**Table 13: AGC**

EXISTING BANDINGS		Categories of non-remote operating licences							
Operating Licence Type	Unit of Division	A	B	C	D	E			
Gaming machine general: Adult Gaming Centre	Number of licensed premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 or more			
	Existing annual fee	£1,638	£6,771	£13,736	£29,550	£41,124			
PROPOSED CHANGES TO BANDINGS		Categories of non-remote operating licences							
Operating Licence Type	Unit of Division	A	B	C	D	E1	E2	E3	Bands increase in increments of 100 with additional fee of £5,000
Gaming machine general: Adult Gaming Centre	Number of licensed premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 to 199	200 to 299	300 to 399	
	New proposed annual fee	£1,523	£6,297	£13,736	£32,505	£45,236	£50,236	£55,236	

- 4.20 It is proposed that the bandings for AGCs be changed in a similar fashion to those proposed for non-remote general getting standard above, to create narrower bandings with smaller increments. The existing Category E allows an unlimited quantity of AGC premises to be operated for the same annual fee as for operating 100 premises. This means that an operator with, for example, 1500 premises would pay the same annual fee as an operator with 100 premises, despite the larger operator having a potentially higher impact on the licensing objectives and benefiting more from the Commission's efforts on, for example, combating illegal machine supply.
- 4.21 It is proposed that additional bandings be introduced to break up the existing Category E, thus increasing the total number of AGC bandings, although it is not expected that all the higher bandings will be needed currently unless there is an unexpectedly high level of both growth and consolidation in the sector. The formula used (a fixed fee of £45,236 plus a variable component of number of premises: £5,000 for the extra regulatory cost for each 100 premises) could be used to create further fee bands should the sector see massive growth or consolidation.
- 4.22 There is also a need to change the distribution of cost recovery from operators within the non-remote betting, arcade and bingo sectors. The move in emphasis away from visits and from work with smaller operators requires a shift in the cost recovery from smaller operators to larger ones in these sectors. The proposed fee table (see Appendix A) entails a modest decrease in income, around 7%, from all operators in categories A and B general betting standard, bingo, AGC and FEC and a corresponding modest increase in income (averaging just under 10%) for all operators in categories D and E in these sectors.
- 4.23 The decrease in fees for categories A and B reflects the proposed reduced compliance effort in relation to such operators now that the initial educational period is over. While the Commission will continue to need to provide considerable support to local licensing authorities both on specific precedent-setting cases and in terms of more generic advice and guidance for the next two years at least, day-to-day compliance and enforcement activity in connection with gambling on betting, arcade and bingo premises can largely be left to the local licensing authorities.

- 4.24 The proposed increases in fees for categories D and E reflect both the increased focus of regulatory effort upon larger and therefore higher impact operators and the need to recover a higher proportion of certain regulatory costs e.g. in relation to betting integrity and illegal machines, from these larger operators.
- 4.25 In some cases where re-banding has also led to fee increases, the overall combined fee increase for some of the larger betting operators is significant in percentage terms (up to 29%) although such increases represent a relatively small proportion of GGY. Those operators affected have grown significantly over the last four years in terms of premises quantity, and have remote operations which add to the Commission's workload in relation to British consumers on betting integrity and consumer protection. Because fees are based on the number of domestic premises as a proxy of scale, the large operators with significant overseas operations targeting British consumers are benefiting from the Commission's regulation of the British market without contributing fairly. **Table 14** shows the redistribution of the recovery of Commission costs from the smaller to the larger operators in the relevant sectors.

**Table 14: Changes in Commission costs by fee category**



## Correction of anomalies and reductions in some specific fees

- 4.26 **In the course of business:** The Commission has previously identified that operators using exchanges ‘in the course of a business’, whether to back or lay, in principle require a remote general betting licence costing from £13,529. However, such operators and their activities do not pose significant additional threat to the licensing objectives as the main risks are handled by the betting exchanges. It is also recognised that existing operators holding general betting licences (whether remote or non-remote) may already use betting exchanges or other remote platforms ‘in the course of a business’ and that their suitability is already addressed within the existing regulatory work and fees.
- 4.27 It is proposed that a new category of licence, to be known as the general betting (standard)(remote platform) operating licence, be introduced for operators that use exchanges or remote operators ‘in the course of business’. A similar proposal was consulted on in the 2009 fees consultation document and this proposal reflects the responses received which noted the need to cover those backing or laying on any remote platform ‘in the course of business’. For those using exchanges or remote operators ‘in the course of business’ but not already holding a gambling operator licence, the application fee for this licence will be £198 and the annual fee will be £280.<sup>16</sup> £198 represents the full cost to the Commission of processing such an application in the fee year 2012-13, and the annual fee of £280 would cover the costs of the Commission’s regulatory work. Where a non-remote general betting standard or limited licence is already held, there will be no application fee and no annual fee payable with respect to the general betting (standard) (remote) platform operating licence.
- 4.28 **Application and annual fees following the death of a sole trader.** Under section 114(1)(a) of the Act, an operating licence issued to an individual lapses on the death of the licence holder. There is no scope for the licence to continue while any new application to continue the business is considered. This may cause problems where, for example, a family business must close while a new application from a family member is considered, thereby causing financial loss while also incurring the additional costs of applying for a new licence.
- 4.29 It is proposed that where a licence application is made for a new licence by the spouse, civil partner or child of the deceased sole trader, and the applicant wishes to continue the business without change, that the application fee payable will be reduced. The level of reduction would be dependent upon the level of investigation required to assess the new applicant<sup>17</sup>.
- 4.30 The fee payable for an application of this kind would be either 25% or 75% of the relevant application fee that would otherwise apply. Where an application is made by a sole trader’s spouse, civil partner or child to continue a business and the applicant is previously unknown to the Commission, the application fee will be 75% of the relevant application fee that would otherwise apply. This level of discount reflects the reduced level of effort required in order to process the licence application i.e. although the spouse, partner etc will need to be subject to standard licensing checks, the Commission will take account of the fact that the business itself is a continuation of the previously-licensed enterprise and so that business will have

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<sup>16</sup> Costs of the new licence to be commensurate with Commission costs (nil for those holding a non-remote licence and equivalent to non-remote betting intermediary fee for others)

<sup>17</sup> See Appendix 1 for details of circumstances.

already undergone a certain amount of checks. For example, where an application is made for a category A general betting standard operating licence in order to continue the betting business previously operated by the deceased spouse of the applicant (and where the applicant is unknown to the Commission and the same licence was held by the deceased), the application fee would be £732.75 rather than the full usual fee of £977. This reflects the Commission's reduced costs of processing that application i.e. some checks having already been undertaken with regards the business.

- 4.31 When the spouse, partner or child is already known to the Commission the application fee will be 25% of the usual application fee that would otherwise apply, as in such circumstances the Commission will already have undertaken checks on the individual(s) involved in continuing the operation. The checks previously undertaken on the individual(s) would represent a significant proportion of the licensing process, meaning that the Commission's costs of processing the new application would be reduced accordingly. The Commission will nevertheless need to undertake some checks to ensure the continued integrity of the enterprise and its operatives. For example, where an application is made for a category A general betting standard operating licence in order to continue the betting business previously operated by the deceased spouse of the applicant (and where the applicant is known to the Commission and the same licence was held by the deceased), the application fee would be £244.25 rather than the full usual fee of £977. This reflects the significantly reduced costs that will be incurred by the Commission in processing that application i.e. the majority of licensing checks having already been undertaken.
- 4.32 In addition to the reduced application fee, it is proposed that the first annual fee payable upon the issue of a licence would be reduced, to take into account any annual fees that the deceased licence holder's business has already incurred, by offsetting any annual fee paid by the deceased licence holder against the first annual fee due following the issue of the new licence. This would be proportionate to the number of months remaining before the anniversary date of the issue of the former licence. The proposal takes into account the fact that the newly-licensed enterprise would essentially be a continuation of the enterprise previously run by the deceased sole trader, and that an annual fee payment will already have been made by that previous licensee that should be offset against the new licensee's fees. For example, if a sole trader's death occurs six months after paying an annual fee of £1,646, the annual fee payable by the spouse or partner etc of the new licence will be £823 (i.e. half of £1,646, so in essence half of the annual fee for the previous licence is allocated to the new licence to prevent a double-payment for the same business).
- 4.33 **Application and annual fees on death or retirement of a partner in two person partnerships:** Where a partnership consists of only two partners and one of those partners dies or retires, the licence lapses automatically under section 114(2)(a) of the Act. If the remaining partner wishes to continue the business they must apply for a new licence and pay the relevant application fee followed by the applicable first annual fee. These fees do not take into consideration the minimal level of investigation required to determine the new application nor any annual fees paid by the former licence holder.
- 4.34 The Commission considers that the current fees in these circumstances are disproportionate given that all relevant checks on the suitability of the new applicant will have already been completed as part of the application process for the previous licence. Any additional checks required (for example, into the financial resources of the new applicant) will be minimal in terms of effort required.
- 4.35 It is proposed that where a licence lapses due to the death or retirement of one partner and the remaining partner applies for a licence to continue the business, the application fee will be



£100<sup>18</sup> to cover the significantly reduced administrative and investigative costs of processing the new application. The Commission's licensing costs will be minimal because the application will be to continue the same business previously carried on by the partnership, and the individual who would now become a sole trader would have already been investigated by the Commission as part of their previous partnership application. The application fee required would therefore be largely administrative.

- 4.36 In addition to the reduced application fee, the first annual fee payable upon the issue of a licence would be reduced, to take into account any annual fees that the former licence holder's business has already incurred, by offsetting any annual fee paid by the former licence holder against the first annual fee due following the issue of the new licence. This would be proportionate to the number of months remaining before the anniversary date of the issue of the former licence. The proposal takes into account the fact that the newly-licensed sole trader would essentially be continuing the business previously run by the partnership (of which that sole trader was a partner), and that an annual fee payment will already have been made by that previous licensee that should be offset against the new licensee's fees. For example, when a partner passes away six months after that partnership had paid an annual fee of £1,646, the annual fee payable by the new licence holder will be £823 (i.e. half of £1,646, so in essence half of the annual fee for the previous licence is allocated to the new licence to prevent a double-payment for the same business.
- 4.37 **Change of legal entity:** The Commission is aware that businesses may change their legal status for a variety of reasons. For example, there may be tax advantages, commercial reasons or there may have been a change of circumstances beyond the control of the entity. Under section 104(2) of the Act, operating licences are not transferable between entities. Therefore when an operator seeks to change its legal status and wishes to continue operating it must make a new licence application in the name of the new entity. At present the fees applicable under such circumstances are the same as if the applicant or persons associated with the applicant were unknown to the Commission. No account is taken of any previous enquiries undertaken or to the potentially reduced level of administrative effort that may be required to assess the applicant's suitability.
- 4.38 It is proposed that, under prescribed circumstances<sup>19</sup>, the application fee payable be reduced to reflect the lower level of investigation required to assess the suitability of the new entity. The fee payable would be either 25% or 75% of the relevant application fee that would otherwise apply, and the level of reduction would depend upon the level of investigation required to assess the new applicant. For example, where an application is made to change the legal entity of a business from a partnership to a limited company and that limited company has directors or shareholders that are previously unknown to the Commission, the application fee will be 75% of the relevant application fee that would otherwise apply. This level of discount reflects the reduced level of effort required in order to process the licence application i.e. although checks will need to be undertaken as usual on the directors or shareholders that are unknown to the Commission, most of the checks on the former partners will have already been made. So for a category A general betting standard operating licence application, made to continue a betting business under a different entity, the application fee would be £732.75 rather than the full usual fee of £977 to reflect the Commission's reduced costs of processing that application i.e. some integrity checks having already been

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<sup>18</sup> See Appendix 1 for details of circumstances

<sup>19</sup> See Appendix 1 for details on circumstances

undertaken but significant checks would be still be required on the unknown directors or shareholders.

- 4.39 If the new legal entity will only involve an individual(s) that are previously known to the Commission, the application fee will be 25% of the usual application fee that would otherwise apply, as in such circumstances the Commission will already have undertaken checks on the relevant individual(s) involved in the business' old and new entities. The checks previously undertaken on the individual(s) would represent a significant proportion of the licensing process, meaning that the Commission's costs of processing the new application would be reduced accordingly. The Commission will nevertheless need to undertake some checks to ensure the continued integrity of the enterprise and its operative(s). For example, where an application is made for a category A general betting standard operating licence to continue a betting business under a different entity, the application fee would be £244.25 rather than the full usual fee of £977, to reflect the significantly reduced costs that would be incurred by the Commission in processing that application i.e. the majority of licensing checks having already been undertaken.
- 4.40 In addition to the reduced application fee, the first annual fee payable upon the issue of a licence would be reduced, to take into account any annual fees that the former entity's business has already incurred, by offsetting any annual fee paid by the former entity against the first annual fee due following the issue of the new licence. This would be proportionate to the number of months remaining before the anniversary date of the issue of the former licence. The proposal takes into account the fact that the newly-licensed entity would essentially be continuing the business of the previously legal entity, and that an annual fee payment will already have been made by that previous licensee that should be offset against the new licensee's fees. For example, where the previous entity had paid an annual fee of £1,646 six months before changing entity, the annual fee payable by the new licence-holding entity will be £823 (i.e. half of £1,646, so in essence half of the annual fee for the previous licence is allocated to the new licence to prevent a double-payment for the same business).
- 4.41 **Reduction in fees resulting from changes to corporate control**

The Commission is proposing a reduction in the fees payable where a change of corporate control has taken place and the new controller<sup>20</sup> is a financial institution authorised by the FSA, or having its registered or head office address in an EEA state other than the United Kingdom and regulated by its home state regulator. The Commission recognises that where a person is so authorised a degree of investigation as to the suitability and integrity of that person will have already been carried out and any further checks required to be undertaken by the Commission can therefore be reduced. The proposed fees will mirror those payable where the new controller is already the holder of a GC operating licence.

- 4.42 The Commission has also looked at those organisations where, within a group structure, more than one of the subsidiaries is the holder of an operating licence. Currently, where the new controller acquires a 10% or more share in the group or holding company, then each of the entities holding an operating licence must apply for a change of corporate control determination and each must pay the full fees applicable. The Commission is proposing that

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<sup>20</sup> See Section 422(2) of the Financial Services and Markets Act 2000, as applied by Section 102(2) of the Gambling Act 2005.

in such circumstances the holder of the licence attracting the highest application fee pay the applicable change of corporate control fee with the remaining licence holders paying an administrative fee.

- 4.43 **2005 Act casino annual fees:** The Commission is concerned that annual fees payable by holders of 2005 Act casino licences will fall due soon after an operating licence is granted, even though the premises licence application process will have to occur and only one operator will be successful in obtaining a premises licence. The Commission is keen to reduce the financial burden on these operators while ensuring that the fee charged is proportionate to the effort expended by the Commission in managing and monitoring the licence before the casino becomes operational. At present, the first annual fee is due for payment 30 days after the operating licence is issued.
- 4.44 It is proposed that the period be extended to require payment six months after the date the operating licence was issued. In addition, the discount applicable for a first annual fee for these operating licences will be increased from the current 25% to 50%. Delaying the requirement to pay the first annual fee means that operators who are unsuccessful in obtaining a premises licence will have the opportunity to surrender their licence before the annual fee is due. The increased discount will reduce the first annual fee for large casino licences from £81,099 to £54,066 and from £38,907.75 to £25,938.50 for small casino licences.
- 4.45 **Remote supplementary society lottery operating licence.** The Commission recognises that there are a number of society lotteries that hold both non-remote and remote licences, but only accept remote payments by means of a telephone, fax, email and/or direct debit. For such operators, the core regulatory burden falls on the non-remote licence and so the annual fee payment for the remote licence may be disproportionate to the regulatory costs incurred. It is therefore proposed that a remote supplementary licence will be introduced, which will be available to operators that hold a non-remote society lottery operating licence, that only accept remote payments via telephone, fax, direct debit or email, and whose proceeds total no more than £250,000 per annum by such remote payment methods. The supplementary licence will have an application fee of £50 and an annual fee of £100 to allow non-remote society lottery licence holders to take payments by remote means, restricted to the aforementioned circumstances.
- 4.46 **Operators that provide facilities for betting only by means of a telephone** and do not hold a premises licence are currently able to hold the General Betting Telephone Only operating licence, if their gross gambling yield is below £275,000. For yields above this amount, such operators must apply for a general betting standard (real events) licence. Given the relatively low regulatory effort that these operators require, it is proposed that the gross gambling yield threshold be raised from £275,000 to £550,000 before a real events operating licence is required.

## **Proposals contained in 2009 fees consultation but not now proposed**

- 4.47 **Moving to GGY as basis for all fees:** Further work indicated that GGY by itself would not adequately reflect Commission costs of regulation because there are costs inherent in dealing with each operator which do not vary greatly with GGY, for example the collection of regulatory returns and the annual fees collection, and that a two- part fee would be needed. The Commission concluded it is not yet feasible to move non-remote fees away from a premises basis.

- 4.48 **Payment of annual fees by instalments:** This is not now being pursued as it would involve the Commission in taking credit risk or the risk being laid off on third parties (as for example happens with those licensed by the FSA where the industry runs its own instalments finance scheme) which would increase overall costs to be recovered from industry.
- 4.49 **Betting via terminals on licensed betting premises:** Customers on premises that offer facilities for betting are often able to place bets via terminals rather than the traditional means of handing betting slips over the counter. The Commission has identified that in doing so, customers place their bets via remote means (that is, they participate in gambling via remote communication, as facilitated by the terminal) and the operator of those premises will therefore require a remote licence for such activity. In some instances, bets placed via terminals are routed to third-party betting operators and the operator of the premises may not be the sole contracting party to the bet. The Commission is therefore currently considering its approach to ensuring that operators providing such facilities are licensed appropriately. In such circumstances we would not normally expect the overall fees paid to change significantly where the remote licence needed is secondary to the main licence held.

## Net effect of proposed changes

- 4.50 The net effect of the proposed changes is as follows:
- around 1,650 small premises-based operators receive an immediate fee cut of 7%, and the Commission will explore further fee reductions in line with costs if further reductions in compliance work with smaller operators are achieved.
  - six larger arcade and the two largest bingo operators receive fee increases of 10 % (markedly less than inflation over the period)
  - four of the largest non remote betting operators receive significant fee increases as a result of the re-banding exercise. In addition all larger non remote general betting operators pay a larger proportion of their sector costs via a general uplift of just under 10%. The combined effect of the changes reflects the extent to which those very large operators have not been paying an equitable share of the costs to date together with the increased costs attributable to them for betting integrity and machines work
  - a significant increase to non-remote ELM fees and some pool betting fees to address current under recovery of costs (fees remain a very small percentage of gross income)
  - elsewhere, a number of specific fees are reduced.

## Option two: no change to the current fee levels

- 4.51 This option involves making no changes to fees or bandings for any sector or change request. The Commission considers that this option undesirable because the current fees and bandings no longer sufficiently reflect the distribution of the Commission's efforts in regulating gambling and would result in a degree of over and under recovery of costs necessarily incurred. This is both because of changes in the balance and quantum of effort as indicated in **para 3.36-7** and **Table 5** and changes in the sources and quantum of income expected. See **Table 1** dealing with forecasts of changes in mix of operators. Without changes to fees to reflect these changes in the focus of the Commission's efforts and the changes in the make up of the regulated industry there would be cross subsidy and both over and under recovery of costs in different sectors and types of operator. Therefore the Commission considers that some adjustments to annual fees are warranted.

- 4.52 The Commission is also concerned that some bandings in the current fees structure are too broad. Under the existing structure, there are significant increases in annual fees between some bandings. When set originally the cut offs between bands were deliberately set to minimise the risk of an operator crossing a band before the next fee revision. However with the elapse of time there is a real risk now that an operator would face a totally disproportionate jump in fees as they move up a band. Conversely the Commission could face a loss of income disproportionate to the savings in costs if large operators merged. Similarly some of the bands for certain smaller operators cover too wide a range with very small operators paying the same as significantly larger ones despite imposing very little regulatory costs on the Commission. Not inserting an additional fee band for the very small operators in those cases would leave existing small operators facing disproportionate fees and would represent a barrier to entry for newcomers.
- 4.53 A zero fee increase for larger betting, bingo and arcade operators would either mean using income from smaller operators to cover the costs of improvements to the regulatory regime and of advice to ministers that are potentially proportionately more to larger operators' benefit, for example the analysis and utilisation of regulatory return data to develop and focus regulatory and best practice efforts; advice on innovation and stakes and prizes.
- 4.54 Alternatively the Commission's ability to deliver some key functions would be removed or, at least, seriously curtailed. For example, development of work on sports betting integrity. The Commission would have to accept a significantly higher level of risk to the licensing objectives in order to reduce effort on compliance in relation to such operators to match reduced resources.
- 4.55 Similarly, failure to increase fees for ELMs would mean that the Commission would not be able to respond effectively to innovations that could prejudice the Act's objectives in relation to lotteries as the Commission would be unable to finance the access needed to specialist legal and commercial advice.
- 4.56 Conversely, failure to reduce the fees for smaller operators as proposed or to make the various other reductions to specific fees for example for change of control or for 2005 Act casino fees or failure to introduce fees specifically designed for those using licensed remote platforms on which to provide facilities for gambling in the course of business would result in the Commission over recovering fee income by an estimated £350,000.

## Section 5: Consultation Questions

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You are invited to comment freely on any aspect of this consultation document. However, you may find it useful to refer to the checklist of questions below, which cover the main points on which we would particularly welcome views. Where possible, please:

- Be as specific as possible in your responses;
- Explain, where appropriate, the reasons behind your agreement or disagreement with a proposal;
- Suggest what alternative you would prefer in place of any proposals you may disagree with.

Consultation question 1: Do you have any comments generally on the approach to setting fees?

Consultation question 2: What are your views on the proposed changes to fee bandings and associated changes to fees, as outlined under Option 1?

Consultation question 3: What are your views on the proposed new category of licence for operators that use exchanges or remote operators 'in the course of business'?

Consultation question 4: What are your views on the proposed changes to application and annual fees following the death of a sole trader?

Consultation question 5: What are your views on the proposed changes to application and annual fees on the death or retirement of a partner in two person partnerships?

Consultation question 6: What are your views on the proposed changes to application and annual fees in relation to changes of legal entity?

Consultation question 7: Do you agree with the proposed changes to fees payable where a change of corporate control has taken place?

Consultation question 8: Do you agree with the proposed changes for 2005 Act casino fees?

Consultation question 9: What are your views on the proposed introduction of a remote supplementary society lottery licence?

Consultation  
question 10:

What are your views on the proposed changes to relating to the general betting telephone only operating licence?

Consultation  
question 11:

Do you have any comments on the other fees and charges set out in Appendix 1?

Consultation  
question 12:

What are your views on the proposed date for implementation of the changes to fees?

# Appendix A: Details of proposed non-remote annual fees

Licence Type	Unit / Annual Fee	Unit of Division: Number of premises licences											
		4 or fewer	5 to 15	16 to 50	51 to 99	100 or more							
Bingo	Number of premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 or more							
	Annual Fee	£1,531	£6,894	£17,914	£43,921	£95,840							
General Betting Standard	Number of premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 to 199	200 to 349	350 to 499	500 to 999	1000 to 1499	1500 to 1999	2000 to 2499	Bands increase in increments of 500 with additional fee of £25,000
	Annual Fee	£1,531	£6,894	£17,914	£45,426	£51,555	£113,960	£169,960	£244,960	£264,960	£284,960	£304,960	
GBS No Gaming Machines	Number of premises	4 or fewer	5 to 15	16 to 50									
	Annual Fee	£1,461	£6,582	£16,860									
AGC	Number of premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 to 199	200 to 299	300 to 399	Bands increase in increments of 100 with additional fee of £5,000				
	Annual Fee	£1,523	£6,297	£13,736	£32,505	£45,236	£50,236	£55,236					
FEC	Number of premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 or more							
	Annual Fee	£1,020	£4,562	£9,950	£26,124	£43,921							


Key

- New bands and fees
- New fees - 7% reduction
- New fees - increase



Licence Type	Unit / Annual Fee	Unit of Division: Gross Gambling Yield					
Pool Betting	Annual GGY	Less than £0.55m	£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m or greater	
	Annual Fee	£2,222	£2,879	£4,277	£7,109	£17,477	
Betting Intermediary	Annual GGY	Less than £5.5 m			£5.5 m to £110 m		£110 m or greater
	Annual Fee	£280			£4,277		£4,338
Casino: 1968 Act	Annual GGY	Less than £5.5 m			£5.5 m to £27.5 m	£27.5 m to £110 m	£110 m to £275 m £275 m or greater
	Annual Fee	£17,378			£23,112	£74,112	£329,711 £443,526

Licence Type	Unit / Annual Fee	Unit of Division: Value of Gross Sales			
Gaming Machine Technical: Full	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6 m	£6.6 m or greater	
	Annual Fee	£3,102	£6,625	£15,813	
Gaming Machine Technical: Supplier	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6 m	£6.6 m or greater	
	Annual Fee	£1,258	£3,397	£4,338	
Gaming Machine Technical: Software	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6 m	£6.6 m or greater	
	Annual Fee	£1,608	£4,044	£6,575	
Gambling Software	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6 m	£6.6 m or greater	
	Annual Fee	£1,608	£4,044	£6,575	

Key  New bands and fees


Licence Type	Unit / Annual Fee	Unit of Division: annual proceeds						
Society Lottery	Annual Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater				
	Annual Fee	£348	£692	£1,458				
External Lottery Manager	Annual Proceeds	Less than £0.55m			£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	Greater than £10m
	Annual Fee	£2,075			£2,368	£4,044	£6,675	£15,813

Licence Type	Unit / Annual Fee	Unit of Division: other		
Casino: 2005 Act	Nature of premises	Small	Large	
	Annual Fee	£51,877	£108,132	
General Betting: Limited	Number of working days	75 or fewer	76 to 199	200 or more
	Annual Fee	£200	£467	£1,346

Key  New bands and fees

## Appendix 1 (continued): Details of proposed remote annual fees

Licence Type	Unit / Annual Fee	Unit of Division: Gross Gambling Yield						
		Less than £0.5 m	£0.5 m to £5 m	£5 m to £25 m	£25 m to £100 m	£100 m to £250m	£250m to £500m	£500 m or greater
Casino: 2005 Act	Annual GGY	Less than £0.5 m	£0.5 m to £5 m	£5 m to £25 m	£25 m to £100 m	£100 m to £250m	£250m to £500m	£500 m or greater
	Annual Fee	£3,188	£9,563	£13,529	£38,128	£74,012	£117,746	£155,425
Bingo	Annual GGY	Less than £0.5 m	£0.5 m to £5 m	£5 m to £25 m	£25 m to £100 m	£100 m to £250m	£250m to £500m	£500 m or greater
	Annual Fee	£3,188	£9,563	£13,529	£38,128	£74,012	£117,746	£155,425
General Betting: Standard (Virtual Events)	Annual GGY	Less than £0.5 m	£0.5 m to £5 m	£5 m to £25 m	£25 m to £100 m	£100 m to £250m	£250m to £500m	£500 m or greater
	Annual Fee	£3,188	£9,563	£13,529	£38,128	£74,012	£117,746	£155,425
General Betting: Standard (Real Events)	Annual GGY	Less than £5.5 m		£5.5 m to £55m	£55m to £110m	£110 m to £220m	£220 m to £550m	£550 m or greater
	Annual Fee	£13,529		£38,128	£48,893	£74,012	£117,746	£155,425
Betting Intermediary	Annual GGY	Less than £5.5 m		£5.5 m to £55m	£55m to £110m	£110 m to £220m	£220 m to £550m	£550 m or greater
	Annual Fee	£13,529		£38,128	£48,893	£74,012	£117,746	£155,425
Pool betting	Annual GGY	Less than £1.5m	£1.5m to £5.5m	£5.5 m to £55m	£55m to £110m	£110 m to £220m	£220 m to £550m	£550 m or greater
	Annual Fee	£1,594	£13,529	£38,128	£48,893	£74,012	£117,746	£155,425
Telephone Only Betting	Annual GGY	Less than £0.55m						
	Annual Fee	£1,594						
Betting Intermediary: Trading Room only	Annual GGY	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater				
	Annual Fee	£1,594	£6,765	£19,063				

Key  New bands and fees


Licence Type	Unit / Annual Fee	Unit of Division: Value of Gross Sales		
Gaming Machine Technical: Full	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater
	Annual Fee	£6,765	£19,063	£37,006
Gaming Machine Technical: Supplier	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater
	Annual Fee	£6,765	£19,063	£37,006
Gaming Machine Technical: Software	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater
	Annual Fee	£6,765	£19,063	£37,006
Gambling Software	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater
	Annual Fee	£6,765	£19,063	£37,006

Key  New bands and fees

Licence Type	Unit / Annual Fee	Unit of Division: Annual Proceeds					
Society Lottery	Annual Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater			
	Annual Fee	£348	£692	£1,458			
External Lottery Manager	Annual Proceeds	Less than £0.55m		£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	Greater than £10m
	Annual Fee	£6,765		£19,063	£24,372	£37,006	£48,893

**Appendix 1 (continued): Details of proposed non-remote application fees**

Licence Type	Unit / Application Fee	Unit of Division: Number of premises licences											
Bingo	Number of premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 or more							
	Application Fee	£977	£1,627	£3,255	£17,087	£20,504							
General Betting Standard	Number of premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 to 199	200 to 349	350 to 499	500 to 999	1000 to 1499	1500 to 1999	2000 to 2499	Bands increase in increments of 500. Application fee of £40,032
	Application Fee	£977	£977	£3,417	£17,087	£19,087	£22,087	£31,032	£40,032	£40,032	£40,032	£40,032	
GBS No Gaming Machines	Number of premises	4 or fewer	5 to 15	16 to 50									
	Application Fee	£977	£977	£3,417									
AGC	Number of premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 to 199	200 to 299	300 to 399	Bands increase in increments of 100. Application fee of £16,274				
	Application Fee	£977	£977	£1,627	£4,882	£16,274	£16,274	£16,274					
FEC	Number of premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 or more							
	Application Fee	£977	£977	£1,627	£4,882	£16,274							

Key  New bands and fees


Licence Type	Unit / Application Fee	Unit of Division: Gross Gambling Yield				
Pool Betting	Application GGY	Less than £0.55m	£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m or greater
	Application Fee	£651	£977	£1,274	£1,627	£4,882
Betting Intermediary	Application GGY	Less than £5.5 m		£5.5 m to £110 m		£110 m or greater
	Application Fee	£198		£198		£198
Casino: 1968 Act	Application GGY	Less than £5.5 m		£5.5 m to £27.5 m	£27.5 m to £110 m	£110 m to £275 m £275 m or greater
	Application Fee	£6,509		£9,763	£19,528	£19,528 £19,528

Licence Type	Unit / Application Fee	Unit of Division: Value of Gross Sales		
Gaming Machine Technical: Full	Application Gross Sales	Less than £0.55m	£0.55m to £6.6 m	£6.6 m or greater
	Application Fee	£977	£1,627	£16,274
Gaming Machine Technical: Supplier	Application Gross Sales	Less than £0.55m	£0.55m to £6.6 m	£6.6 m or greater
	Application Fee	£977	£1,627	£4,882
Gaming Machine Technical: Software	Application Gross Sales	Less than £0.55m	£0.55m to £6.6 m	£6.6 m or greater
	Application Fee	£977	£4,882	£16,274
Gambling Software	Application Gross Sales	Less than £0.55m	£0.55m to £6.6 m	£6.6 m or greater
	Application Fee	£977	£4,882	£16,274

Key  New bands and fees


Licence Type	Unit / Application Fee	Unit of Division: Annual proceeds					
Society Lottery	Annual Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater			
	Application Fee	£163	£244	£325			
External Lottery Manager	Annual Proceeds	Less than £0.55m		£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	Greater than £10m
	Application Fee	£977		£1,627	£1,878	£2,278	£2,527

Licence Type	Unit / Application Fee	Unit of Division: other		
Casino: 2005 Act	Nature of premises	Small	Large	
	Application Fee	£28,641	£37,591	
General Betting: Limited	Number of working days	75 or fewer	76 to 199	200 or more
	Application Fee	£178	£355	£979

Key  New bands and fees

## Appendix 1 (continued) Details of proposed remote application fees

Licence Type	Unit / Application Fee	Unit of Division: Gross Gambling Yield						
		Less than £0.5 m	£0.5 m to £5 m	£5 m to £25 m	£25 m to £100 m	£100 m to £250m	£250m to £500m	£500 m or greater
Casino: 2005 Act	Annual GGY	Less than £0.5 m	£0.5 m to £5 m	£5 m to £25 m	£25 m to £100 m	£100 m to £250m	£250m to £500m	£500 m or greater
	Application Fee	£2,933	£7,169	£11,274	£16,551	£26,641	£37,591	£63,671
Bingo	Annual GGY	Less than £0.5 m	£0.5 m to £5 m	£5 m to £25 m	£25 m to £100 m	£100 m to £250m	£250m to £500m	£500 m or greater
	Application Fee	£2,933	£7,169	£11,274	£16,551	£26,641	£37,591	£63,671
General Betting: Standard (Virtual Events)	Annual GGY	Less than £0.5 m	£0.5 m to £5 m	£5 m to £25 m	£25 m to £100 m	£100 m to £250m	£250m to £500m	£500 m or greater
	Application Fee	£2,933	£7,169	£11,274	£16,551	£26,641	£37,591	£63,671
General Betting: Standard (Real Events)	Annual GGY	Less than £5.5 m		£5.5 m to £55m	£55m to £110m	£110 m to £220m	£220 m to £550m	£550 m or greater
	Application Fee	£3,259		£7,169	£9,474	£16,274	£19,551	£28,641
Betting Intermediary	Annual GGY	Less than £5.5 m		£5.5 m to £55m	£55m to £110m	£110 m to £220m	£220 m to £550m	£550 m or greater
	Application Fee	£6,346		£13,018	£14,784	£16,274	£19,551	£28,641
Pool betting	Annual GGY	Less than £1.5m	£1.5m to £5.5m	£5.5 m to £55m	£55m to £110m	£110 m to £220m	£220 m to £550m	£550 m or greater
	Application Fee	£651	£982	£1,627	£2,027	£4,882	£4,882	£4,882
Telephone Only Betting	Annual GGY	Less than £0.55m						
	Application Fee	£593						
Betting Intermediary: Trading Room only	Annual GGY	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater				
	Application Fee	£593	£977	£1,627				

Key  New bands and fees



Licence Type	Unit / Annual Fee	Unit of Division: Value of Gross Sales		
Gaming Machine Technical: Full	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater
	Application Fee	£977	£1,627	£16,274
Gaming Machine Technical: Supplier	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater
	Application Fee	£977	£1,627	£4,882
Gaming Machine Technical: Software	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater
	Application Fee	£977	£4,882	£16,274
Gambling Software	Annual Gross Sales	Less than £0.55m	£0.55m to £6.6m	£6.6 m or greater
	Application Fee	£6,346	£13,018	£16,274

Key  New bands and fees

Licence Type	Unit / Annual Fee	Unit of Division: Annual Proceeds					
Society Lottery	Annual Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater			
	Application Fee	£163	£244	£325			
External Lottery Manager	Annual Proceeds	Less than £0.55m		£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	Greater than £10m
	Application Fee	£977		£1,627	£1,879	£2,278	£2,463

## Appendix 1 (continued) Details of proposed application fees for Changes of Legal Entity

Criteria applying to all circumstances

The applicant (new entity) is going to take on all the undertakings, assets and liabilities of the existing entity  
The existing entity holds an operating licence, and the applicant entity is going to apply for exactly the same licence  
The existing entity has to surrender its licence when new entity gets licence granted

	Existing Entity	New entity (applicant)	Specific Criteria to be met	
1	Sole proprietor	Limited Company /plc	The same individual is the sole director and shareholder	25% app fee
2	Sole proprietor	Partnership	Partnership is two persons <i>only</i> . One of the partners is the previous sole proprietor, the other is already known to the Commission (holds Operating Licence or Personal Licence, is a Schedule X (see footnote), or in any case has had Annex A approval (see footnote).	25% app fee
3	Partnership of two persons	Sole proprietor	Sole proprietor was a partner in previous entity, partnership terminated for business reasons <i>rather than</i> death or retirement	25% app fee
4	Partnership	Limited Company /plc	The previous partners are the <i>only</i> directors/shareholders. No other persons involved as director or shareholder.	25% app fee
5	Partnership	LLP	The previous partners are the <i>only</i> members of the LLP. No other persons involved as members.	25% app fee
6	Limited company/plc	Sole proprietor	The individual was the only director and shareholder of the Ltd Co	25% app fee

Change of Legal Entity - criteria applying to all circumstances are met, but specific criteria in box above are NOT met

	Existing Entity	New entity (applicant)	Specific Criteria Not Met - examples	
1	Sole proprietor	Limited Company	Ltd Co has another director/shareholder as well as the previous sole proprietor	75% app fee
2	Sole proprietor	Partnership	Partnership is of three persons. Partnership of two but other partner unknown.	75% app fee
3	Partnership of two persons	Sole proprietor		75% app fee
4	Partnership	Ltd Co	Ltd Co includes a new shareholder who was not a previous partner.	75% app fee
5	Partnership	LLP	New member of LLP who was not in previous partnership.	75% app fee
6	Ltd Co	Sole proprietor	Ltd Co has directors or shareholders other than the new sole proprietor	75% app fee

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<sup>21</sup> A Schedule X is an individual who is named on an operating licence as authorised by the GC to perform responsibilities in reliance on that licence. Annex A refers to the licensing process that a Schedule X applicant individual will be subject to.

## Appendix 1 (continued) Details of proposed application fees for Death of a Sole Trader

Criteria applying to all circumstances

Applicant intends to carry on the business of deceased

Application is for exactly the same licence as that held by the Lapsed Entity (i.e. licence lapsed due to death)

Application made with 6 months of death (lapse)

	Applicant	Condition One	Condition Two	
1	Individual	1. Applicant is the spouse, civil partner or child of the deceased	2. Applicant is already to known to the Commission (holds OL or PL, is a Schedule X, or in any case has had Annex A approval) (see footnote)	25% app fee
2	Partnership	1. Each partner is either a spouse, civil partner or child of the deceased	2. Each partner is already to known to the Commission (holds OL or PL, is a Schedule X, or in any case has had Annex A approval) (see footnote)	25% app fee
3	LLP	1. Each partner is either a spouse, civil partner or child of the deceased	2. Each partner is already to known to the Commission (holds OL or PL, is a Schedule X, or in any case has had Annex A approval) (see footnote)	25% app fee
4	Ltd Company	1. Every shareholder and director is the spouse, civil partner or child of the deceased	2. Each Schedule X person in the applicant is already to known to the Commission (holds OL or PL, is a Schedule X, or in any case has had Annex A approved) (see footnote)	25% app fee

Death of Trader - criteria applying to all circumstances are met, Condition One met, but Condition two NOT met

	Applicant	Condition One	Condition Two	
1	Individual	1. Met	2. e.g. applicant unknown to GC	75% app fee
2	Partnership	1. Met	2. e.g. partner(s) unknown to GC	75% app fee
3	LLP	1. Met	2. e.g. partner(s) unknown to GC	75% app fee
4	Ltd Company	1. Met	2. e.g. unknown Schedule x	75% app fee

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<sup>22</sup> A Schedule X is an individual who is named on an operating licence as authorised by the GC to perform responsibilities in reliance on that licence. Annex A refers to the licensing process that a Schedule X applicant individual will be subject to.

## Appendix 1 (continued) Details of proposed application fees for Death or Retirement of a Partner

### Death or retirement of partner - partnership OL lapses

#### Only applies when

Applicant will be a sole proprietor

Partnership was of two persons only, and the applicant was one of them

Applicant will carry on the business previously undertaken by partnership

Application is for exactly the same OL as that held by partnership

Licence will lapse due to death or retirement of one of the partners

App fee
£100

## Appendix 1 (continued) Details of proposed first annual fees calculation for applications involving changes of legal entity, death of a sole trader or death or retirement of a partner

Reduced first annual fees - all circumstances

A minus ((B divided by 12 months) x C)

A = full annual fee amount

B = amount of fee *last* paid for the previous licence

C = number of whole calendar months between the date on which the previous licence lapsed/was surrendered and the next anniversary date of the issue of the **old** licence

Example

GBS Cat A licence

Last annual fee paid was £1,646

Anniversary date 01 September

Licence lapsed 15th March

A = £1,646

B = £1,646

C = 5 whole months, April to August

**1,646 minus ((1646 / 12) x 5) = £960.17**

**Appendix 1 (continued): proposed Variation fees**

<b>Changes in control</b>		
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)	25% of standard licence fee	
Changes in control (when acquiring entity is licensed and there are no financial or structural changes)	£100	
Change resulting from divisions	75% of standard licence fee	
<b>Variations</b>		
Add licensed activity	25% of standard licence fee	
Amend licensed activity - increase fee category of licence	20% of standard licence fee	
Amend licensed activity - decrease fee category of licence	£25	
Remove licensed activity	£25	
Change details	£25	
Change details (where a Personal Declaration - Annex A is required)	£100	
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	
<b>Copy of licence</b>	£25	
<b>Copies of the register of operating licences (NB available via email for no charge)</b>	£25	
Application for a permit under Section 250(2) - Single gaming machine permit	£25	
	<b>Application fee</b>	<b>Annual fee</b>
<b>Ancillary Licence Types</b>		
Hand held terminals	£100	£25
General betting	£100	£25
Bingo: National game	£100	£25
Gaming machine technical: software	£100	£25
<b>Non-remote Linked Licence Type</b>		
Gaming machine technical: supplier	£165	£375
Gaming machine technical: software	£165	£375
Gambling software	£165	£375
<b>Remote Linked Licence Type</b>		
Gaming machine technical: software	£165	£375
Gambling software	£165	£375

## Appendix B: Authority to set fees

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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 of the Gambling Act) 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)).



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