



department for
**culture, media
and sport**

FINAL IMPACT ASSESSMENT

Gambling Commission Fees from August 2008

4th July 2008

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

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Summary: Intervention & Options

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Related Publications: Proposals for Gambling Commission Fees – Consultation Paper (DCMS, July 2006); Summary of Responses to ‘Proposals for Gambling Commission Fees – Consultation Paper’ (DCMS, December 2006); The Gambling (Operating Licence and Single-Machine Permit Fees) Regulations 2006 (The Stationery Office, December 2006); The Gambling (Personal Licence Fees) Regulations 2006 (The Stationery Office, December 2006).		

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

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

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

What are the policy objectives and the intended effects?

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

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

1. No change to the existing fee structure.

Following consultation, a package of modified measures as summarised in the assessment of options in this Final Impact Assessment. **This is the preferred option** as, based on available information, this best meets the objective of ensuring that the Commission is adequately resourced to carry out its regulatory functions while at the same time ensuring fairness for the gambling industry (some of these fees will actually fall).

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

This is a review stage assessment, but licence fees will be kept under review by DCMS and the Commission and further changes will be made in future years if that is felt to be appropriate. Current plans are to review in 2009, once a full annual cycle of the new regime has been completed, and then consider moving to a 3 year review cycle.

Ministerial sign-off

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

Signed by the Minister for Sport:

..... Date:

Gerry Sutcliffe

Summary: Analysis & Evidence

	ANNUAL COSTS		<p>Key monetised costs by main affected groups.</p> <p>The Commission predicts that it will receive approximately 400 operator licence applications next year. Based on the uplift of 4% on application fees the industry will incur an additional cost of £11,513 compared to the 2007 fees.</p> <p>The uplift to the annual fees for large operators will affect approximately 83 licensed operators. The industry will incur an increase of £244,541 on annual fees during one year.</p> <p>An increase in the charge for variations to operating licences details where a personal declaration is required. Based on 83 variations received during a six month period the industry will incur an increase of £6,225 compared to 2007 fees.</p>
	One-off	Yrs	
	£ Nil		
	Average Annual Cost (excluding one-off)		
	£ 262,280	Total Cost (PV)	£ 262,280

BENEFITS	ANNUAL BENEFITS		<p>Key monetised benefits by main affected groups.</p> <p>Revised application workloads and fees for some sectors of the industry will result in a fall in the cost to the industry by £32,527 during year one.</p> <p>The reduction in annual fees for some of the smallest operators will affect 1,369 licensed operators. The cost to the industry will fall by £235,268 during one year.</p> <p>A new variable scale of changes of control fees to reflect variety of work required. Based on 34 variations received in six month period the cost to the industry will fall by £45,609</p>
	One-off	Yrs	
	£ nil		
	Average Annual Benefit (excluding one-off)		
	£313,404	Total Benefit (PV)	£313,404
Key non-monetised benefits by main affected groups			Full set of licence types issued to operators
Key non-monetised costs by main affected groups.			None identified.

Key Assumptions/Sensitivities/Risks

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	Net Benefit (NPV Best estimate) £
What is the geographic coverage of the policy/option?			Great Britain
On what date will the policy be implemented?			1 st August 2008
Which organisation(s) will enforce the policy?			Gambling Commission
What is the total annual cost of enforcement for these organisations?			n/a
Does enforcement comply with Hampton principles?			Yes
Will implementation go beyond minimum EU requirements?			n/a
What is the value of the proposed offsetting measure per year?			n/a
What is the value of changes in greenhouse gas emissions?			n/a

Will the proposal have a significant impact on competition?				No	
Annual cost (£-£) per organisation (excluding one-off)	Micro - £ 172	Small £ 0	Medium £ 0	Large £ 2946	
Are any of these organisations exempt?	No	No	No	No	

Impact on Admin Burdens Baseline (2005 process)					(Increase – Decrease)
Increase of	£ 0	Decrease of	£ 0	Net Impact	£ 0

Evidence Base

What is the problem under consideration?

Summary

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

Background

4. The Act put in place new arrangements for regulating gambling in Great Britain and repealed previous legislation, such as the Betting, Gaming and Lotteries Act 1963, the Gaming Act 1968 and the Lotteries and Amusements Act 1976. The Act also established the Gambling Commission as the body responsible for regulating all gambling in Great Britain, except the National Lottery and spread betting which are regulated by the National Lottery Commission and the Financial Services Authority respectively.
5. Government policy on fees, charges and levies charged by public bodies is set out in *Managing Public Money* published by HM Treasury in July 2007. This states the general principle that fees should be set to recover the full cost of the service provided. This principle applies in the case of gambling licences even though the function of the Commission is to regulate the gambling industry in the public interest, rather than to provide a service to the industry.
6. The Commission issues two types of gambling licence: operating and personal. Both are subject to a one-off application fee (and do not require renewal as under the previous legislative regime). Under the fee structure in place from 1st September 2007, fees for operator licences are based on fee category bands and vary according to the sector and the appropriate fee band. Fee bands are based on either:
 - number of licensed premises owned by an operator (bingo, standard betting and arcades)
 - gross gambling yield (existing casinos, pool betting, betting intermediaries and remote casino, bingo and betting)
 - annual gross sales (gaming machines)
 - annual proceeds (lotteries)

- size of premises (new casinos) or
 - number of working days (limited betting – e.g. on-course bookmakers).
7. Operators must pay an annual fee to retain their licence for the maintenance of their licence to meet the costs of the Commission's compliance and enforcement activities in maintaining the licence, which is indefinite in duration. The level of annual fees is also determined by fee category bands.
8. There are two categories of personal licence:
- personal management licence – required by all persons who occupy a specified management office in respect of the holder of an operating licence; and
 - personal functional licence – required by those individuals who perform any function which enables them to influence the outcome of gambling or who are involved in the receiving or paying of money in connection with gambling.
9. There is a flat rate for personal licence applications, which do not have an annual fee, although a maintenance fee is payable five years after the licence has been issued. This authorises personnel in the gambling industry to perform the functions of a specified management office or a specified operational function.
10. Fees are also payable to the Commission should the licence holder wish to change or vary an operating or personal licence. These fees are charged based on the average effort (and therefore cost) relevant to the variation for that licence category.
11. Any person providing commercial gambling opportunities to the public from fixed premises, rather than remotely, will need to purchase a premises licence from the relevant local authority. Premises licences are subject to fee maxima set by the Department for Culture, Media and Sport with the actual annual fee being set by the local authority. As they are not administered by the Commission, premises licences were not included in the review of licence fees and hence are not considered in this Final Impact Assessment.

Why is government intervention necessary?

12. When fee levels were set for the first year of the new regulatory regime, the Department for Culture, Media and Sport and the Gambling Commission agreed to review fees in light of actual experience of licensing and compliance activity and, if necessary, to make changes with effect from 1st August 2008. The fees are comparatively complex and it was considered that some useful lessons would emerge during the transitional phase. Since licensing arrangements have been in place from 1st January 2007 it is the view of the Department and the Commission that there is now sufficient evidence to justify the proposed changes to fees, especially as a number of the changes will benefit small businesses.

Policy Objectives

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

Intended effects

14. The intended effect of the review of licence fees is to set a level that enables full cost recovery of the Commission's licensing and regulatory activities whilst ensuring fairness and value for money for the gambling industry, including avoiding any sectoral cross-subsidisation in the light of relative reassessed regulatory effort required.
15. The wider intention behind the Act and the regulatory regime it put in place is to reform and update the regulation of the gambling industry and in so doing to limit gambling's potential for personal and social harm. The outcome the Department and the Commission are seeking therefore is a well-regulated and socially responsible industry.

Consultation

16. The Department and the Commission published a consultation document on the proposals on Gambling Commission fees from 1st August 2008 in March 2008. The consultation period ended on 2nd June 2008. 27 responses were received from a wide range of stakeholders, including all the main trade associations and other interested parties. In addition, the Department and the Commission met all the main trade associations at an all day fees review workshop on 16th April 2008.
17. Each of the issues considered in the consultation document was addressed by specific questions. Overall, the responses indicated that there was broad agreement with the policy and approach for setting the level of Commission fees. However a number of common and main concerns did emerge around the related issues of:-
 - the level of information made publicly available supporting the Commission's overall costs and workload assumptions and the impact on the level of licence fees;
 - whether the Commission's costs should be subject to some form of independent external scrutiny; and
 - the level of licence fees for smaller operators (especially bookmakers); and a desire to move to a number of shops basis for setting fees and the barriers to growth the current category fee bands present for small operators at the margins of these bands.
18. In response, the Commission have in the past and continue to offer bilateral meetings with all stakeholders to provide additional information on how the fee levels proposed are based on the Commission's model for calculating costs of delivering its regulatory activities and services. In addition, Department officials and the Commission have reviewed the Commission's risk assessments of each gambling sector in assessing the scale of regulatory activity that the Commission needs to undertake and its workload and unit cost assumptions which inform the level of fees to recover its costs. The Department is satisfied that workload estimates and assumptions underpinning the Commission's planned regulatory activity levels are justified and robust to meet its licensing objectives under the 2005 Act. As for external scrutiny, the industry needs to recognise that the Commission is already subject to a good deal of independent scrutiny from the National Audit Office on an annual basis, a Gateway Review report to be published in July which looked at all aspects of the Gambling Commission's work, including expenditure, and a Hampton compliance review (as a category 1 priority) to be carried out soon by the Department for Business Enterprise and Regulatory Reform.

19. The Commission have also looked again at the level of fees for small operators, which was also discussed at length during the previous fee-setting exercise. On the basis of the information available, the Government remains satisfied that the proposed licence fees are reasonable, sees no justification for any further reductions in annual fees to those already proposed (around 11% reduction in some cases) and rejects the possibility of moving to number of shops based annual fee. This latter option is not only contrary to the HM Treasury's guidance for setting fees based on the level of regulatory activity, but fees cannot logically be premises-based. It is operators, not premises, that the Commission is licensing and operator risks that it must consider, which will not be directly proportionate to the number of premises from which operators carry out business.
20. On the anti-competitive issue, the evidence shows that the large majority of small operators have a single premise and as such there is no justification to expand the boundary (of the smallest size category (currently up to 4 premises). Significant marginal costs do remain at the boundaries of all the size categories, reflecting additional regulatory work the Commission needs to carry out to satisfy itself that an operator is capable of satisfying the requirements of the 2005 Act for the level of activity covered that the size band it falls in to. The Commission reviewed this issue carefully when the original fees were set, introducing an extra fee band at the smaller operator end, so limiting the impact for growing small businesses in general. In addition, any reduction in fees for smaller operators will mean higher fees for larger operators.
21. In addition (and as explained in full below under Option 2) a number of modifications have been made to the original proposals in the light of consultation including:-
- to not integrate remote ancillary casino and remote ancillary bingo licences for hand held terminals into a single generic licence;
 - a reduction in the proposed fees for the new linked licence category for non-remote operators for authorised activity of up to £50,000 for a gaming machine technical suppliers, gaming machine software and gambling software licence
 - anew revised structure and variable scale of charges for changes of control fees to reflect the variety of work of required; and.
 - to defer for further consideration, a proposal for a revised way of calculating fees for remote casino, bingo and betting on virtual events.

Assessment of the policy options

22. The assessment of policy options is determined primarily by the availability of evidence on which to base changes. As has been noted above, the Department and the Commission agreed to review fees after one year of the new regulatory regime to ensure that the regime was working as intended and to see whether improvements might be made. In view of the relatively short time since the new regime has been in place, and hence the limited opportunity to gather evidence, only minor adjustments are being proposed together with the deferment for further consideration of the proposal to revise the way of calculating fees for remote casino, bingo and betting on virtual events. The Department and the Commission do not consider that at present there are grounds for making more far-reaching changes, although that does remain a possibility for the future, if new and persuasive evidence emerges.
23. The changes noted above (together with other adjustments below) take on board all the principal points in response to the consultation without compromising the overall framework and policy approach, with which respondents by and large have agreed. The impact the changes have on licence fee levels are reflected in **Table 1** at Appendix 1.

Options

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

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

Option 2: Following consultation a package of slightly modified measures as set out in the consultation document and summarised in the assessment of options in this Final Impact Assessment.

25. Based on available information, this option best meets the objective of ensuring that the Commission is adequately resourced to carry out its regulatory functions while at the same time ensuring fairness in regulating the gambling industry. The modified package is made up of the following measures, each of those impact is discussed in the succeeding paragraphs :
- a. Revised application workloads and fees for remote casino, bingo, general betting, betting intermediaries and gambling software;
 - b. Application fees for all other operating licences to be increased by approximately 4% to reflect changes in workload and cost assumptions;
 - c. The annual fees to be reduced for the small operators to reflect reduced workload and cost assumptions;
 - d. The annual fees to be increased for the large operators to reflect increased workload and cost assumptions;
 - e. Additional size categories for some non-remote and remote licences to reflect effort assumptions more closely;
 - f. New categories of linked non-remote licences to be created for non-remote gaming machine technical suppliers and gambling software licences;
 - g. Not to introduce an integrated ancillary remote licences for hand-held terminals into a single generic licence for use of hand held terminals in any licensed premise;
 - h. New categories of linked remote licence types to be created for gaming machine technical supplier and gambling software licences;
 - i. New category of restricted remote betting intermediary licence to cater for trading rooms and similar activity;
 - j. An increase in the charge for variations to operating licence details where a personal declaration is required;
 - k. A new and revised structure and variable scale for changes of control fees to reflect the variety of work required;
 - l. To defer for further consideration, the proposal for a revised way of calculating fees for remote casino, bingo and betting on virtual events has been deferred for further consideration;

Economic impact

26. The package of modifications outlined within Option 2 will have various impacts upon the industry, but overall the benefits outweigh the costs to the industry by over £1.071m during one year. The modifications are designed to address the anomalies that have come to light with the existing arrangements. The Department and the Commission consider that the majority of operators will not incur any additional one-off costs. However, it is recognised that a proportion of operators do not yet have a complete set of licences, which cover all of their business activities, and so will incur costs when completing their full set of licences. All operators are required to hold a full set of licences to cover all of their business activities to prevent contravention of the Gambling Act 2005.
27. Option 2a will significantly reduce application fees for remote casino, and the smallest categories of remote betting intermediaries and gambling software, reflecting revised workload assessments. Application fees for remote general betting and remote bingo will be increased, reflecting revised workload assessments. The difference between the current fees (£114,796) and the new fees (£82,269) will result in a fall in the cost to industry of £32,527.
28. Option 2b will increase all other operating licence application fees by approximately 4%. The changes reflect a combination of increased costs and a better understanding regarding the effort required to licence an operator. The current fees were set in late 2006 and came into effect from 1st January 2007. The proposed fees will have effect from 1st August 2008 and would apply into 2009. The Department and the Commission believe that, to maintain consistent regulatory effort and to set the most accurate fees for new entrants, this uplift for application fees is justifiable for operating licences. The Commission predicts that it will receive approximately 400 new operator licence applications next year and on that basis the difference in cost between the current fees (£338,294) and the fees increased by 4% (£349,807) will result in an increase in the cost to industry of £11,513.
29. Option 2c will reduce the annual fee for some of the smallest operators compared to the full-year cost outlined in the 2006 fees regulations. As the compliance and enforcement arrangements have only been in place since 1st September 2007, the information here on resource requirements is more limited. Nevertheless, it is the view of the Department and the Commission that there is sufficient evidence now to justify the reduction. The reduced fee also reflects the relative workload and lower unit costs applicable to some of the smallest operators. The reduction in annual fees for some of the smallest operators will affect 1,369 licensed operators. The difference between the current fees (£2,754,345) and the new fees (£2,519,077) will result in a fall in the cost to industry of £235,268 during one year.
30. Option 2d will uplift the annual fee for large operators compared to the full-year cost outlined in the 2006 fees regulations. The change to the annual fee reflects a combination of increased costs, efficiency savings, differential day rates and an assumption that the visit pattern and resources shift towards larger operators to reflect the levels of work required for the corporate review. The Department and the Commission recognise that the information on resource requirements for compliance and enforcement arrangements is limited, as they have only been in place since 1st September 2007. Nevertheless, it is the view of the Department and the Commission that there is sufficient evidence available to justify the change. The uplift to the annual fees for large operators will affect approximately 83 licensed operators and on that basis the difference in cost between the current fees (£4,992,804) and the proposed fees (£5,237,345) will result in an increase in the cost to industry of £244,541.
31. Option 2e will create additional size categories for non-remote and remote licences to reflect effort assumptions more closely. The Commission and the Department have recognised that the original assumptions regarding the size of casino operators need to be reassessed. The number of medium-sized operators and very large operators has been underestimated and as a result, the current fee structure does not reflect the widely varying compliance requirements. The creation of

the additional size categories for the medium-small operators and very large operators will properly reflect the compliance effort. At this stage, the Commission does not expect any operators to fall into this new category and so there will be no benefit or cost to the industry.

32. Option 2f will create new linked licence types with the gross value of the authorised activity of up to £50,000 for non-remote gaming machine technical suppliers gambling software. The Department and the Commission are aware that a number of operators who have gaming machines also maintain their own machines. At present, this arrangement requires them to hold a supplier's licence for the maintenance of the machines in addition to whatever permissions they have for making machines available for use. However, it is clear that the regulatory risk posed by carrying out this additional task is relatively slight and this option will address this problem and fees for this linked licence will be considerably lower for operators than those for a suppliers licence. In addition, because the relative workload for both forms of linked licences (i.e. for non-remote and remote (see option 2h)) are considered to be the same, the proposed fees for non-remote licences (as set out in the consultation document) will be reduced to the same levels as those proposed for linked remote licences i.e. from £364 on application to £165 on application and from £500 annual fee to £375 annual fee. At this stage, it is not possible estimate the number of operators who will be affected by this change, but guidance has been prepared which will go out to those affected separately to further explain what tasks trigger the need for this type of licence.
33. Option 2g will not, after further consideration by the Department and Gambling Commission, introduce a combined remote ancillary casino and remote ancillary bingo licences for hand held terminals into an integrated single generic licence, which will allow the use of hand held terminals in any licensed premise. The original policy intention was to extend the ancillary licence definition to pick up all terminals in premises which were of the same nature as the bingo hand held terminals. In particular the Commission wanted to cover their use in arcades. Following consultation, the Department and the Commission have reached the view that there are no circumstances in which such an extension is required and, further, that to make such an extension would cause uncertainties as to the operation of the existing core remote provisions in relation to prize gaming permits under Part 13 of the 2005 Act. Therefore no amendment is required and no cost or benefit to the industry.
34. Option 2h will create new linked licence types with the gross value of the authorised activity of up to £50,000 for remote gambling software and gaming machine technical supplier. The amendment to the structure of remote ancillary licences is to address the fact that a number of non-remote operators require a full remote licence for a small element of their business activities, which does not always involve direct contact with gamblers. The Department and the Commission view this as a low risk activity and therefore the compliance costs will consequently be moderate as well. The fees for this new linked licence for non-remote operators will considerably lower than the full remote licences currently required. The category will also capture existing operators completing their full set of licences, existing operators with a gross gaming yield value less than £50,000 and new very small businesses, probably in start up mode. At this stage, it is not possible for the Commission to estimate the number of operators who will be affected by this change.
35. Option 2i will create new category of restricted remote betting intermediary licence to cater for trading rooms and similar types of operators. The Commission and the Department recognise that a number of people use the facilities of dedicated trading rooms in order to connect to Betfair or other betting operators. Under the current arrangements, the provision of such trading rooms would require a remote betting intermediary's licence. However, it is accepted that the majority of the regulatory risk posed falls on the operators to which the trading room is connected and not on the operator of the trading room itself. Therefore, while regulation is required it should be relatively light touch and fees will be considerably lower than those for a betting intermediary licence.

36. Option 2j will create a second higher level for the change details variation (where changes are required to the details that appear on an existing licence). At present only one level of the change details variation exists, and incurs the administrative fee of £25. However, this administrative fee does not cover the costs when a change of details variation requires the investigation of a new individual. Where a Personal Declaration – Annex A form has to be completed, the cost is much greater than the current £25 fee. The Department and the Commission believe that, to maintain consistent regulatory effort a second higher-level fee of £100 will be applicable when a Personal Declaration – Annex A is required. The Commission estimates (based on 83 variation applications received in six month period which the Commission has assumed will be typical) that the difference between the current fees (£2,075,00) and the new fees (£8,300,00) will result in an increase cost to the industry of £6,225,00.
37. Option 2k will create two new additional levels for the change of control variation. At present, only one level exists, which has a fee of 75% of the standard application. This fee structure does not take into consideration situations when the entity making the acquisition is already known to the Commission or change is the result of share fluctuation. Therefore, the Department and the Commission consider it more appropriate to move to three levels of charges for change of control variation, based on a risk assessment to enable the Commission to meet its licensing objectives, are appropriate, which will lead to reduced fees compared to now for any operator whose of control falls within the second or third levels below.
- **Level 1 – One party is unknown.** This is where the entity making the acquisition is not licensed by the Commission. A fee of 75% of the standard application fee will be charged.
 - **Level 2 – Both parties are known and any reason for change of control other than share fluctuation.** Not including share fluctuation, this is where the acquiring entity is an existing Commission licence holder and where change of control is a result of financial or operational structure changes. A fee of 25% of the standard application fee will be charged.
 - **Level 3 – Both parties are known and share fluctuation only.** This is where the acquiring entity is an existing Commission licence holder and change of control is a result of share fluctuation only. An administrative charge of £100 would be charged.

The Commission estimates (based on 34 variation applications received in six month period which the Commission has assumed will be typical) that the difference between the current fees (£73,888,00) and the new fees (£28,278,00) will result in a fall in the cost to industry of £45,609 during one year.

38. Option 2i is a proposal for a new way of calculating fees for some types of remote providers. This was detailed within Appendix 4 of the consultation document. Following a meeting between the Gambling Commission and remote operators, it was agreed by all parties that whilst the proposal was sensible in principle it needed further consideration in a number of aspects before it could be introduced. It was decided to delay any possible introduction until further work on the proposal had been carried out by the Gambling Commission.

Competition assessment

39. The Department and the Commission do not expect any significant changes in the structure of the gambling industry as a result of the proposed fee changes. The requirement is applied across all of the licensed commercial gambling industry in Great Britain, except the National Lottery and spread betting, which are regulated by other authorities. While the cost of new licences will increase, the Department and the Commission consider that this in itself will not deter possible new entrants to the market. The increase is intended only to offset increased costs, which cannot be dealt with in efficiency savings.

40. A simple competition assessment of this proposal has been undertaken in accordance with Better Regulation Executive/Office of Fair Trade guidance and has concluded that a full competition assessment is unnecessary. The fees proposed reflect the regulatory costs as they relate to their licensing activities, which in turn reflect the risks and complexity posed to the statutory licensing objectives of the Commission. Thus, large complex, higher risk operations will be charged at a higher rate than smaller simpler and lower risk operations. This is because although the costs of research and design will be similar no matter what the size of the gambling operation, monitoring and enforcement costs are both likely to increase as the size, complexity and risk of the operation increases, (but not related to specific number of premises). In addition, the fee levels do not form, and the proposed changes would not lead to them becoming, an unreasonable barrier for businesses wishing to operate in the gambling industry. The proposals are designed to be fair to all sectors of the gambling industry, whilst taking into account the size and complexity of a business within a particular sector in determining the level of fees.
41. The Act removes restrictions and statutory requirements for businesses that may act as impediments to entry. The proposed fees will in all probability be passed on to customers. They are unlikely to affect competition between firms in the same sub-sector of the industry.
42. This form of differential pricing is unlikely to affect the structure of the industry or the number or size of firms. This is because the charges will be small relative to turnover or profitability. Moreover, they will affect existing firms in the same way as new firms both in terms of set up and on-going costs.
43. The gambling sector is characterised by rapid technological change. Recent years have witnessed major changes in the mechanisation of many forms of gambling. This trend is likely to continue and is unlikely to be affected by the proposed changes. In particular, there is nothing in the changes that affects the ability of firms to choose the price, quality, range or location of their product. Indeed, the Act incorporates a high degree of regulatory flexibility, making it less likely than in the past that the licensing regime itself influences the structure of the gambling industry.
44. The overall conditions of competition in the British gambling industry are unlikely to be materially affected by the proposed changes.

Small firms impact test

45. The fee structure is designed to reflect the relative risk of operators in relation to the Commission's compliance activities – higher fees reflect higher levels of compliance activity. Thus smaller operators are required to pay lower fees than larger operators since they are judged a lower risk, and this is further underlined in the light of regulatory experience to date by the proposal that annual fees for smaller operators will be reduced to reflect reduced workload and cost assumptions. This principle of proportionate charging, which ensures fairness to smaller operators, is not affected by the proposed changes to fees.
46. The package of modifications outlined within Option 2 re-balances the fee structure by addressing the (generally minor) anomalies that have come to light with the existing arrangements. The reduction in annual fees for the smaller operators is justified by information available regarding the resource requirements for compliance and enforcement. The information also reflects the increased levels of work required for corporate review of larger operators and the consequent increase in their annual fees.
47. Trade organisations that have both large and small operators as members and the Department for Business Enterprise & Regulatory Reform (BERR)'s Enterprise Directorate have been and will continue to be consulted on the fees policy as drafted in the Act and implemented by the fees

regulations The Department and the Commission's objectives, within the overall framework for effective regulation, will be to minimise any disproportionate impact on small businesses.

48. Neither the Department nor the Commission consider that the regulation will unfairly impact upon small firms or new entrants into the gambling industry. However, these changes enable the Commission to re-balance the fee structure by addressing the anomalies, which have come to light with the existing arrangements. This is in accordance of the Government's commitment through BERR's Enterprise Directorate support of small businesses.

Legal aid

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

Sustainable development and environmental impact

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

Health impact

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

Impact on equality and human rights

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

Impact on rural areas

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

Sectors and Groups affected by the regulation

55. All sectors of the gambling industry, except the National Lottery and spread betting, are affected

by the regulation. This includes anyone wishing to enter the industry or to sell specialist equipment to it and the potential and actual staff employed in key roles. This numbers some 4,000 operators, ranging from some of the biggest entertainment companies in Great Britain to owner/operators of single arcades and betting shops.

Future considerations

56. As the consultation document pointed out, we are at the early stages of the implementation of this legislation and as a result the arrangements and priorities for the future are likely to change and such changes may impact differently on the industry. For example, we are not yet able to predict the level of enforcement activity with any accuracy. We have made the assumption in the consultation that we will be carrying out roughly the level of enforcement activity envisaged in the original planning assumptions for the Commission. However, it is becoming clear that the regulatory arrangements around playing of poker are such that considerable effort may have to be expended in order to ensure that this popular activity is carried out legally. Similarly, in the machines area, the illegal supply and locating of machines looks likely to need considerable effort. In addition, recent legislation on money laundering may well result in the need for increased compliance and enforcement activity beyond that already planned.
57. Changes to technology and business models always present a challenge to the regulator to ensure that the regulation is proportionate and properly focussed and new developments can radically change the face of the industry. Similarly, there is evidence at present of a degree of consolidation among certain sectors; this too may change the regulatory environment.
58. The Department and the Gambling Commission will continue to keep such matters under review on a regular basis and respond promptly in the event of any firm evidence emerging that should prompt further amendments to fee levels or the fees structure.
59. Finally, the industry and the trade associations have often stated that among licensed operators the level of non-compliance with the new legislation will be very low. If this proves to be the case then the resources devoted to compliance activity could well be different to those assumed at present and there may even be wider implications for the future structure of gambling licence fees.

Appendix 1

Operator Licence Application Fees (in pounds sterling)

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

Operator Licence Annual Fees (in pounds sterling)

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

Personal Licence Application & Maintenance

Personal Licences	Fees	
	Licence	Maintenance
Management licence	£330	£330
Functional licence	£165	£165

Other Fees

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

Linked Licence Fees

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

Non-remote Linked Licence Type	Fees	
	Application	Annual
Gaming machine technical: supplier	£165	£375
Gaming machine technical: software	£165	£375
Gambling software	£165	£375

Operating Licence Other Fees

	Charge
<u>Changes in control</u>	
When acquiring party is unknown	75% of standard licence fee
When acquiring party is known and the trigger is not share fluctuation	25% of standard licence fee £100 admin fee
When acquiring party is known and trigger is share fluctuation only	75% of standard licence fee
Change resulting from divisions	25% of standard licence fee
<u>Variations</u>	
Add licensed activity	25% of standard licence fee
Amend licensed activity: move to higher category	£25 admin fee
Amend licensed activity: move to lower category	£25 admin fee
Remove licensed activity	£25 admin fee
<u>Change details</u>	
Change details	£100 admin fee
Change details (where a Personal Declaration – Annex A is required)	25% of standard licence fee 25% of standard licence fee
Add a condition to the license	25% of standard licence fee
Amend a condition to the license	£25 admin fee
Remove a condition to the license	£25 admin fee
<u>Copy of licence</u>	
<u>Copies of the register of operating licences</u> (NB available via email for no charge)	

Personal License Other Fees

	Charge
<u>Variations</u>	
Add licensed activity	25% of standard licence fee
Amend licensed activity	25% of standard licence fee
Remove licensed activity	£25 admin fee
Change details	£25 admin fee
Add a condition to the license	25% of standard licence fee
Amend a condition to the license	25% of standard licence fee
Remove a condition to the license	25% of standard licence fee
<u>Copy of license</u>	£25 admin fee
<u>Copies of the register of personal licenses</u>	£25 admin fee
(Available via email for no charge)	