

Title: Adjustments to Gambling Operating Licence Fees IA No: DCMS046 Lead department or agency: Department for Culture, Media and Sport Other departments or agencies: Gambling Commission	Impact Assessment (IA)				
	Date: 16/01/2012				
	Stage: Final				
	Source of intervention: Domestic				
	Type of measure: Secondary legislation				
Contact for enquiries: Andy Birleson 020 7211 6528					

Summary: Intervention and Options	RPC: RPC Opinion Status
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Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year	In scope of One-In, One-Out?	Measure qualifies as
£0.71m	£0.71m	-£0.71m	Yes	Out

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

The Gambling Act 2005 provides for the cost of regulating gambling operators to be recovered from fees charged for gambling operating licences issued by the Gambling Commission (the Commission). Since becoming operational in September 2007, the Commission has reduced its costs and now with three years' experience of regulating on the basis of the Act, has further assessed and reviewed its workload, costs and fees. This process has identified scope to make some limited changes to fees that move focus away from smaller businesses, rebalance fees to better reflect areas that require considerable ongoing resource (for instance, sports betting integrity and technology and innovation) and to remove potential barriers to business expansion and economic growth inherent in the existing fee structure.

What are the policy objectives and the intended effects?

- To ensure that the shift in regulatory focus away from some smaller operators to larger, higher risk operators is reflected in the fees structure and hence remove unfair subsidisation of some larger operators by smaller businesses.
- To improve fee structure resilience to future market changes including growth and consolidation.
- To remove specific fee burdens imposed by the Act which are disproportionate to regulatory objectives.
- To remove some anomalies in the existing fees structure, and correct some mispricing issues.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

- 1) *Do nothing* – Maintain the existing level and distribution of fees and fail to accurately reflect current and future regulatory efforts, continuing an unfair cross-subsidisation from smaller operators to larger operators and exposing the Commission to difficulties in the face of future market changes. Maintain unnecessary fee burdens and anomalies are maintained. This option does not meet the policy objective and it is not preferred.
- 2) *Rebalance the fee structure and reduce specific regulatory burdens* – Redistribute the fee schedule from smaller businesses to larger operators, to better reflect regulatory risks and costs, and build resilience to future market changes. Reduce or eliminate fee regulations that have become unnecessary to the Commission in meeting their regulatory objectives and correct anomalies in the existing legislation. In these ways this option meets the policy objectives and is thus preferred.

Will the policy be reviewed? Yes If applicable, set review date: 01/2013

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A	Non-traded: N/A	

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

Signed by the responsible Minister: _____ John Penrose _____ Date: 14 March 2012

Summary: Analysis & Evidence

Preferred Option

Introduce proposals to amend the Gambling Act by means of a Legislative Reform Order (LRO);

FULL ECONOMIC ASSESSMENT

Price Base Year 2010	PV Base Year 2011	Time Period 1 Year	Net Benefit (Present Value (PV)) (£m)		
			Low: 0.70	High: 0.72	Best Estimate: 0.71

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.00	0	0.00	0.00
High	0.00		0.00	0.00
Best Estimate	0.00		0.00	0.00

Description and scale of key monetised costs by 'main affected groups'

The proposed fee structure does not impose an increase in business costs as a whole. A small number of very large operators would, however, see an increase in fees but this will be counteracted by lower fees for a significant proportion of licensees at the smaller end of the market, both in terms of annual and application fees and other small burdens. This is presented below as a net benefit to business. The higher fees for larger operators reflect the additional effort required by the Commission in regulating them and corrections to some specific mispricing issues. There are no additional costs imposed on micro businesses. More detail on businesses negatively affected by the proposal is contained in the Evidence Base. There is no change in regulatory policy apart from the removal of burdens unnecessary to regulatory objectives, and so there are therefore no impacts on consumers or government.

Other key non-monetised costs by 'main affected groups'

No other costs to consider.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.00	0	0.70	0.70
High	0.00		0.72	0.72
Best Estimate	0.00		0.71	0.71

Description and scale of key monetised benefits by 'main affected groups'

As a whole the proposed package of fees will reduce the fee burden on the industry in real terms by approximately £714k in the fiscal year 2012/13 by comparison to 2010/11, comprising £267k from changes to the annual fee amounts and £437k-£457k from other amendments including discount arrangements. These savings largely fall to smaller firms, reflecting the regulatory effort associated with them. The fall in overall fees reflects the Commission continuing to reduce the costs of operating its regulatory regime while taking into account the projected volume of licensees.

Other key non-monetised benefits by 'main affected groups'

The proposed fees structure will be fairer, removing subsidisation of some larger operators by smaller businesses and cross subsidisation between industries. It will also be more resilient to market changes including growth and consolidation, avoiding the need for future changes and providing stability for the gambling industry.

Key assumptions/sensitivities/risks	Discount rate (%)	N/A – 1 year appraisal period
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All estimates reflect the fee proposals outlined in the Evidence Base, and the following assumptions:

- An average net-loss churn rate in licences of around 1.3% year-on-year, based on current trends of licences surrendered and new applications received. A small reduction over the period 2011-2013 in the number of non-remote licences held (particularly betting, arcades and machine supply licences), based on current trends, and that all machine suppliers licensed under the 1968 Gaming Act will have applied under the 2005 Gambling Act by 2012.
- A small increase over the same period in the number of remote licences held reflecting recent trends in pool betting and trading room licence applications.
- An inflation rate of 2.7% for 2012/13, as per the 2011 Autumn Budget Statement.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.00	Benefits: 0.71	Net: -0.71	Yes	Out

Evidence Base

Introduction and problem under consideration

Legislative background

1. The Gambling Act 2005 established the Gambling Commission (the Commission) as the national regulator of commercial gambling in Great Britain. The Commission became fully operational on 1 September 2007. The Commission is funded entirely from fee income, and receives no public funding. Fees are set on a banded basis by sector (bingo, casinos, betting, etc.), and by mode (remote and non-remote gambling), using the best available proxy for scale of activity in each sector.
2. 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 Commission). 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, and at a level that enables the Commission to recover the full costs of delivering its responsibilities, whilst ensuring hence fairness and value for money for the gambling industry.

Lessons learnt and changes in regulatory landscape

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, cost and fees. In the light of that experience, and the need to ensure that regulatory burdens on business are efficient in meeting regulatory objectives in an evolving market, the Commission is proposing a number of changes. These are designed to recover the costs of regulation more equitably and reduce the burden of regulation so far as possible. In this way, the Commission aims to better distribute the burdens of regulation in the best intention of the Act, whilst simultaneously ensuring that these burdens are minimised so that the gambling industry can operate in an environment free from unnecessary regulatory costs.
4. Despite the various upward pressures on the Commission's costs, the Commission has made sustained efficiency savings from more targeted compliance and enforcement efforts. The Commission has identified several key regulatory priorities which are set out below.
5. Compliance and enforcement work in the licensed sector 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. 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.
6. The Commission's risk based cycle of work is therefore now being more firmly focused on medium and larger- sized operators¹. In particular 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.

¹ Impact of failure to comply by medium and larger sized operators poses a greater threat to the licensing objectives.

- 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 Great Britain-based consumers' gambling is now provided by overseas licensees.
7. Enforcement against illegal activity outside of the licensed sector is placing a strain on resources. 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. The effective policing of this boundary protects the interests of the public and the legitimate activity of licensed operators. 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.
8. 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. 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 DCMS 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
9. Development and maintenance of the regulatory framework also 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 DCMS 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 DCMS review of the 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 the 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 periods²
 - 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).
10. Providing authoritative advice on gambling and its regulation is an on-going activity for the Commission, which 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.

² [LCCP consolidated version](#) published March 2011

11. Areas where the Commission expects to continue to need to devote significant resources at senior level include:

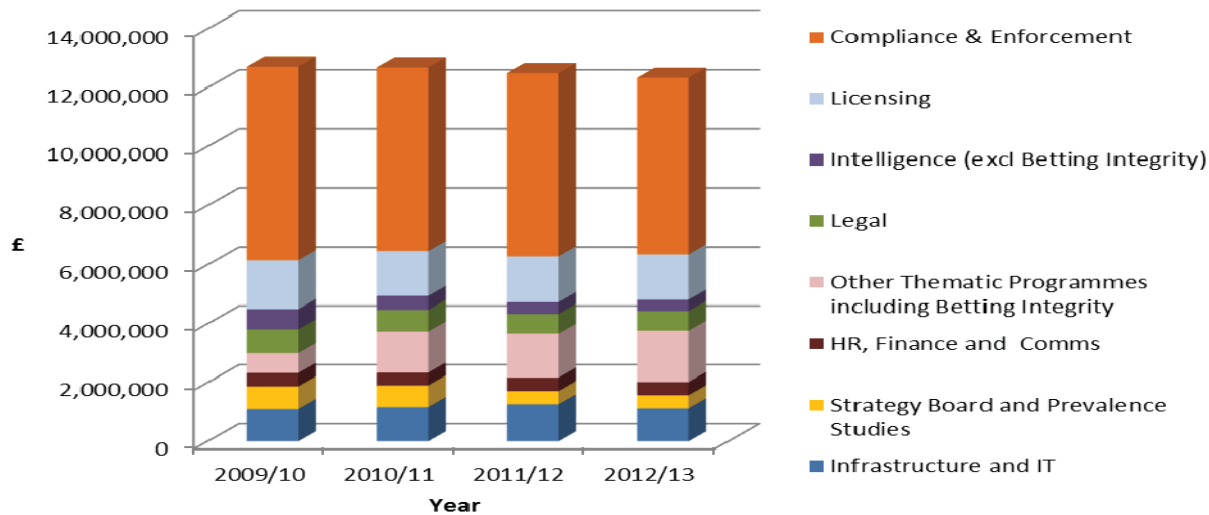
- the detailed regulatory implications of the results of the review of remote gambling regulation including any legislative implications
- advice on machines stakes and prizes: the Commission is the principal source of advice to the DCMS on the regulatory implications of changes in stake and prize limits, 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.

12. Over the financial years 2009/10 and 2010/11 (since fees were last revised), the Commission took £1.59m out of its cost base through improved efficiency and greater focus on higher impact operators and issues, with a further £0.2m expected to be taken out of its cost base in 2011/12. These reductions in costs are reflected in the fee proposals with fees that will be lower in real terms. However, the gross cost savings from these initiatives and other cut backs were partially offset by increased costs in other areas:

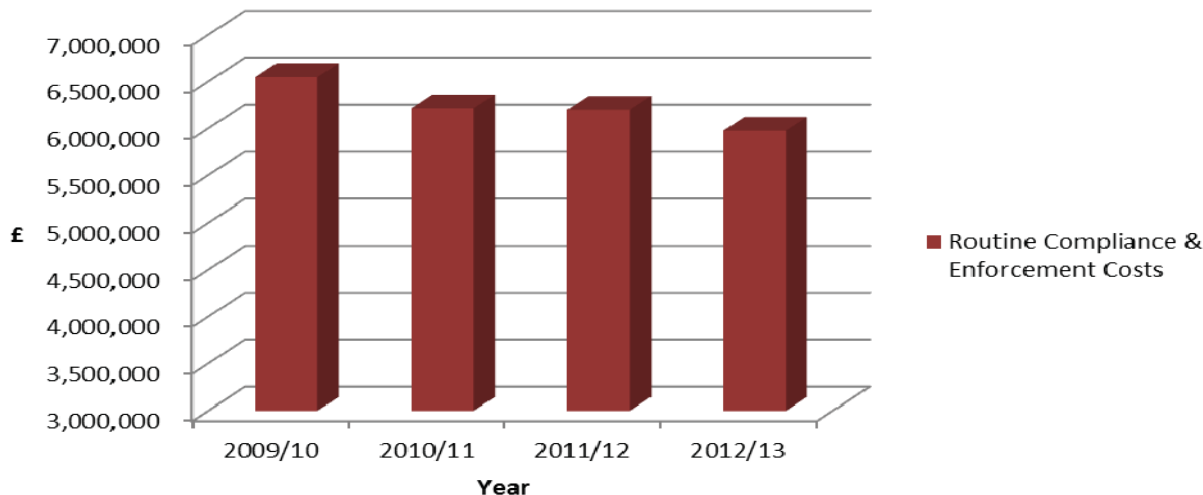
- Investigating sports betting integrity (programme has grown from under £100k to around £500k over the past year);
- Supporting a range of structural reviews, including the remote review, Parry Review, skill with prizes machines, Category B3 gaming machine stake and entitlements consultation
- Legal 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.

13. The following charts show how the focus of the Commission's work has changed and is expected to continue to change. There will in particular 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. 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.

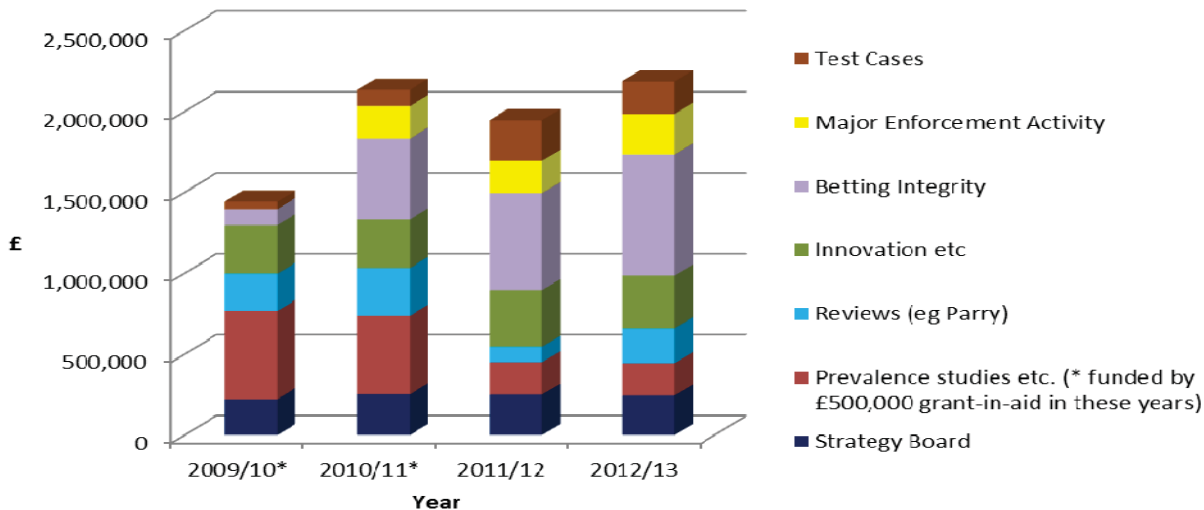
Costs 2009/10 to 2012/13



Costs 2009/10 to 2012/13



Other Thematic Programme Costs



14. 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.
15. Increased costs are attributable to External Lottery Managers (ELMs). As 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, including 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.
16. The increased costs of dealing with sports betting intelligence generated by the establishment of the Sports Betting Integrity Unit (SBIU). In the wake of the Government-sponsored Parry Report on integrity in sports betting the Commission established, as agreed, a SBIU 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.
17. There are 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.

Problem under consideration

18. This review of the lessons learnt and the regulatory landscape paints a clear picture of three major influences on way the Commission will carry out its role in the future. There are mounting cost pressures as some existing projects are scaled up, and other new regulatory concerns arise. These are offset by some substantial efficiency savings, but there will be a continuing need to redistribute effort away from some activities to others.
19. It is therefore an opportune moment to review fees for operators across sectors to ensure that they are designed to, as far as is practicable, recover the costs required for effective regulation of different sectors on an equitable and defensible basis.
20. The Commission is clear that despite various upwards pressures on Commission costs that the overall fee burden on the industry is appropriate for meeting its regulatory function. Maintaining the overall annual fees levels set in cash terms in 2009, represents a significant reduction in real terms once inflation has been taken into account, providing a real terms saving for the industry. This reflects the benefit of sustained efficiency savings over the period and clearly targeted compliance and enforcement efforts that are aimed mainly at larger and higher impact operators.
21. The changing regulatory landscape and concurrent shifts in regulatory activities will, however, mean that existing fee levels charged to different types of operator will no longer meet the objective of providing an equitable distribution of regulatory burden across the gambling industry. In particular there is an unfair burden on smaller operators, with an increasing amount of regulatory activity being devoted to larger operators. Indeed, the existing fees structure also lacks resilience to potential future changes in industry growth and consolidation and other significant developments such as the current sale of the Tote.

22. Over three years of regulatory experience several anomalies have also emerged since original fees were set due to changes in market and landscape, which are likely to lead to over or under-charging of some operators. It has become obvious that in addition there are number of unnecessary administrative burdens that apply to businesses (particularly micro and small enterprises) that could be reduced to the benefit of the industry. The legislative process to address issues with fees is a timely opportunity to make sensible adjustments to remove these burdens.

Rationale for intervention

23. The overarching rationale for intervention remains the same as that envisaged and approved by Parliament in the passage of the Act – namely that the costs of regulating the gambling industry should be borne by the industry itself and not by the taxpayer. The fees structure has been in place and operational for several years with fees Orders being laid in 2006 (amended twice in 2007), 2008 and 2009. As stated in the 2009 Proposals for Gambling Commission Fees consultation document, it was the Secretary of State's expectation at that time that fees would not be further increased until August 2011. Within this framework, however, it is important to ensure that the distribution of fees across the industry accurately reflects the regulatory costs associated with different areas of the industry. Failure to implement the current proposed changes would result in both cross-subsidy of fees, and over and under-recovery of fees from some gambling operators and sectors.

24. There is a wider programme of deregulation under development but, with the British Gambling Prevalence Survey showing no reduction in the incidence of problem gambling in Britain, there would need to be strong arguments to remove gambling activity from regulatory requirements. If separate policy considerations result in alternatives to regulation, then the principle of the recovery of regulatory costs through licence fees might no longer have application. But while the regulatory framework remains necessary it will also be necessary to ensure that fees are set at the right level, in accordance with this principle, and to minimise the costs that are imposed on business in the pursuit of regulatory objectives contained in the Act. Failure to implement the proposed changes would result in an excessive regulatory cost on the industry, which would not reflect the efficiency savings made by the Commission.

Policy objectives

25. The policy objectives of the overall framework remain unchanged. The policy objectives for the package of changes proposed in this document are as follows:

- To ensure Commission fees continue to reflect real effort, and are linked to the changing balance in Commission effort in the light of its more sophisticated understanding of industry risk (and increased focus on high impact operators),
- To reflect the move of Commission resources away from small operators in the betting, bingo and arcade sectors. Compliance work initially focussed on supporting the development of awareness and delivery of the licensing objectives among such operators, which in turn assisted the Commission in the development of its risk based approach. The Commission is now in a position to concentrate its efforts on working with local licensing authorities to support their efforts in the regulation of such operators.
- To take account of the upward pressures of increasing demand for relatively high cost work (such as sports betting integrity work, remote gambling, or technological development in the machines sector), and the need to recover a higher proportion of certain regulatory costs from larger, higher impact operators;
- To improve resilience of the fees structure in the face of dynamic changes in the market (including market growth, general consolidation, and specific changes in market organisation such as the sale of the Tote).
- To remove other administrative burdens and anomalies of the Act that are no longer considered to be necessary in meeting regulatory objectives.

Policy options

26. This section summarises the two options considered, before explaining how the preferred option was arrived at through the process of developing, considering and responding to the consultation that feeds into this final Impact Assessment.

Option 1 – Do nothing.

27. Maintain the existing fees structure. If this option were pursued, licensees at the smaller end of the market would continue to pay existing fee quanta, subsidising the costs of larger operators and consequently bearing an unfair share of the regulatory burden given the shift in regulatory emphasis away from such licensees. Existing fee bands would become more inequitable and present barriers to business growth and entry to the industry. Failure to implement other minor deregulatory measures will perpetuate unnecessary burdens from licence applications fees and annual fees that are disproportionate to regulatory effort. The direction of the Commission's deregulatory policy with regards to smaller operators will be hampered by failure to introduce fee changes. This option does not meet the policy objectives defined above and so is not preferred.

Option 2 – Rebalance the fee structure (preferred option)

28. Rebalance the fees structure to reflect the Commission's better understanding of cost drivers and its plans for future years. In brief, these proposals were 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 fee 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% (well below rate of inflation for these larger operators overall) but with some individual large increases (up to 29% where banding changes account for two-thirds of the total change)
- Reduce first annual fees for operators bidding for the new 2005 Act casinos
- Recover a greater proportion of the costs of regulation from non-remote ELMs (businesses running Society Lotteries on a commercial basis) and pool betting operators
- Reduce the administrative burdens that currently make it difficult for businesses to continue to operate (e.g. following the death of a sole trader)
- Reduce fees for varying licences to increase a fee category from 25% to 20%
- Introduce a new remote supplementary licence fee for non-remote lotteries accepting entries over phone or email
- Raise the threshold for telephone only betting up to £550k gross gambling yield (GGY).

29. Details of proposed changes in the fee structure are shown at Annex A, whilst other deregulatory changes and corrections to anomalies are fully described at paragraphs 93-111.

Arriving at the preferred option

30. It is important to understand how the preferred option was developed through the policy process. There are three stages to consider: preparation of the consultation; taking into account stakeholder responses to this consultation; considering whether any changes to the preferred option are required as a result.

Developing a proposal for the consultation

31. Fees were originally set on best estimates relating to likely costs, and 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 operators to provide the industry with some certainty regarding the level of fees, and to minimise administrative costs from frequent changes in fees, or changing and checking fees for individual operators.

32. 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. Fee band ranges were deliberately set to avoid existing operators being very close to the edge of a band, but a number of operators' businesses have since expanded, bringing them closer to the top end of their respective fee bands. With better information now held on both risk and various industry sectors, the Commission is now in a position to distribute the costs of regulation more fairly across the industry and within sectors. The Commission's recent assessment of the fees structure suggests that a number of existing fee bands

need to be subdivided to provide a more equitable distribution of the costs necessarily incurred in regulating different sectors, thus avoiding cross subsidy.

33. The Commission proposes that the existing non-remote fee bands for the larger adult gaming centre and general betting standard operators need to be subdivided in order to spread sector costs more fairly across different size operators, and ensure the smaller operators in existing bandings do not subsidise the larger ones by bearing a disproportionate share of that sector's regulatory costs.
34. These new bandings are narrower, and link size to fees more closely than the present bandings. The size of an operator (in terms of the number of premises it operates, for example) can generally be understood as a proxy for the risk posed by that operator to the licence objectives. Where there is an increase in the number of premises run by any one operator, and as generally follows, an increase in the gross gambling yield achieved by such an operator, there is a correlative increase in the potential impact such an operator may have. In terms of the larger betting operators, changes to fees also includes an element of fee increase, reflecting both the relative growth of operators in this sector over the last four years, an element of under-recovery of costs in previous years, and the need to recover some of the high cost areas of Commission work from high impact operators.
35. Some of the smaller remote betting fee bands will be split to reduce the size of the increments between bands, and to make the recovery of regulatory costs more equitable. In addition, the gross gambling yield threshold for the remote betting (telephone only) licence will be increased from £275,000 to £550,000. The fee band for the smallest remote society lotteries contains some operators whose remote business is very small, sometimes as part of a largely non-remote businesses; a new licence with a discounted fee for the smallest operators is proposed.
36. Based on recent experience, the Commission considers that both non-remote External Lottery Manager (ELM) and pool betting fees were originally set too low (in relation to overall regulatory effort required) and without sufficient regard to the size disparities between operators. Changes to these bands are needed at both the lower and the upper end to mitigate this. These changes would alleviate both the current regulatory cross-subsidy costs from other gambling sectors, and increase the fees charged to a more realistic level for these licence types. Whilst the percentage fee increase proposed for ELMs is large, original fees were set unrealistically low (partly because ELMs were effectively treated as charities, rather than businesses whose primary function is that of a commercial entity rather than as a non-commercial society lottery), and it is anticipated the new fees will represent less than 0.5% of proceeds raised³.
37. Finally, a shift in emphasis away from compliance visits and work with smaller operators requires a rebalancing of fee burden away from smaller operators in the bingo, betting and arcade sectors, towards the upper end of those sectors. Decreases of 7% are proposed for the smaller operators, with fee increases of 10% being proposed for larger operators. In some cases where re-banding has led to fee increases, the overall combined fee increase for a handful of operators is significant in percentage terms, although still a very small proportion of gross gambling yield⁴. Those operators have grown significantly over the last four years. Moreover, they also have remote operations which add to the Commission's workload in terms of betting integrity and consumer protection. Because their fees are based on the number of domestic premises as a proxy of scale, the large betting operators with significant overseas activities are benefiting from that regulatory input without contributing fairly.

Responses to the consultation

38. The consultation sought to canvass the views of stakeholders on the preferred option. DCMS and the Commission have considered all of the submissions in response to the consultation and do not advise a change to the overall shape of the proposals, although do recommend some modifications in key areas to address valid issues raised during the consultation. These are concerns and changes are explained below in paragraphs 39-45. The key areas where the Gambling Commission are not proposing changes but plan to invest time in further discussion and explanation with the relevant representatives.

³ Annual proceeds being the aggregate of the proceeds of lotteries managed by the external lottery manager.

⁴ Gross gambling yield being the amounts paid to the licensee by way of stakes plus the amounts that will otherwise accrue to the licensee, minus the amounts deducted in respect of the provision of prizes or winnings.

39. Some of the largest bookmakers challenged the proposed significant increases that they would be likely to see. The Commission intend to hold the position set out in the proposals for two main reasons: the main component of the fee increase is essential to mitigate the existing unfairness in the top betting band (in this respect, other betting operators have responded to complain that the proposals and fee increases do not go far enough); and that the lesser element of the fee increase reflects the increased costs in betting integrity (where some respondents had asked for further investment in this area) and machines work (where it should be borne in mind that the latest Gambling Commission published figures show annual GGY on B2 gaming machines is now around £1.3 billion, up 11% on a year ago).
40. Some representatives of the lotteries sector called for a mitigation of the increases proposed for external lottery managers. The Commission does not intend to offer changes in this area, for two main reasons: the lotteries sector as a whole is consuming a much greater proportion of Commission effort than has previously been envisaged (for example in terms of advice provided through the Commission's contact centre), and the emergence of the serious commercial ELM (further entrants expected in the future) as a new form of multi-million pound gambling business, in a way that was almost certainly not foreseen when the Act was before Parliament).
41. There was a challenge (from a betting exchange) to the proposal to introduce a very low cost licence fee sub-category for business users of remote platforms. The Commission maintains that the intention of the proposal is simply a provision aimed at allowing particular existing betting businesses to acquire the permissions they need at a cost that reflects the Commission effort (zero cost for those who hold non-remote general betting operating licences). The Gambling Commission will engage with respondents to explain the licence proposal in more detail, in particular that there is emphatically no intention to licence all exchange customers. The proposal is important not least to existing non-remote bookmakers who hedge remotely, who would otherwise be subject to the full remote licence fee.

Post-consultation amendments

42. In consideration of the responses to the consultation that were submitted, the Commission has made some amendments to the published proposals and additional concessions, which are consistent with the above policy objectives.
43. Non-remote 2005 Act Casino Annual Fees is one such area. Although the Commission still continues to expend resource with regards to non-operational casinos, it is aware of the industry's argument, as voiced in the consultation responses, that the current level of annual fees for New Casino operating licences does not reflect regulatory costs when the holder of such a licence is not operating a casino premises. The Commission has sought to address this before but there has not been a vehicle for changes to primary legislation. The Commission is aware that a new casino may hold an operating licence for some time without being operational. The Commission has recently revisited its best estimates of the full cost of regulating non-remote casino (2005 Act) operators who are not yet operational and of those who are. The full cost fee for such operators who are operational will be £108,132 for operators of large new casinos and £51,877 for operators of small new casinos. The full cost fee for such operators who are not operational will be £54,066 for operators of large new casinos and £25,938.50 for operators of small new casinos.
44. There will also need to be specific criteria for deciding when a new casino becomes operational, and therefore no longer subject to non-operational annual fee payments. We will consider a new casino to become operational twelve months before its planned opening date (there will be regulatory work needed prior to the opening), and the full Non-remote 2005 Act Casino annual fee would therefore be due at the next anniversary date after this 'operational date'. For example; a new casino licence holder plans to open premises on 1 December 2013 and its licence anniversary date is sometime in September. We would consider the operational date to be 1 December 2012 (twelve months before opening) and so the full Non-remote 2005 Act Casino annual fee would be payable in September 2013.
45. In consideration of consultation responses, the Commission undertook a further review of its regulatory efforts and costs with regards non-remote pool betting operators. Whilst the Commission will need to retain fee increases for medium and large pool betting operators to ensure the full

recovery of costs expended, and to ensure that larger operators are not cross-subsidised by smaller, it considers that the original fee proposals for the largest non-remote pool betting operators (the new categories D and E) will be above the level of cost-recovery that will be required from such operators. These larger pool fees have therefore been amended after this review of costs. The new proposed Category E pool betting fee has been reduced from £17,477 to £12,137 and the new Category D fee from £7,109 to £6,477.

Benefits and costs

46. Having described the options and explained how they were developed, it is important to consider what benefit and cost impacts are expected from the policy. The following sections set this out with reference to the “Do nothing” and “Preferred” options, explaining the methodology, focusing on effects on different stakeholder groups, and drawing some conclusions on the viability of the policy decision.

Option 1 is the baseline for appraisal

47. Option 1, to do nothing, is simply a continuation of the status quo. It can therefore be regarded as a baseline against which the benefits and costs of the preferred Option 2 can be assessed. The remainder of the benefits and costs section is therefore devoted to the appraisal of the preferred option.

Methodology for appraising Option 2

48. The first step in appraising the preferred option is to determine the level analysis required. The level of consideration should be proportional to both the size of intervention, and the level of controversy that surrounds the policy. As noted, the set of changes put forward in this amendment do not alter the overarching legislative framework for the regulation of gambling, or the funding model for the Commission. There is therefore no change in the regulatory objectives of the Commission, and hence there is no direct impact on consumers or government. Instead the proposals are focussed on businesses, suggesting a realignment of fees to better reflect the costs the Commission faces in managing regulatory risk, coupled with some additional measures designed to remove unnecessary barriers and other anomalies that hamper the industry. The proposals are deregulatory in nature, with a decrease in the overall regulatory burden that the industry faces. In these ways, the proposal is neither of significant size nor of particular contention. The fee proposal does, however, imply that there will be winners and losers within the gambling industry, as some larger firms will see increases in fees. This must be taken into consideration. More attention is therefore placed on changes to the fee structure rather than the specific corrections to the Act.

49. To address these evidence requirements, the analysis seeks to identify the costs and benefits to gambling operators with respect to the following perspectives:

- Overall impact on the industry
- By individual licence fee (and within fee category)
- By sector
- Impact on the gambling sector at the firm level
- Impact on small businesses
- Impact on businesses with a fee increase
- Against the policy objectives of fairness and resilience to market changes
- In relation to specific deregulatory changes

50. In this way the analysis seeks to identify aggregate impacts across all businesses in the sector, and for the fee restructure to consider those businesses faced with negative impacts. In many ways, the analysis is relatively straightforward, in that it relates largely to the application of known fees to a constituency of businesses (existing Commission licence holders) whose identity and broad (and often detailed) parameters are well known. It is assumed that there will be an average year-on-year net-loss churn rate in the number of licences held of around 1.3%, based on trends experienced in recent years. In the Commission’s experience, although there is a licence surrender rate of around 9-10% per annum, many of these surrendered licences are replaced by new applications.

51. The analysis examines existing income to the Commission by sector and size, and compares this to

income forecast under the fee change proposals, in effect using the resultant change in Commission income from particular groups of businesses as a proxy for impact (whether positive or negative). It is assumed that administrative burden remains unchanged, as it is only the level of the fee that differs in each case

52. The appraisal period is one year only. This reflects the Commission's commitment to undertake a review of their fee structure on an annual basis. Discounting to present value is therefore not an issue. The data is also presented in real terms unless otherwise stated. Various analyses of income by source are presented at Annexes A to D; Annexes E and F provide workload and volume forecasts. The rate of inflation that has been applied is 2.7% for 2012/13, as per the 2011 Autumn Budget Statement.
53. The bulk of this analysis was presented to stakeholders in the impact assessment relating to the consultation process. The consultation was used to attempt strengthen the evidence base, and solicited replies from stakeholders as to the quality of the evidence put forward at consultation. Only one substantive response was received on the evidence base. BACTA and the Independent Members of the ABB felt that the consultation document should have included the Commission's underlying effort assumptions, as had been included in previous fee impact assessments, including the 2008 and 2009 consultations, and provided material relating to the number of person-days required for annual fee purposes. The methodology employed in this impact assessment is, however, considered to be more sophisticated. In particular, the Commission considers it to be much more helpful to stakeholders to explain how the resources it requires are deployed in particular areas, and to explain the rationale for allocating those costs as fairly as possible among licensed gambling operators. The Commission will separately write to BACTA, the ABB and William Hill addressing these matters. The absence of any other responses on the methodology, or results themselves, helps to confirm the estimates put forward in this impact assessment.

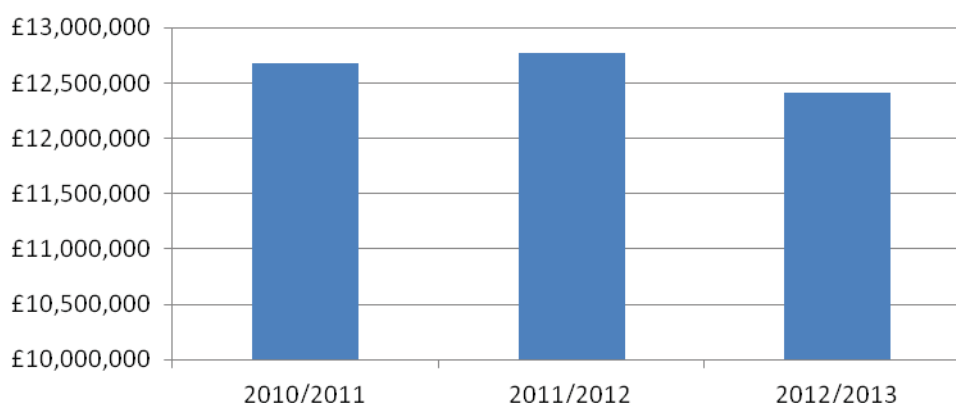
Current and proposed new licence fees

54. Tables setting out the complete suite of current and proposed new licence fees (together with existing and forecast populations) are attached at Annex A. The main features of the changes are as follows:
- Around 1,720 small operators receive a fee cut of 7% in 2012
 - Four of the largest arcade and the two largest bingo operators receive fee increases of 10% (markedly less than inflation over the period since the last review of fees in 2009)
 - The largest non-remote betting operators receive significant fee increases; up to two-thirds of these increases are a result of fee category re-banding but 10% fee increases have also been applied. These changes reflect the extent to which those very large operators have not been paying their equitable share to date, together with the increased costs attributable to them for betting integrity and gaming machines work.
 - A significant increase to ELM fees (and some pool betting fees) to address current under-recovery of costs (fees remain a very small percentage of proceeds or gross yield)

Aggregate impact on the gambling industry

54. The aggregate impact of fee changes on the gambling industry is an important consideration. The proposed new fees structure results in a reduction in the overall burden placed on the industry by annual fees and application fees of approximately 2.8% in real terms between the 2011/12 financial year and the 2012/13 year. The fee burden reduces in real terms from £12.68m in 2010/11 and £12.77m in 2011/12 to around £12.41m in 2012/13, as illustrated in the graph below. This analysis shows the preferred policy to be deregulatory at the aggregate level.
55. These calculations are based on current and projected licence volumes (see annex E), taking into account all of the changes to annual fees that are consequential from the proposals laid out in Option 2 (above), an average net-loss churn rate in licences of 1.3%, and is inclusive of application and variation fees. An inflation rate of 2.7% for 2012/13 has been incorporated in the calculations as per the autumn budget statement. These figures are based on changes in fee levels alone, and do not include the range of specific amendments dealt with in paragraphs 93-111 below. It is important, however, to consider changes in fees are distributed between different classes of business.

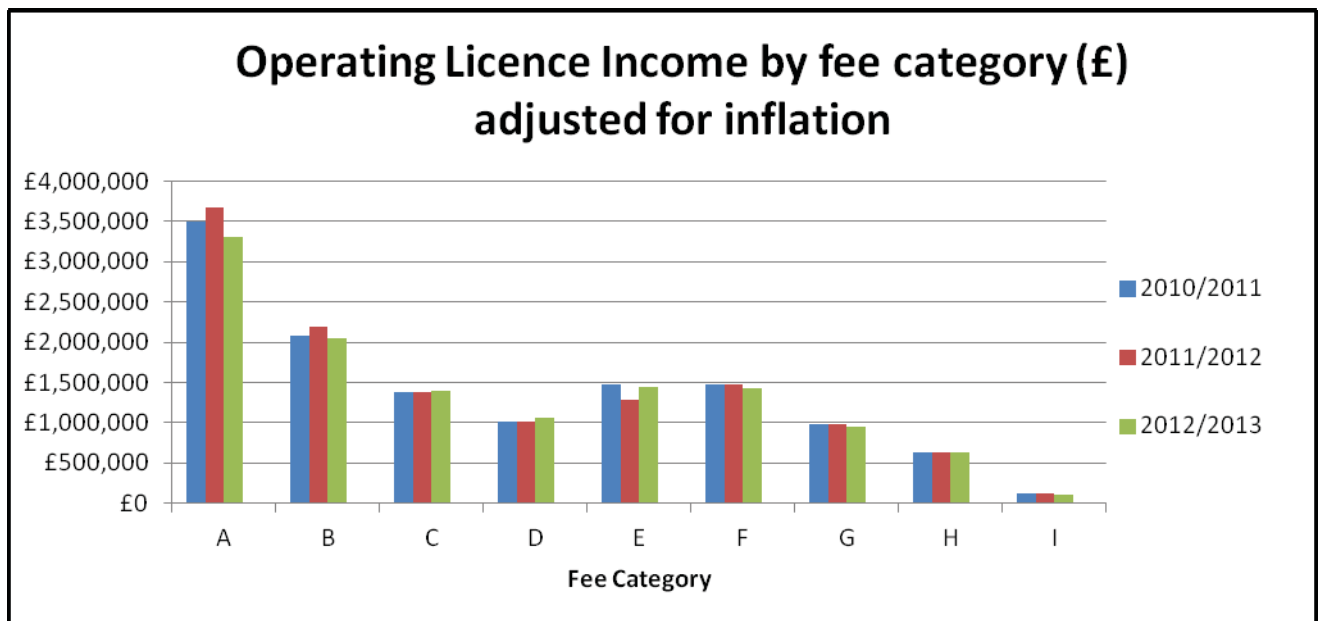
Total operating licence income all categories (£) adjusted for inflation



Comparison of current and future income by individual licence fee category

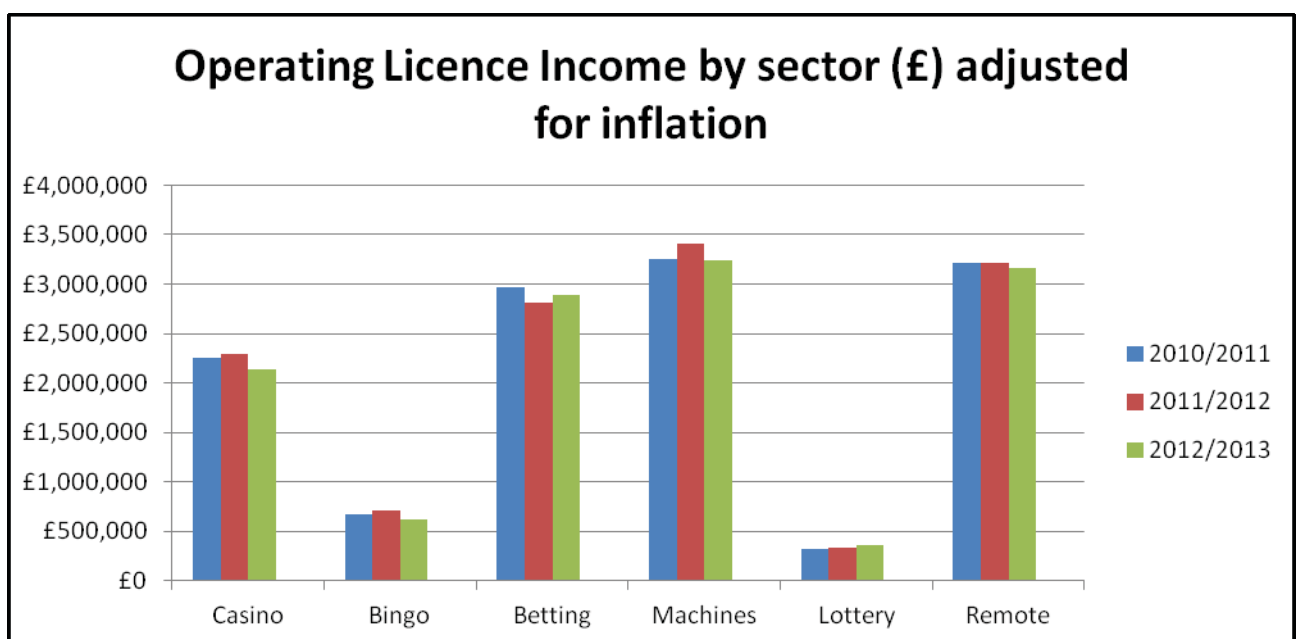
56. Looking at how licence fee burdens change across bands gives a sense of the redistribution of licence fees. Tables setting out the income forecast from each licence fee category compared to 2010/11 income are set out at Annex B. Taking reduction in income derived from the smaller fee categories, which are determined by various proxies of scale e.g. number of premises, gross gambling yield etc depending on the sector, as an indicator, the overall burden for the smaller licence fee categories (A and B, and the remote category F) sees a reduction in cash terms and real terms from the current fee quanta. There are small increases at the medium and large sized non-remote categories (representing the effects of the 10% fee increase distributed across a limited number of Category D and E⁵ operators, and the impact of the fee increases that some medium-sized pool betting and external lottery manager operators will be subject to). The fee increases for larger non-remote operators (and similarly fee decreases for smaller operators in some sectors) is a result of the shift in balance away from smaller operators and towards larger.
57. Income increases at the remote categories F, G, H and I are in cash terms but not real terms (hence the downward trend for these categories in table 2 below). A small increase in the number of remote licences is predicted over the period 2011 to 2013, but these increases are for the smallest (category F) and generally the cheapest remote licences. The change in income derived by licence fee category is set out in the graph below, which is generated from source data presented in Annex B.

⁵ The decrease in income from Category E operators between 2010/11 and 2012/13 reflects the reduced size of the Tote licence in 2011/12 rather than a change in the fee structure, which is increasing for Category E operators. Therefore, the increase in income between 2011/12 and 2012/13 is more indicative of the changes in fee structure.



Comparison of current and future income by industry sector

58. Looking at the impact of fee changes on different sectors of the gambling industry is another way of looking at redistribution of fees. Tables setting out the income forecast from each sector compared to 2010/11 income are set out at Annex C. In a parallel analysis, income from most of the sectors is reduced, with the exception of the lotteries sector, where significant expansion has been seen among External Lottery Managers, and the non-remote betting sector. The small increase in income from the non-remote betting sector reflects the rebanding and the 10% fee increase that will be applied to larger (Category D and E) general betting operators and, to a lesser extent, the rebanding and fee increase for non-remote pool betting operators. These increases are necessary for the Commission to ensure that it fully recovers its regulatory costs. Based on recent experience, the Commission considers 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 band. In the case of operators with proceeds over £10million, the original fees were unrealistically low (at £2,700) and the new fees (at £15,813) will represent less than 0.5% of proceeds raised. The fee increases that some external lottery managers will be subject to is reflected in the table below. The proposed discount arrangements for casino annual fees are incorporated below, reflected in the small drop at the casino sector.

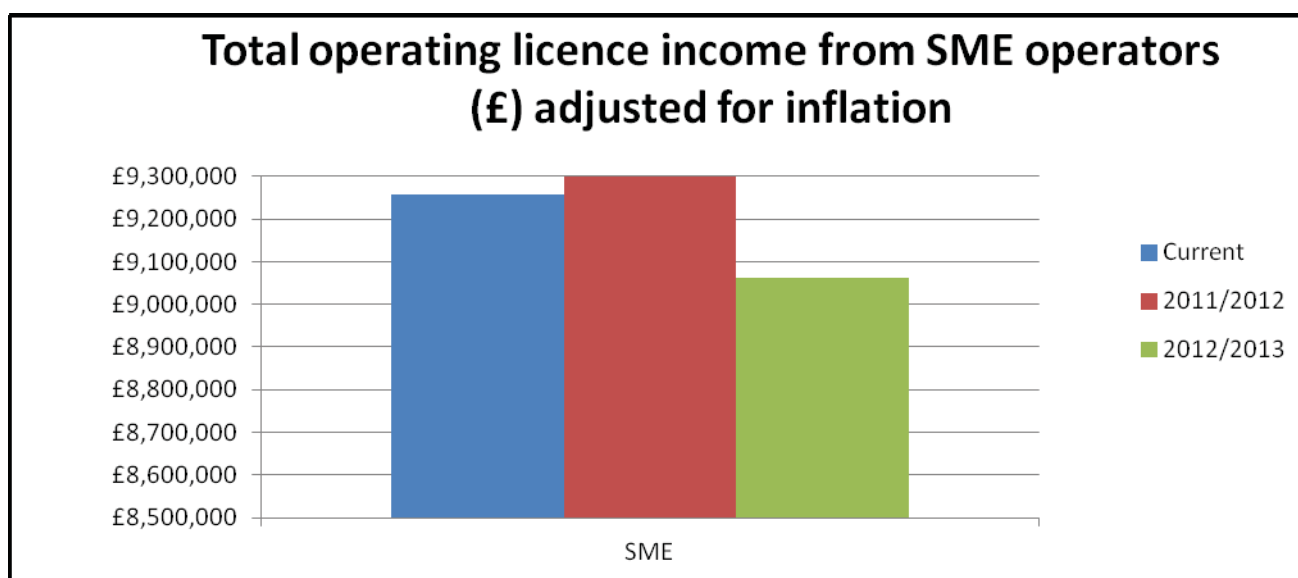


Impact on the gambling sector at the firm level

59. The previous sections have shown that the proposed fee changes would result in an aggregate decrease in the regulatory burden placed on the gambling industry as a whole. They also show that there are declines in burden for most licence fee categories and sectors of the industry, although they also highlight that there are some businesses that will face an increased burden. Given this adverse impact on some parts of the market, it is important to consider impacts at the firm level and, in particular on small businesses and any losers.
60. Just under half of all operators (45%) have a decrease in fees (around 1720 operators). These include the smallest non-remote general betting standard, AGC, FEC and bingo operators i.e. those in fees categories A and B will receive annual fee reductions of around 7%, and the introduction of new licence arrangements for the sale of lottery tickets by remote means will also mean fee reductions for over a hundred society lottery operators. Holders of the New Casino operating licence that are not yet operational will benefit from the post-consultation proposal to reduce annual fees in such circumstances by 50%. Operators including on-course bookmakers, gaming machine and gambling software manufacturers and suppliers, society lotteries and the vast majority of remote operators will have their annual fees frozen for a third successive year. Fees for these operators are therefore lower in real terms. Only 1% of operators face a fee increase (33 operators).

Impact on micro and small businesses

61. None of the operators subject to a fee increase are micro-businesses with less than ten employees. The category D and E operators (betting, arcades and bingo) are in the main large enterprises with hundreds of employees.
62. Indeed, of the approximately 1720 operators that will be subject to fee decreases, the large majority of these will be micro-businesses; particularly the category A betting, bingo and arcade licensees that operate less than four premises, along with many of the society lotteries that will be able to take advantage of the proposed reduced-fee licence for remote operations.
63. There is a presumption that micro businesses should be exempt from changes in regulation to ensure that they are not subjected to any new burdens. In this case there is a clear demonstration that no micro businesses are subject to an increased regulatory burden, and that many in fact have a reduction in fees. For this reason they have not been exempted from the proposal.
64. Over the course of the proposed fee settlement, the Commission expects a swing of around 4% in the income base away from SMEs and towards larger operators. Some of the pool betting and ELM operators within this SME group are subject to increases, but these effects are not widespread with only approximately 7 non-remote pool betting operators and 10 ELM operators are SMEs and subject to increases.



Assessment of impact on operators with fee increases

65. While smaller operators tend to benefit from reductions in fees there are a number of larger businesses that have an increase in fees. These distributional changes represent a more equitable spread of the costs of the Commissions regulatory activities, but it is nevertheless important to take account of the impact of any increased burdens that accrue to businesses. The following section sets out where these increased burdens are likely to arise, and makes an assessment of the impact of these increases on the firm. In each case it finds that the increases are very small in comparison to the gross gambling yield which gives a measure of the total profitability of gambling businesses.
66. The general betting (standard) operators in fee categories D and E will face fee increases of 10% to recover the costs of increased regulatory efforts which have focussed on higher impact issues. The fee increases for some operators will be considerably higher where fee categories have been subdivided to ensure a fairer spread of cost recovery amongst operators within the same fee band. As a result of the cost-recovery fee increases and the restructure of the fee bands, the four operators in the current Category E will have fee increases between 12% and 29%. There are five operators in the existing Category D who will have increases between 10% and 25%. However, the fee increases are small as a percentage of these operators gross gambling yields. For the category E operators, the increases represent an additional 0.01% of their GGY. For the Category D operators, the increases represent 0.03% up to 0.05% of GGY. Overall, the new annual fee amounts are anticipated to be between 0.04% and 0.6% of these operator's yields.
67. Some of the medium and large non-remote pool betting operators will have fee increases to ensure that regulatory costs from this sector are fully recovered. The fee bands for pool betting have also been split to ensure the fairer recovery of costs among differently-sized operators. There are seven pool betting operators subject to fee increases. For the medium-sized non-remote pool operators, the fee increases will represent between 0.06% and 0.11% of GGY. For the two largest operators in this sector (where the fees proposed in the consultation document have been reduced by the Commission in light of consultation responses) the fee increases will represent between 0.02% and 0.04% of GGY. Overall, the new annual fee amounts are anticipated to be between 0.03% and 0.5% of these operator's yields.
68. The two largest operators in the non-remote bingo sector will be subject to 10% fee increases to recover the costs of increased regulatory efforts that have focussed on higher impact issues. The increases are anticipated to be less than 0.01% of GGY for these operators. Overall, the new annual fee amounts are anticipated to be between 0.04% and 0.05% of these operator's yields. The four largest arcade operators will be subject to 10% fee increases to recover the costs of increased regulatory efforts that have focussed on higher impact issues. These fee increases will represent between 0.01% and 0.05% of GGY for these operators. Overall, the new annual fee amounts are anticipated to be between 0.1% and 0.55% of these operator's yields.
69. There are approximately ten non-remote ELMs that will be subject to fee increases. The new fees will represent less than 0.5% of the lottery proceeds that are managed by the ELMs. For some of those medium and larger-sized non-remote ELMs that are the subject of fee increases, the annual fee amounts will represent around 0.1% of total proceeds and between 0.2% and 0.7% of the amounts retained by the ELM as commission (ELMs expenses). The smallest ELMs are not subject to fee increases.

Analysis of the impact of proposals to make fees more equitable within fee bands

70. The Commission proposes to make fees more equitable within fee bands for general betting standard, non-remote and remote pool, remote betting, remote betting intermediary, adult gaming centre and ELM operators. The above analysis focuses on the impacts on the gambling sector. This is important, but it is also crucial that the policy demonstrates that it meets two key policy criteria of increased fairness and resilience to market changes in the fees structure.
71. 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.

72. The Commission considers this a better approach and one that would make the bandings and associated fees better reflect 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, the consequent fee income might well be insufficient for the Commission to fully recover the costs it would incur in regulating operators subject to such expansion or consolidation. 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 previously generated by the two separate entities and over and above what that single entity would pay in annual fees.
73. 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.
74. 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, the re-banding has no significant effect.
75. The proposed changes to fee bandings which are described below affect:
- general betting standard (non-remote) (Bands D and E into 8 bands)
 - AGCs⁶ (Band E split into three 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-C split into five bands)
 - remote betting intermediary (Band G split into two bands)
 - ELMS (both remote and non-remote – two extra bands in each)
76. For each of these areas a table summarising the changes is presented, followed by a discussion of how these changes meet the key policy intention of improving the fairness of the fee system, and future proofing the fee structure against market changes including growth and consolidation.

General betting standard (non-remote)

⁶ Adult Gaming Centres – arcades offering categories B3, B4, C or D gaming machines to which only adults are permitted access.

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	D	E1	E2	E3	E4	E5	E6	E7	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	

77. 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.
78. 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.
79. To address these issues it is proposed that eight additional bandings be introduced, two to band D and 6 to band E increasing the total number of bandings from five to thirteen. The proposed new banding structure introduces smaller incremental fee increases and narrower bands to provide a more level ‘fee curve’. The proposed fees and new banding are designed to apportion more equitably the recovery of costs from the differently-sized operators within the sector.
80. 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.

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	G	H	I	J	K
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

81. 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.

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	A	B	C	D	E	F	G	H	I	J	K	L
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	£6,477	£12,137	£1,594	£13,529	£38,128	£48,893	£74,012	£117,746	£155,425

82. It is proposed that an additional two bands be added to both non-remote and remote pool betting sectors. In addition, 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 GGY of between £5.5 million and £110 million per annum.

83. 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 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).

84. In consideration of consultation responses, the Commission undertook a further review of its regulatory efforts and costs with regards non-remote pool betting operators. Whilst the Commission will need to retain fee increases for medium and large pool betting operators to ensure the full recovery of costs expended, and to ensure that larger operators are not cross-subsidised by smaller, it considers that the original fee proposals for the largest non-remote pool betting operators (the new categories D and E above) will be above the level of cost-recovery that will be required from such operators. These larger pool fees have therefore been amended after this review of costs. The new proposed Category E pool betting fee has been reduced from £17,477 to £12,137 and the new Category D fee from £7,109 to £6,477.

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	B	C	D	E	F	G	H	I	J
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

85. 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 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.
86. 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 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.)

AGC

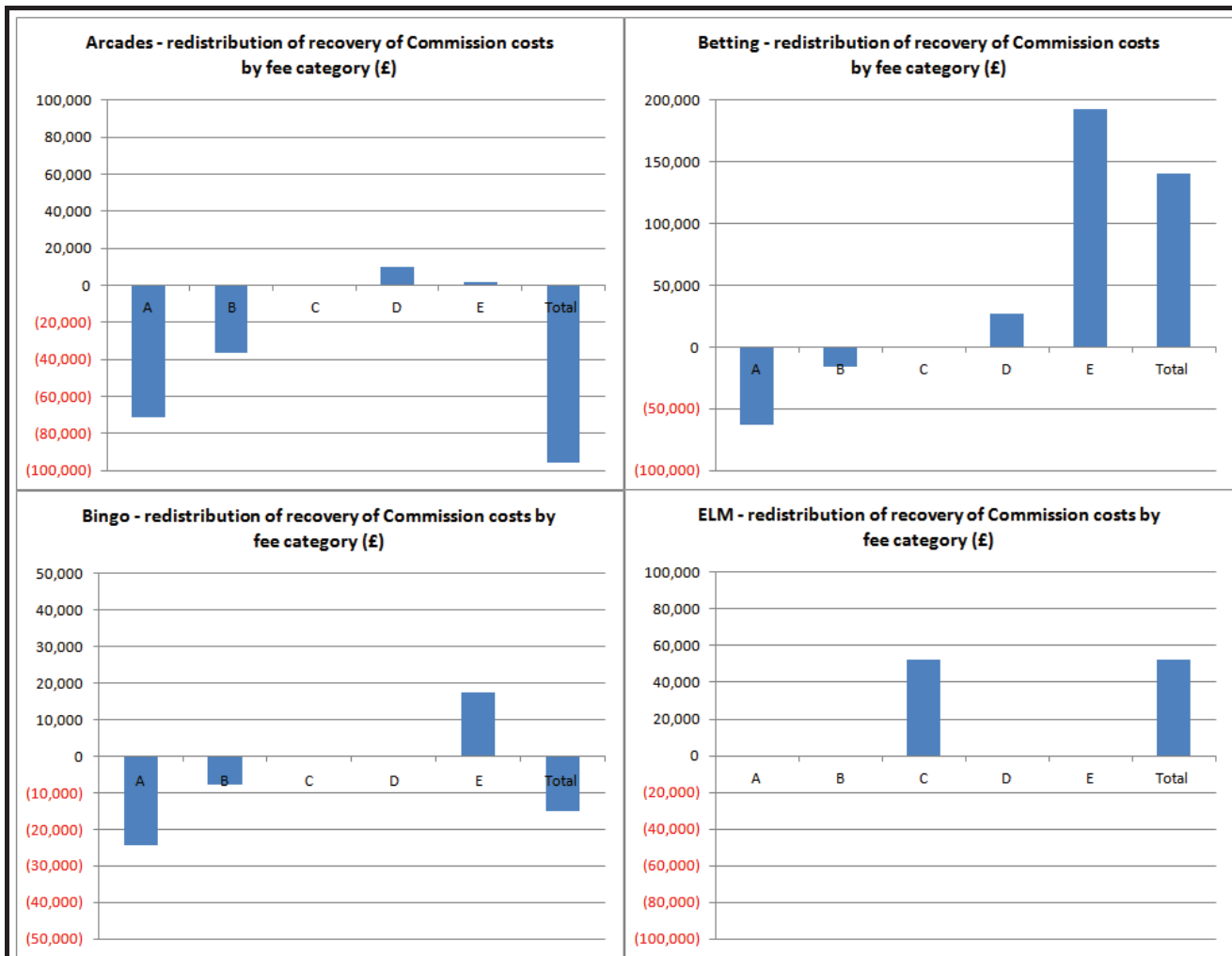
EXISTING BANDINGS		Categories of non-remote operating licences				
Operating Licence Type	Unit of Division	A	B	C	D	E
Gaming machine general: Adult Gaming Centre	Number of licensed premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 or more
	Existing annual fee	£1,638	£6,771	£13,736	£29,550	£41,124

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	

87. It is proposed that the bandings for AGCs be changed in a similar fashion to those proposed for General Betting 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 pays 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.
88. It is proposed that additional bandings be introduced to break up the existing Category E, thus increasing the total number of AGC bandings from five to seven 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.
89. 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 at Annex A entails a modest decrease in cost recovery, around 7%, from all operators in categories A and B general betting standard, bingo, AGC and FEC ⁷ and a corresponding modest increase in cost recovery (averaging just under 10%) for all operators in categories D and E in these sectors.
90. 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, bingo and arcade premises can largely be left to the local licensing authorities now that the Commission has established a better understanding of the industry especially of the sectors new to it.
91. The proposed increase in fees for categories D and E reflects both the increased focus of regulatory effort upon larger and therefore higher impact operators and need to recover a higher proportion of certain regulatory costs, for example in relation to betting integrity and illegal machines from these larger operators.
92. 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 again still 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

⁷ Family Entertainment Centres – arcades offering categories C or D gaming machines; minors being permitted access to category D machines only.

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 in addition targeting British consumers are benefiting from Commission regulation of the British market without contributing fairly. The graphs below show the redistribution of recovery of Commission costs from the smaller to the larger operators in the relevant sectors.



Assessment of the impact of other deregulatory amendments

93. In addition to the changes to annual licence fees, a number of other amendments are being made to legislation to deliver deregulatory benefits for the industry. These are explained below and the benefits associated with each measure are quantified in a summary table.

94. **Use of remote operators in the course of business.** Currently, betting operators would be required to pay around £13,500 for a remote general betting standard operating licence for offering facilities for gambling on other remote platforms in the course of a business. It is proposed that we make provision for a different operating licence fee sub-category under the existing Remote General Betting Standard - a general betting (standard) (remote trading platform) licence. This licence fee sub-category will be free to existing operators who hold a non-remote general betting standard⁸ or general betting limited⁹ licence. Non-licensed traders who need a licence falling into this new fee category would pay an application fee of £198 and an annual fee of £280. This fee would reflect actual Commission regulatory costs.

95. **General betting and pool 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

⁸ Terrestrial, premises-based betting

⁹ On-course bookmakers

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 would therefore require a remote licence for such activity.

96. The Commission proposes that an ancillary remote operating licence will be needed for the provision of betting terminals when those terminals are provided by holders of a general betting standard (GBS) operating licence and their customers are able to use them to place bets rather than placing a bet over the counter (i.e. remote gambling), and where the betting contract is between the holder of that operating licence and the customer. This would require an expansion of the existing general betting standard ancillary licence so that it covered terminals betting as well as the existing provision of telephone betting; it would also require the creation of a Pool Betting Ancillary for the provision of terminals on track premises when a pool betting operating licence is also held.
97. Current application fees for all ancillary licences are £100. However, for those existing general betting standard and pool betting operators who already provide terminals on premises and do not hold a remote licence, the ancillary licence will be granted for free as part of this review of fees. Current annual fees for ancillary licences are £25. We intend to reduce the annual fees and first annual fees for the ancillary remote general betting and pool betting operating licences to zero, as the compliance work can be covered by the main operating licence fee.
98. For circumstances where customers are able to use terminals to place bets rather than placing a bet over the counter, but the customer's betting contract is with a third party rather than with the holder of the GBS operating licence who makes those terminals available for use on the premises (i.e. the terminals link to a third-party betting provider), the Remote Betting Intermediary (Trading Room) operating licence will be required rather than the 'full' Remote Betting Intermediary operating licence. To facilitate this, the Trading Room licence definition will need to be expanded to permit the provision of facilities by third-party fixed-odds betting operators. This effectively expands the scope of the Trading Room licence (which currently only permits the third party to be a betting intermediary) and means operators providing facilities via a fixed-odds bookmaker would pay £1,594 in annual fees rather than the current £13,529.
99. **Ancillary licence annual fees and first annual fees.** Current annual fees for ancillary licences are £25. We intend to reduce the annual fees and first annual fees for the casino, general betting, pool betting, bingo and gaming machine technical ancillary remote operating licences to zero, as the compliance work can be covered by the main operating licence fee.
100. **Death of a sole trader.** Under section 114(1)(a) of the Act, an operating licence lapses upon the death of the holder. It is proposed that a reduced application fee will be charged where a new application is made by the spouse, civil partner or child of the deceased to continue the business previously operated by the deceased (the fee payable will be either 25% or 75% of the usual application fee amount, depending on the level of checks required). It is also proposed that the first annual fee for such applications will be reduced by an amount that relates to the number of calendar months between the date on which the previous licence lapsed and the next anniversary date of the issue of that licence.
101. **Death or retirement of a partner in two-person partnerships.** The death or retirement of one partner in a two-person partnership means that the licence lapses under section 114(2)(a) of the Act as the partnership ceases to exist as an entity. It is proposed that where the remaining partner applies for an operating licence to continue the business previously undertaken by that partnership, the application fee will be £100 (reflecting the minimal administrative costs to the Commission, as many licensing checks will already have been done). Again, the first annual fee will be reduced by an amount that relates to the number of calendar months between the date on which the previous licence lapsed/was surrendered and the next anniversary date of the issue of that licence.
102. **Change of legal entity.** Section 104(2)(a) of the Act confers that operating licences cannot be transferred from one entity to another. It is proposed that where the assets of a business are transferred from one entity to another and a new application for an operating licence is therefore necessitated, the fee payable will be either 25% or 75% of the usual application fee amount, depending on the level of checks required (and again, the annual fee will be reduced by an amount that relates to the number of calendar months between the date on which the previous licence was surrendered and the next anniversary date of the issue of that licence). With regards to the proposals

concerning the death of a sole trader, the death/retirement of a partner and change of legal entity, savings of approximately £25,000 per annum (within a range of £20,000 to £30,000 per annum: please see table below) are anticipated between all three proposals, based on the trend of applications received 2008 to present.

103. **Changes to corporate control.** Where a new controller is authorised by the Financial Services Authority or is regulated by an EEA member state, the Commission can reasonably reduce the level of its checks. It is therefore proposed that application fees in such circumstances will mirror those payable when the new controller is already the holder of an operating licence (i.e. 25% of the usual fee or £100, depending on the nature of the control).
104. Further, it is proposed that where two or more licensed companies are subject to changes of corporate control by virtue of those companies being within the same group structure, only that company whose operating licence attracts the highest application fee will pay the usual change of corporate control application amount; the other licence holder(s) within that group structure would pay an administration fee of £100. Savings from these two proposals will vary depending on the licence activities held by the particular operators applying for a change of corporate control (i.e. the application fees for those licence activities). However, it is anticipated that total savings of up to £60,000 in application fees could be seen for operators, based on experience of applications received 2010/11.
105. **Non-remote 2005 Act Casino First Annual Fees and on-going Annual Fees.** It is proposed that where an operating licence for a non-remote new casino is granted, the time period for the payment of the first annual fee will be extended from 30 days to six months for the non-remote casino only. Further, the first annual fee discount that is applicable to the non-remote new casino will be increased from 25% (the discount for other non-remote first annual fees) to 50%. This proposal will ensure that unsuccessful bidders do not have to pay disproportionate Commission annual fees. Savings of approximately £54,000 per annum are anticipated, based on the rate of applications received in 2010 and projected trends. As explained above in paragraphs 43 and 44, the Commission also proposes that new arrangements be introduced for the annual fees (i.e. secondary, tertiary etc. annual fees rather than just the first annual fee) payable for this licence when the holder is not operating a casino premises (currently, non-operational New Casino licence holders pay full annual fees). The full cost fee for such licensees who are operational will remain £108,132 for operators of large new casinos and £51,877 for operators of small new casinos. The full cost fee for such licensees who are not operational will be £54,066 for operators of large new casinos and £25,938.50 for operators of small new casinos.. The Commission will consider a new casino to become operational twelve months before its planned opening date (there will be regulatory work needed prior to the opening), and the operator would therefore no longer be subject to non-operational annual fee payments. The 'operational' annual fee would be due at the next anniversary date after this 'operational date'. Savings of approximately £216,000 are projected, based on the current number of non-operational 2005 Act Casino operating licence holders and projected volumes of such operators.
106. **Remote ancillary society lottery operating licence.** For operators that hold both remote and non-remote society lottery operating licences, and where the remote aspect of their business is limited to £250,000 proceeds per annum or less, it is proposed to remove the requirement for a full remote licence. A new society lottery ancillary licence will be introduced with an application fee of £100 and an annual fee of £50. Savings to lottery operators of around £35,000 per annum in total are expected (within a range of £30,000 to £40,000 per annum: please see table below), based on the current number of operators that hold both non-remote and remote society lottery operating licences.
107. **Telephone betting only.** General betting (telephone only) operators are currently only permitted annual gross gambling yields of up to £275,000 before a full remote general betting standard licence would be required. It is proposed that this GGY threshold be raised from £275,000 to £550,000. The proposal will have minimal impact upon existing operators, but is likely to allow at least two operators to reduce their annual fees from around £13,500 to £1,600 per annum, based on the gross gambling yields reported by operators that currently hold remote general betting standard (real events) operating licences.
108. **Clarification of the definition of 'gross gaming yield' for casinos** The Commission will also use this consultation to clarify the definition of 'gross gaming yield' for the purposes of assigning a

fee category to non-remote 1968 Act Casino operating licences. In calculating gross gaming yield, licensees and applicants should take the aggregate of the gaming receipts from casino and equal chance gaming as well as revenue from gaming machines that are sited on the casino premises. This is a point of clarification as the Commission has always considered that 'gross gaming yield' as a definition should be inclusive of gaming machine yield and has always progressed on that basis. This clarification will have no impact on any of the existing holders of the Casino 1968 Act operating licence i.e. there will be no changes to the current fee category assignment of any of these operators as a result.

109. **Regularisation of proposals published in the 2009 fees consultation: variation fees applicable for applications for remote casino, bingo and general betting (standard) (virtual event) operating licences.** The 2009 Fees Consultation introduced arrangements for the allocation of a fee category for remote operating licences that combined two or three of the casino, bingo or virtual event betting licences. The Department and the Commission introduced a composite licence fee for these random number generator-based remote activities to help avoid some of the fee-related concerns as to what category a particular game should properly belong, or whether a particular game is a betting, bingo or a casino game, by reducing the financial impact of holding the right licence types. Following the introduction of the proposals, application and annual fees were then calculated based on the aggregated gross gambling yield derived by an operator from the relevant activities (remote casino, bingo and betting on virtual events), rather than on the individual GGY for each activity. The additional complexity involved in regulating a combined licence was addressed through the addition of a fixed rate licence fee for each additional activity. The composite fee for the licence activities became treated as a single fee within the overall fee structure and subject to discounts, where applicable, if held with other licences.
110. The Commission will use the next Fees Order to clarify the fees payable when *variation* applications are made to add the second and/or third of those activities (i.e. an application to add one or two of the casino, bingo or general betting (standard) (virtual event) operating licences in circumstances where one of those licences is already held). To ensure that there is consistency between the fees payable for application/annual fees and variation fees, the variation fee to add one of the above licences will be a fixed amount of £1,050, to add two will be fixed at £2,100. If the combined GGY resulting from the variation leads to an increase in fee category, the additional variation fee will be 20% (consistent with the proposal to reduce variation fees when increasing fee categories) of the category into which the combined licence falls. The Commission already uses this method for calculating variation fees in these circumstances, in accordance with the 2009 fees proposals, and the provision will simply seek to clarify these arrangements. Hence there will be no material change for existing operators or for future variation applicants.
111. The table below summarizes the amendments described above. The approximate savings to industry are anticipated at £437,000 to £457,000 per annum, based on recent and projected trends of applications received. Note that these savings are in addition to the calculations of overall burden reduction.

Details of amendment	Total approximate saving to industry (£)
Making provision for a different operating licence fee sub-category under the existing Remote General Betting Standard using remote platforms in the course of business.	Neutral.
Reduced application/annual fees in instances of the death of a sole trader, death or retirement of a partner in two-person partnerships and changes of legal entity.	£25,000 per annum approximately, within range of £20,000 to £30,000. The figure of £20,000 is based on previous trends of such applications, but it should also be taken into account that the removal of existing application fee burdens may encourage more licence applications based on changes of legal entity (for example, the incentive to change entity for tax reasons coupled with new application fee incentive). Such increases in applications may increase the projected saving to £30,000 per annum.

Reduced application fees for certain change of corporate control applications	£60,000 per annum approximately, based on trends of such applications
Reduced first annual fees and extension of payment due date for non-remote 2005 Act Casinos	£54,000 per annum approximately, based on recent and projected trends of such applications.
Regularisation of variation fees for combined licences that include the remote casino, bingo or general betting standard virtual event operating licences, in accordance with provisions of the 2009 fee consultation	Neutral. This provision is simply to provide clarity for such variation scenarios and there will be no impact upon variation fees that are currently charged.
Introduction of remote ancillary society lottery operating licence.	£35,000 per annum, within range of £30,000 to £40,000. Based on existing numbers of operators that hold both non-remote and remote society lottery licences. The £30,000 estimation is based on the majority of such operators with the smallest remote lottery licence (category F) applying for this change, plus a small proportion of such operators with the category G licence applying for this. The £40,000 figure represents the possibility of a greater number of category G or even category H operators taking this licence.
Increase in the permitted GGY threshold for the remote general betting telephone only operating licence, from £275,000 pa to £550,000 per annum.	£24,000 approximately, based on existing numbers of remote betting operators whose GGY is likely to fall within the increased threshold
Ancillary Remote operating licence annual fees and first annual fees reduced to zero. Only application fees remain payable. (Applies to the casino, general betting, pool betting, bingo and gaming machine technical ancillary licences only)	£9,000 per annum in annual fees and first annual fees for ancillary operating licences.
Remote Betting Intermediary (Trading Room Only) operating licence to be expanded so that facilities for general betting can be provided by the third party, rather than just betting intermediary facilities.	£24,000 per annum based on existing numbers of remote betting intermediary operators who might reduce the scope of their licence as a result of this proposal.
Introduction of a non-operational fee level for holders of the non-remote 2005 Act Casino licence, in circumstances where the holder of that licence is not yet operational.	£216,000 per annum approximately. The figure of £216,000 is based on the current number of non-operational 2005 Act Casino operating licence holders and projected volumes of such operators.
Approximate total industry benefit (£) from minor amendments, incorporating ranges referred to above.	£447,000 (within range of £437,000 to £457,000)

Summary analysis and policy conclusions

112. The analysis conducted above demonstrates that the preferred option meets the policy objective and is economically sound. Overall the proposal reduces the burden of regulation on the gambling industry by reducing and restructuring the fee level. This reduction in regulatory burden tends to be true at the fee band, sector and individual firm levels. There are some cases where there is an increase in fee burden, although there are no adverse impacts on micro businesses and this tends to be for larger firms where any increase is very small relative to their overall size as measured by gross gambling yield. The analysis also demonstrates that the proposed fee structure is successful in meeting the dual policy objectives of improved fairness and resilience to market change. Finally a number of other specific deregulatory measures are presented and assessed. These all alleviate cost burdens from industry without any corresponding cost impacts.

113. The overall value of the preferred option are summarised in the table below. These are the figures that have been presented in the summary sheets. The appraisal period is only one year, which means that constant annual values and present values converge, and the best estimate of total savings is equal to the equivalent annual net cost to business, which is used to the size of the regulatory out.

Benefit summary	Value / £
Fee burden savings on 2010/11 levels	266,899
Additional deregulatory savings (low)	437,000
Additional deregulatory savings (high)	457,000
Additional deregulatory savings (best estimate)	447,000
Total savings (low)	703,899
Total savings (high)	723,899
<i>Total savings (best estimate)</i>	<i>713,899</i>

Specific Impacts Tests

Economic and financial

114. Economic and financial considerations have been thoroughly discussed throughout the impact assessment. The impacts are concentrated on businesses because there are no changes to the regulatory responsibility of the Commission, but only the way in which it funds itself from fees paid by the gambling industry. The net effect is one of deregulation with limited instances of increased regulatory burden for larger operators; there is thus a redistribution of fees across the industry. The impact assessment has appraised this thoroughly, but it is worth pausing to consider whether this might have any impact on competition in the market. The answers to the following four questions demonstrate that the preferred option has no adverse impact on the competitiveness of the market.

115. **Does the proposal directly limit the number or range of suppliers?** (For example award exclusive rights to a supplier; restrict procurement from a single supplier or restricted group of suppliers; create a form of licensing scheme; or impose a quota on the number of suppliers?) No. The proposal makes no provision for regulation of the number of suppliers.

116. **Does the proposal indirectly limit the number or range of suppliers?** (For example significantly raise the costs: for new suppliers relative to existing suppliers; for some existing suppliers relative to others; of entering or exiting an affected market?) No. Although it might be argued that the principle of cost recovery as set out in the Act constitutes a barrier to entry, it is unlikely that the adjustments to existing fees covered by this impact assessment will have an adverse impact on the number or range of suppliers; indeed, by generally reducing the revenue collected from smaller businesses it may have a (small) positive impact on this parameter.

117. **Does the proposal limit the ability of suppliers to compete?** (For example by: controlling or substantially influencing prices or characteristics of products; limiting innovation; limiting the channels a supplier can use, or the geographic area in which a supplier can operate; substantially restrict the ability of suppliers to advertise their products; or limit their freedom to determine their organisational form? No. Although the proposals involve some increases in fees for a very small number of the largest operators, those increases remove existing subsidisation (and the individual increases are not material with reference to the scale of the businesses to which they might apply).

118. **Does the proposal reduce suppliers' incentives to compete vigorously?** (For example by exempting suppliers from general competition law; requiring or encouraging the exchange of information on prices, costs, sales or outputs; or increasing the costs to customers of switching between suppliers? No. The proposals remove disincentives to competition by smoothing variation between fee bandings (and removing barriers to growth that may arise from crossing over fee band boundaries) and by reducing subsidisation of fees for larger operators by smaller ones in higher fee bands.

119. The intentions of the proposed changes in fee levels and arrangements are to reduce burdens on the gambling industry as a whole by bringing down the total cost of regulation. Within the total figure, which is raised from the licensed industry, the proposed policy redistributes costs to better match the regulatory effort required, shifting costs and regulatory focus away from small businesses and towards the larger and higher impact businesses. The proposals also introduce more flexibility in the fee banding structure to remove disincentives to growth at banding boundaries. For example, in the betting sector, the highest fee banding starts at operators with 200 premises; however the largest companies in the sector may have 2000 premises or more. The net result is that the band covers a very wide range of businesses and creates inherent subsidisation of those at the higher end of the band by those at the lower. For operators in lower bands considering growth, the risk of crossing the boundary into the next band can be a disincentive to growth because of the often significant increase in fees. Smoothing the transitions between fee bands by increasing the number of bands is expected to increase competition in the industry.

Social

120. No significant social impacts are anticipated under the preferred option. No changes in the regulatory functions of the Commission are proposed, with only the structure of funding being altered. No changes in the way in which society interacts with gambling are expected. There will have some economic impacts on firms, as noted above. With a net decrease in regulatory burden for the industry and only some limited instances of individual firms facing an increase in regulatory burden. There are theoretically some possible social knock-on effects from changes in business costs, such as changes in employment levels. Given the overall size of the measure, however, it is difficult to see how these effects are likely to be anything other than negligible.

Environmental

121. No environmental impacts are anticipated under the preferred option. There are no environmental angles to the problem under consideration and the proposed response.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<p>Basis of the review: [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review, or there could be a political commitment to review (PIR)];</p> <p>There is a commitment to review fees annually to ensure they are set at a level that enables the Commission to recover the full costs of delivering its responsibilities, while avoiding cross-subsidisation and ensuring fairness and value for money for the gambling industry.</p>
<p>Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]</p> <p>As with previous settlements, the review will examine the overall quantum of income against actual and forecast expenditure according to effort.</p>
<p>Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]</p> <p>In-depth evaluation and consultation of stakeholders.</p>
<p>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]</p> <p>The existing fees model as set out in The Gambling (Operating Licence and Single Machine Permit Fees) Regulations 2006, as amended by Amendment Regulations in 2007, 2007 (2), 2008 and 2009.</p>
<p>Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]</p> <p>The principle criterion is the extent to which income by sector and scale matches effort.</p>
<p>Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]</p> <p>The Gambling Commission is entirely funded by licence fee income. Running as a business, we have sophisticated business systems for collating data on fee income and monitoring effort,</p>
<p>Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here]</p> <p>Not applicable.</p>

Annex A

Existing and proposed annual fees by comparison, with existing and projected licence volumes – non-remote.

Operating Licence Type	Unit of Division	Fee Bandings - Non-Remote										
Casino: 2005 Act	Nature of premises licence	Small	Large									
	Current Annual Fee	£51,877	£108,132									
	Current # of operators	0	3									
	Proposed Annual Fee	No change	No change									
	Projected # of operators	0	5									
Casino: 1968 Act	Annual Gross Gambling Yield	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						
	Current Annual Fee	£17,378	£23,112	£74,112	£329,711	£443,526						
	Current # of operators	31	11	5	2	0						
	Proposed Annual Fee	No change	No change	No change	No change	No change						
	Projected # of operators	27	9	5	2	0						
Bingo	Number of licensed premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 or more						
	Current Annual Fee	£1,646	£7,413	£17,914	£39,928	£87,127						
	Current # of operators	227	20	4	0	2						
	Proposed Annual Fee	£1,531	£6,894	£17,914	£43,921	£95,840						
	Projected # of operators	213	15	4	0	2						
General Betting: Standard	Number of licensed premises	4 or fewer	5 to 15	16 to 50	51 to 199		200 or more					
	Current Annual Fee	£1,646	£7,413	£17,914	£41,124		£236,927					
	Current # of operators	520	33	12	5		5					
	Proposed rebanding	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
	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
	Projected # of operators	518	30	10	4	1				1	1	2
General Betting Standard (No Gaming Machines)	Number of licensed premises	4 or fewer	5 to 15	16 to 50								
	Current Annual Fee	£1,571	£7,077	£16,860								
	Current # of operators	31	0	0								
	Proposed Annual Fee	£1,461	£6,582	£16,860								
	Projected # of operators	30	0	0								

■ New bands and fees
■ New fees - 5% reduction
■ New fees - approximate 10% increase

Bands increase in increments of 500 with additional fee of £25,000

Gaming Machine General: AGC	Number of licensed premises	4 or fewer	5 to 15	15 to 50	51 to 99	100 or more		
	Current Annual Fee	£1,638	£6,771	£13,736	£29,550	£41,124		
	Current # of operators	492	72	18	3	3		
	Proposed rebanding	4 or fewer	5 to 15	15 to 50	51 to 99	100 to 199	200 to 299	300 to 399
	Proposed Annual Fee	£1,523	£6,297	£13,736	£32,505	£45,236	£50,236	£55,236
	Projected # of operators	479	70	17	5	2	0	0
Gaming Machine General: FEC	Number of licensed premises	4 or fewer	5 to 15	16 to 50	51 to 99	100 or more		
	Current Annual Fee	£1,097	£4,905	£9,950	£23,749	£39,928		
	Current # of operators	270	13	5	0	0		
	Proposed Annual Fee	£1,020	£4,562	£9,950	£26,124	£43,921		
	Projected # of operators	212	9	5	0	0		
General Betting: Limited	Number of working days	75 or fewer	76 to 199	200 or more				
	Current Annual Fee	£200	£467	£1,346				
	Current # of operators	403	252	29				
	Proposed Annual Fee	No change	No change	No change				
	Projected # of operators	387	228	27				
Pool betting	Annual Gross Gambling Yield	Less than £5.5 m			£5.5 m to £110 m		£110 m or greater	
	Current Annual Fee	£2,222			£4,277		£4,338	
	Current # of operators	20			3		0	
	Proposed rebanding	Less than £0.55m	£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m or greater		
	Proposed Annual Fee	£2,222	£2,879	£4,277	£6,477	£12,137		
	Projected # of operators	18	6	1	0	2		
Betting Intermediary	Annual Gross Gambling Yield	Less than £5.5 m	£5.5 m to £110 m	£110 m or greater				
	Current Annual Fee	£280	£4,277	£4,338				
	Current # of operators	3	0	0				
	Proposed Annual Fee	No change	No change	No change				
	Projected # of operators	1	0	0				

	New bands and fees
	New fees - 5% reduction
	New fees - approximate 10% increase

Gaming Machine Technical: Full	Value of annual gross sales	Less than £550,000	£550,000 to £6.6 m	£6.6 m or greater		
	Current Annual Fee	£3,102	£6,625	£15,813		
	Current # of operators	39	19	11		
	Proposed Annual Fee	No change	No change	No change		
	Projected # of operators	34	17	11		
Gaming Machine Technical: Supplier	Value of annual gross sales	Less than £550,000	£550,000 to £6.6 m	£6.6 m or greater		
	Current Annual Fee	£1,258	£3,397	£4,338		
	Current # of operators	358	37	6		
	Proposed Annual Fee	No change	No change	No change		
	Projected # of operators	400	42	4		
Gaming Machine Technical: Software	Value of annual gross sales	Less than £550,000	£550,000 to £6.6 m	£6.6 m or greater		
	Current Annual Fee	£1,608	£4,044	£6,575		
	Current # of operators	13	1	1		
	Proposed Annual Fee	No change	No change	No change		
	Projected # of operators	11	1	1		
Gambling Software	Value of annual gross sales	Less than £550,000	£550,000 to £6.6 m	£6.6 m or greater		
	Current Annual Fee	£1,608	£4,044	£6,575		
	Current # of operators	35	12	3		
	Proposed Annual Fee	No change	No change	No change		
	Projected # of operators	35	12	2		
External Lottery Manager	Annual Proceeds	Less than £550,000	£550,000 to £6.6 m		£6.6m or greater	
	Current Annual Fee	£2,075	£2,368		£2,700	
	Current # of operators	8	6		14	
	Proposed rebanding	Less than £550,000	£550,000 to £2.5 m	£2.5m to £5.5m	£5.5m to £10m	£10m or greater
	Proposed Annual Fee	£2,075	£2,368	£4,044	£6,675	£15,813
	Projected # of operators	14	6	3	6	2
Society Lottery	Annual Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater		
	Current Annual Fee	£348	£692	£1,458		
	Current # of operators	152	140	151		
	Proposed Annual Fee	No change	No change	No change		
	Projected # of operators	157	125	166		

	New bands and fees
	New fees - 5% reduction
	New fees - approximate 10% increase

Existing and proposed annual fees by comparison, with existing and projected licence volumes – remote.

Operating Licence Type	Unit of Division	Fee Bandings - Remote						
		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 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
	Current Annual Fee	£3,188	£9,563	£13,529	£38,128	£74,012	£117,746	£155,425
	Current # of operators	10	12	2	0	0	0	0
	Proposed Annual Fee	No change	No change	No change	No change	No change	No change	No change
	Projected # of operators	8	12	0	0	0	0	0
Bingo	Annual 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
	Current Annual Fee	£3,188	£9,563	£13,529	£38,128	£74,012	£117,746	£155,425
	Current # of operators	4	5	1	0	0	0	0
	Proposed Annual Fee	No change	No change	No change	No change	No change	No change	No change
	Projected # of operators	7	0	0	0	0	0	0
General Betting: Standard (Virtual Events)	Annual 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
	Current Annual Fee	£3,188	£9,563	£13,529	£38,128	£74,012	£117,746	£155,425
	Current # of operators	13	4	1	0	0	0	0
	Proposed Annual Fee	No change	No change	No change	No change	No change	No change	No change
	Projected # of operators	13	4	1	0	0	0	0
General Betting: Standard (Real Events)	Annual Gross Gambling Yield		Less than £5.5 m	£5.5 m to £110m		£110 m to £220m	£220 m to £550m	£550 m or greater
	Current Annual Fee		£13,529	£38,128		£74,012	£117,746	£155,425
	Current # of operators		59	8		0	1	0
	Proposed rebanding		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
	Proposed Annual Fee		No change	£38,128	£48,893	No change	No change	No change
	Projected # of operators		59	7	1	0	1	0
Betting Intermediary	Annual Gross Gambling Yield		Less than £5.5 m	£5.5 m to £110m		£110 m to £220m	£220 m to £550m	£550 m or greater
	Current Annual Fee		£13,529	£38,128		£74,012	£117,746	£155,425
	Current # of operators		13	1		1	0	0
	Proposed rebanding		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
	Proposed Annual Fee		No change	£38,128	£48,893	No change	No change	No change
	Projected # of operators		8	1	0	1	0	0

	New bands and fees
	New fees - 5% reduction
	New fees - approximate 10% increase

Pool betting	Annual Gross Gambling Yield		Less than £5.5m	£5.5m to £110m		£110 m to £220m	£220 m to £550m	£550 m or greater
	Current Annual Fee		£1,594	£38,128		£74,012	£117,746	£155,425
	Current # of operators		51	2		0	0	0
	Proposed rebanding	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
	Proposed Annual Fee	£1,594	£13,529	£38,128	£48,893	No change	No change	No change
	Projected # of operators	58	0	2	0	0	0	0
Telephone Only Betting	Annual Gross Gambling Yield	Less than £275,000						
	Current Annual Fee	£1,594						
	Current # of operators	41						
	Proposed rebanding	Less than £550,000						
	Proposed Annual Fee	£1,594						
	Projected # of operators	42						
Betting Intermediary: Trading Room only	Annual Gross Gambling Yield	Less than £550,000	£550,000 to £6.6m	£6.6 m or greater				
	Current Annual Fee	£1,594	£6,765	£19,063				
	Current # of operators	18	0	0				
	Proposed Annual Fee	No change	No change	No change				
	Projected # of operators	22	0	0				
Gaming Machine Technical: Full	Value of annual gross sales	Less than £550,000	£550,000 to £6.6 m	£6.6 m or greater				
	Current Annual Fee	£6,765	£19,063	£37,006				
	Current # of operators	4	4	4				
	Proposed Annual Fee	No change	No change	No change				
	Projected # of operators	4	4	4				
Gaming Machine Technical: Supplier	Value of annual gross sales	Less than £550,000	£550,000 to £6.6 m	£6.6 m or greater				
	Current Annual Fee	£6,765	£19,063	£37,006				
	Current # of operators	2	1	0				
	Proposed Annual Fee	No change	No change	No change				
	Projected # of operators	0	0	0				


	New bands and fees
	New fees - 5% reduction
	New fees - approximate 10% increase

Gaming Machine Technical: Software	Value of annual gross sales	Less than £550,000	£550,000 to £6.6 m	£6.6 m or greater		
	Current Annual Fee	£6,765	£19,063	£37,006		
	Current # of operators	4	1	0		
	Proposed Annual Fee	No change	No change	No change		
	Projected # of operators	6	1	0		
Gambling Software	Value of annual gross sales	Less than £550,000	£550,000 to £6.6 m	£6.6 m or greater		
	Current Annual Fee	£6,765	£19,063	£37,006		
	Current # of operators	31	8	5		
	Proposed Annual Fee	No change	No change	No change		
	Projected # of operators	28	8	3		
External Lottery Manager	Annual Proceeds	Less than £550,000	£550,000 to £6.6 m		£6.6m or greater	
	Current Annual Fee	£6,765	£19,063		£37,006	
	Current # of operators	8	5		2	
	Proposed rebanding	Less than £550,000	£550,000 to £2.5 m	£2.5m to £5.5m	£5.5m to £10m	Greater than £10m
	Proposed Annual Fee	No change	£19,063	£24,372	£37,006	£48,893
	Projected # of operators	9	5	2	1	0
Society Lottery	Annual Proceeds	Less than £100,000	£100,000 to £500,000	£500,000 or greater		
	Annual Fee	£348	£692	£1,458		
	# of operators	91	33	49		
	Proposed Annual Fee	No change	No change	No change		
	Projected # of operators	68	24	43		

	New bands and fees
	New fees - 5% reduction
	New fees - approximate 10% increase


Existing and proposed application fees by comparison (applicable only to the licences below) – non-remote

Operating Licence Type	Unit of Division	Fee Bandings - Non-Remote										
		4 or fewer	5 to 15	16 to 50	51 to 199		200 or more					
General Betting: Standard	Number of licensed premises	4 or fewer	5 to 15	16 to 50	51 to 199		200 or more					
	Current Application Fee	£977	£977	£3,417	£17,087		£40,032					
	<i>Proposed rebanding</i>	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
	Proposed Application Fee	No change	No change	No change	£17,087	£19,087	£22,087	£31,032	£40,032	£40,032	£40,032	£40,032
Gaming Machine General: AGC	Number of licensed premises	4 or fewer	5 to 15	15 to 50	51 to 99	100 or more						
	Current Application Fee	£977	£977	£1,627	£4,882	£16,274						
	<i>Proposed rebanding</i>	4 or fewer	5 to 15	16 to 50	51 to 99	100 to 199	200 to 299	300 to 399				
	Proposed Application Fee	No change	No change	No change	No change	£16,274	£16,274	£16,274				
Pool betting	Annual Gross Gambling Yield	Less than £5.5 m			£5.5 m to £110 m		£110 m or greater					
	Current Application Fee	£651			£1,627		£4,882					
	<i>Proposed rebanding</i>	Less than £0.55m	£0.55m to £2.5m	£2.5m to £5.5m	£5.5m to £10m	£10m or greater						
	Proposed Application Fee	£651	£977	£1,274	£1,627	£4,882						
External Lottery Manager	Annual Proceeds	Less than £550,000	£550,000 to £6.6 m		£6.6m or greater							
	Current Application Fee	£977	£1,627		£2,278							
	<i>Proposed rebanding</i>	Less than £550,000	£550,000 to £2.5 m	£2.5m to £5.5m	£5.5m to £10m	£10m or greater						
	Proposed Application Fee	No change	£1,627	£1,878	£2,278	£2,527						

 New bands and fees

Existing and proposed application fees by comparison (applicable only to the licences below) – remote

Operating Licence Type	Unit of Division	Fee Bandings - Remote						
General Betting: Standard (Real Events)	Annual Gross Gambling Yield		Less than £5.5 m	£5.5 m to £110m		£110 m to £220m	£220 m to £550m	£550 m or greater
	Current Application Fee		£3,259	£7,169		£16,274	£19,551	£28,641
	<i>Proposed rebanding</i>		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
	Proposed Application Fee		No change	£7,169	£9,474	No change	No change	No change
Betting Intermediary	Annual Gross Gambling Yield		Less than £5.5 m	£5.5 m to £110m		£110 m to £220m	£220 m to £550m	£550 m or greater
	Current Application Fee		£6,346	£13,018		£16,274	£19,551	£28,641
	<i>Proposed rebanding</i>		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
	Proposed Application Fee		No change	£13,018	£14,784	No change	No change	No change
Pool betting	Annual Gross Gambling Yield		Less than £5.5 m	£5.5 m to £110m		£110 m to £220m	£220 m to £550m	£550 m or greater
	Current Application Fee		£651	£1,627		£4,882	£4,882	£4,882
	<i>Proposed rebanding</i>	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
	Proposed Application Fee	£651	£982	£1,627	£2,027	No change	No change	No change
Telephone Only Betting	Annual Gross Gambling Yield	Less than £275,000						
	Current Application Fee	£593						
	<i>Proposed rebanding</i>	Less than £550,000						
	Proposed Application Fee	£593						
External Lottery Manager	Annual Proceeds	Less than £550,000	£550,000 to £6.6 m		£6.6m or greater			
	Current Application Fee	£977	£1,627		£2,278			
	<i>Proposed rebanding</i>	Less than £550,000	£550,000 to £2.5 m	£2.5m to £5.5m	£5.5m to £10m	Greater than £10m		
	Proposed Application Fee	No change	£1,627	£1,879	£2,278	£2,463		

 New bands and fees

Comparison of 2011/12 and 2012/13 income by individual licence fee category (as a proxy for change in fee burden)

Table of figures showing income by Fees Category - NB approximate discount applied at Category A to account for combined licence discounts¹

By Fee Category 2011/2012

Fee Category	A	B	C	D	E	F	G	H	I	Ancillary	Total Income
Before Licence discounts	£3,707,530	£2,197,585	£1,381,808	£1,012,792	£1,283,334	£1,475,029	£983,414	£631,313	£117,746	£9,800	£12,800,351
With approximate discount applied at Cat A for combined licences	£3,677,870	£2,197,585	£1,381,808	£1,012,792	£1,283,334	£1,475,029	£983,414	£631,313	£117,746	£9,800	£12,770,691

By Fee Category 2012/2013 -same discount applied

Fee Category	A	B	C	D	E	F	G	H	I	Ancillary	Total Income
Before Licence discounts	£3,432,906	£2,099,120	£1,442,233	£1,100,206	£1,487,228	£1,465,548	£983,414	£655,685	£117,746	£3,000	£12,787,086
With approximate discount applied at Cat A for combined licences	£3,405,443	£2,099,120	£1,442,233	£1,100,206	£1,487,228	£1,465,548	£983,414	£655,685	£117,746	£3,000	£12,759,623
With 2.7% inflation rate for 2012/13	£3,313,496	£2,042,444	£1,403,293	£1,070,500	£1,447,073	£1,425,978	£956,862	£637,982	£114,567	£2,919	£12,415,113

Table of Fees Category Figures for chart (adjusted for inflation)

¹ Where multiple licence activities are held on a combined operating licence, the cheaper activities are discounted at a rate of 5% of the full annual fee.

Category	2010/2011	2011/2012	2012/2013
A	£3,501,504	£3,677,870	£3,313,496
B	£2,085,717	£2,197,585	£2,042,444
C	£1,381,808	£1,381,808	£1,403,293
D	£1,012,792	£1,012,792	£1,070,500
E	£1,482,261	£1,283,334	£1,447,073
F	£1,475,657	£1,475,029	£1,425,978
G	£983,414	£983,414	£956,862
H	£631,313	£631,313	£637,982
I	£117,746	£117,746	£114,567

Annex C

Comparison of 2011/12 and 2012/13 income by industry sector

Tables showing income by sector

By Sector 2011/2012

	Casino	Bingo	Betting	Machines	Lottery	Remote	Total Income
Actual	£2,292,889	£703,470	£2,809,648	£3,409,762	£337,620	£3,217,302	£12,770,691

By Sector 2012/2013

	Casino	Bingo	Betting	Machines	Lottery	Remote	Total Income
With approximate discount applied at Cat A for combined licences	£2,201,337	£634,933	£2,975,469	£3,325,754	£368,197	£3,253,933	£12,759,623
With 2.7 % inflation rate for 2012/13	£2,141,901	£617,790	£2,895,131	£3,235,959	£358,256	£3,166,077	£12,415,113

Table of sector fees for chart (adjusted for inflation)

Sector	2010/2011	2011/2012	2012/2013
Casino	£2,250,343	£2,292,889	£2,141,901
Bingo	£674,174	£703,470	£617,790
Betting	£2,966,388	£2,809,648	£2,895,131
Machines	£3,247,812	£3,409,762	£3,235,959
Lottery	£325,365	£337,620	£358,256
Remote	£3,217,930	£3,217,302	£3,166,077

Annex D

Comparison of current and future income from the smallest operators

Table showing income from SME's, figures adjusted for inflation

	Current	2011/2012	2012/2013
SME	£9,257,869	£9,322,604	£9,063,033

Annex E Assumed and actual workload (volume of licences)

Sector	April 2005 Original Impact Assessment	Licensed Operators				
		2009/10 Actual	2010/11 Actual	2011/12 Estimate	20012/13 Estimate	
Non-remote operators						
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	
Total Betting		1393	1295	1267	1258	
Gaming machine general: AGC	2000 arcades	632	612	573	575	
Gaming machine general: FEC		319	274	226	227	
Total Arcades		951	886	799	802	
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	
Total Gaming Machines		647	624	521	519	
Gambling Software		55	50	49	49	
External Lottery Manager	700	28	24	31	31	
Society Lottery		492	420	450	450	
Total Lotteries		520	444	481	481	
Total non-remote		3840	3580	3399	3388	
Remote operators						
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	
Total remote			327	403	457	459
Total all			4167	3983	3856	3847

Annex F: Estimated number and types of operating licences 2011/2012

Sector	Estimated number of operators 2011/12							Total
	A	B	C	D	E	Total		
Non-remote operators								
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		
Total Betting	960	261	37	5	4	1267		
Gaming machine general: AGC	479	70	17	5	2	573		
Gaming machine general: FEC	212	9	5	0	0	226		
Total Arcades	691	79	22	5	2	799		
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		
Total Gaming Machines	445	60	16	0	0	521		
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		
Total Lotteries	166	131	182	0	0	481		
Total non-remote	2537	572	268	12	8	3399		
Remote operators	F	G	H	I	J	K	L	Total
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
Total remote	332	69	55	1	0	0	0	457

Annex G: Variation Fees

Changes in control		
Changes in control (when acquiring entity is not licensed)		75% of standard licence fee
Changes in control (when acquiring entity is licensed and there are financial or structural changes)		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
Variations		
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
Copy of licence		£25
Copies of the register of operating licences (NB available via email for no charge)		£25
Application for a permit under Section 250(2) - Single gaming machine permit		£25
	Application fee	Annual fee
Ancillary Licence Types		
Casino	£100	£0
General betting	£100	£0
Pool Betting	£100	£0
Bingo	£100	£0
Gaming machine technical: software	£100	£0
Society Lottery	£50	£100
Non-remote Linked Licence Type		
Gaming machine technical: supplier	£165	£375
Gaming machine technical: software	£165	£375
Gambling software	£165	£375
Remote Linked Licence Type		
Gaming machine technical: software	£165	£375
Gambling software	£165	£375