

**EXPLANATORY MEMORANDUM TO
THE GAMBLING ACT 2005 (EXEMPT GAMING IN ALCOHOL-LICENSED
PREMISES) REGULATIONS 2007**

2007 No. 1940

1. This explanatory memorandum has been prepared by the Department for Culture, Media and Sport and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments and for the House of Lords Merits Committee.

2. **Description**

These Regulations, made under Part 12 of the Gambling Act 2005, prescribe limits on stakes and prizes for exempt equal chance gaming on alcohol licensed premises (i.e. public houses and other premises, with a bar, holding a licence for the sale of alcohol for consumption on the premises).

3. **Matters of special interest to the Joint Committee on Statutory Instruments.**

None

4. **Legislative Background**

4.1 The Gambling Act 2005, once it is fully implemented, will replace all of the existing statutes governing gambling in Great Britain. The Act's provisions are underpinned by the three licensing objectives:

- preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime;
- ensuring that gambling is conducted in a fair and open way; and
- protecting children and other vulnerable persons from being harmed or exploited by gambling.

4.2 Part 12 of the Act contains provisions relating to gaming in clubs, miners' welfare institutes and on alcohol-licensed premises (e.g. public houses). Section 279 of the Act sets out the conditions for exempt gaming on alcohol-licensed premises. Exempt gaming is gaming for which no licence, permit or other express authorisation is required. Under section 279(2) of the Act the Secretary of State must prescribe the requirements for limiting amounts that may be staked, and the amount or value of a prize for such gaming.

5. **Territorial Extent and Application**

This instrument applies to Great Britain.

6. European Convention on Human Rights

As this instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 Section 279 of the Gambling Act authorises the provision of gaming facilities in certain alcohol-licensed premises, subject to a number of conditions. No further authorisation is required under the Act to make the gaming lawful, provided the statutory conditions are complied with. In its explanatory memorandum to the House of Lords' Delegated Powers and Regulatory Reform Committee during the passage of the Act (11th Report – Part 2), the Government stated that the intention behind this exemption was to enable alcohol-licensed premises to provide minor, low-level gaming of a kind traditionally available in such premises. These provisions replace those under section 6 of the Gaming Act 1968 whereby cribbage and dominoes may be played, with other games requiring separate approval from the local licensing authority.

7.2 Exempt gaming must be equal chance gaming (i.e. gaming where participants play against each other and not against a banker or “the house”) – examples would be dominoes, bridge, bingo and certain poker games. In addition to limits on stakes and prizes, a number of other statutory conditions apply to this gaming. For example, no participation fee may be charged, and no amount may be deducted or levied from sums staked or won. In prescribing requirements for limiting stakes and prizes, different provision may be made for different classes or descriptions of game.

7.3 In considering the corresponding provisions for exempt gaming in clubs and institutes the Government has decided that there is no need, at this time, for limits on stakes and prizes for the generality of equal chance gaming. The position in respect of pubs and other alcohol-licensed premises is, the Government has concluded, rather different. These are public premises, where both the range and the scale of gaming have, historically, been subject to much tighter restrictions. The greater flexibility provided by the 2005 Act therefore needs to be implemented and managed carefully, and in a way that is consistent with the Act's underlying objectives.

7.4 The Government has therefore decided that there should be a general stake limit of £5 per person, per game for equal chance gaming in pubs and similar premises. However, in view of the fact that dominoes and cribbage have been played in pubs for many years, without any associated social or other problems, the Government has decided that there should be no limits on stakes for these games.

7.5 The Government also considers that different considerations apply to poker. Of particular significance in this regard is the escalating nature of staking in the equal chance poker format, and the inherent potential, in the absence of clear limits on stake and prize levels, for the “pot” or “kitty” to reach a significant size over the course of a game, and for individuals to lose large amounts of money. Poker has become increasingly popular in recent years, and is now played much more widely, including in some pubs. The Government has therefore decided, as it has done in relation to gaming in clubs and institutes, to use the Act's powers to set additional limits on stakes and prizes for poker played on alcohol-licensed premises.

7.6 As indicated above, the public policy objective underlying these provisions is to allow pubs and other alcohol-licensed premises operating under the exempt gaming provisions to offer facilities for minor, low-level gaming. In determining what the specific limits on stakes and prizes for poker should be, we have therefore looked to ensure that both the overall amount of such gaming, and the level of risk to individual players represented by the amount that may be staked, are consistent with this objective.

7.7 We have therefore developed an approach which, for each premises, and in addition to the individual stake limit described in 7.4 above:

- (a) prescribes limits for the aggregate amount that may be staked at poker in any one day: £100;
- (b) prescribes the maximum value of a prize that may be won in any game of poker: £100.

Public Consultation

7.8 A twelve-week public consultation exercise on these Regulations (as well as those for gaming in clubs and institutes) closed on 20 April. Prior to the formal consultation exercise DCMS officials had engaged in informal consultations with key stakeholders to help inform the Government's proposals, and further bi-lateral meetings were held at the request of individual organisations, both during the formal consultation period and subsequently.

7.9 The Department received 50 responses to its public consultation, and a summary is available on the DCMS website: [Department for Culture Media and Sport - Summary of Responses to the Consultation Paper Gaming in Clubs and on Alcohol-Licensed Premises Regulations](#)

7.10 Individual stakes limit for all equal chance gaming: The Government's consultation document proposed that there should be an individual stakes limit of £5 per person, per game for all types of equal chance gaming. While licensing authorities and social impact interest groups were broadly supportive, a number of respondents took a different view. Representatives of the licensed trade considered that it was unreasonable, and represented a retrograde step, pointing to the fact that dominoes and cribbage had been played in pubs without any formal limits on stakes for many years, with no evidence of consequential harm. They also argued that there was no justification for treating pubs differently from clubs who, they suggested, were subject to a less rigorous regime under the Licensing Act. The Government has considered these representations very carefully, but remains of the view that a clear distinction can be drawn between gaming in clubs and pubs. It has however decided that cribbage and dominoes, which may currently be played without express authority, should be excluded from the individual limit on stakes.

7.11 Additional Limits on stakes and prizes for poker: From those who responded to the specific question in the consultation, there was universal agreement that poker played as a game of chance in alcohol-licensed premises requires additional regulation. Some, including bingo and casino interests, together with certain faith groups, felt that poker should not be played at all in pubs (although it should be noted that banning equal chance games, of any description, is not an available option under these Regulations). Most respondents thought that the proposed limits were about right, but a number, notably

licensed trade representatives, felt that they were too low. As above, the argument was made that pubs and clubs should be subject to the same limits as there was no persuasive rationale for treating them differently. The British Beer and Pub Association (BBPA) in particular argued that the proposed limits represent a disincentive for licensees to exercise their exempt gaming entitlements, and that they should be increased to the same level proposed for poker played in clubs and institutes under the corresponding exempt gaming provisions. The BBPA also made a strong plea for the weekly limit on stakes and prizes to be a simple multiple of the daily limit to aid compliance (i.e. weekly limit to be seven times the daily limit). Those already operating in the “pub poker market” (in the main the operators of poker leagues where the game is played for points rather than money or money’s worth) expressed a variety of views, but in the main wanted to see low stake and prize levels (which they saw as being broadly compatible with their existing business models). Once again the Government has considered all of these representations very carefully. Whilst we remain of the view that stakes and prizes for gaming in pubs should be lower than in clubs, we do see advantages, in terms of both clarity and aiding compliance, of adopting a simpler approach. The Government has therefore decided to remove from the Regulations the explicit weekly limit on aggregate stakes for poker played in alcohol-licensed premises, whilst retaining the daily limit of £100 proposed in the consultation. This addresses directly the BBPA’s request that the weekly limit should be a simple multiple of the daily one. The practical effect of this change will be to increase the aggregate amount of poker (in terms of stakes) that may be played in such premises from £500 to £700 per week, still lower than the corresponding clubs limit. The maximum prize for poker will also remain at £100, as originally proposed.

7.12 The Government considers that the above adjustments represent a reasonable response to the concerns expressed by industry, and that the regulatory regime for gaming in pubs should enable such premises to utilise the additional flexibility that the Act provides in a manner that does not risk undermining the licensing objectives.

Guidance

7.13 DCMS is supporting the Gambling Commission on the development of a Code of Practice, to be issued by the Commission under section 24 of the Act, which will provide guidance for licensees on the practical application of the relevant provisions, including those contained in these Regulations. The Commission has consulted separately on the contents of this code. In addition, the Department plans to publish an explanatory leaflet setting out the main provisions of the Act in this area, which we hope will be of assistance to both licensees and local licensing authorities. The Department will also be revising and updating the relevant guidance on its website, including answers to a range of Frequently Asked Questions.

8. Impact

8.1 A Regulatory Impact Assessment, which also covers the Regulations under Part 12 of the Act for gaming in clubs and institutes, is attached to this memorandum at **Annex A**.

9. Contact

Dave Bawden at the Department for Culture, Media and Sport Tel: 020 7211 6022,
e-mail: dave.bawden@culture.gsi.gov.uk who can answer any queries regarding the
instrument.

LIST OF RESPONDENTS TO CONSULTATION DOCUMENT ON GAMING IN CLUBS AND ON ALCOHOL-LICENSED PREMISES

A. Licensing and enforcement interests

1. Aberdeen City Licensing Board
2. Association of Chief Police Officers in Scotland (ACPOS)
3. Bury St Edmunds Council – Licensing Services
4. Central Aberdeenshire Licensing Board
5. City of Glasgow Licensing Board
6. Dorney Parish Council
7. East Hertfordshire Council
8. Eastleigh Borough Council Licensing Committee
9. Essex Joint Licensing Officers Forum
10. Heddlu Gwent Police
11. Humberside Police
12. Iver Parish Council
13. Local Authority Co-ordinators of Regulatory Services (LACORS)
14. North Lanarkshire Licensing Board
15. South Lanarkshire Licensing Board
16. Wandsworth Borough Council
17. Wolverhampton City Council – Licensing Services
18. Wooton and East Hunsbury Parish Council
19. North Aberdeenshire Licensing Board

B. Clubs' representatives

1. Alliance of British Clubs (ABC)
2. Committee of Registered Clubs Associations (CORCA)
3. UK Poker Clubs Association (UKPCA)

C. Clubs operators

1. Rileys Snooker Clubs Ltd
2. Sovereign Poker Club
3. Southampton-Sutherland Bridge Club
4. Young Chelsea Bridge Club

D. Other business sectors

1. Bingo Association
2. British Amusement Catering Trades Association (BACTA)
3. British Casino Association (BCA)
4. Carlton Bingo
5. Gala Coral Group
6. Gastro Gaming Company Ltd
7. Rank Group
8. The Nuts Poker League Ltd
9. The Poker Project Ltd
10. UK National Poker Leagues

E. Pubs' representatives

1. Association of Licensed Multiple Retailers (ALMR)
2. British Beer and Pubs Association (BBPA)
3. Federation of Licensed Victuallers Associations (FLVA)
4. Scottish Licensed Trade Association (SLTA)

F. Social impact interests

1. British Medical Association (BMA)
2. Methodist Church and Salvation Army (joint response)
3. Professor Jim Orford
4. Quaker Action on Alcohol and Drugs
5. Responsible Gambling Solutions Ltd

G. Individuals

1. Karim Ayoubi
2. Michael Davis
3. Richard J Hollis
4. Tony Mackay
5. Paul Williams

Annex A

Regulatory Impact Assessment: Gambling Act 2005: Gaming In Clubs and in Alcohol-licensed Premises Regulations

1. Title of proposal

- (a) Gambling Act 2005 (Gaming In Clubs) Regulations
- (b) Gambling Act 2005 (Exempt Gaming In Clubs) Regulations
- (c) Gambling Act 2005 (Club Gaming Permits) (Authorised Gaming) Regulations
- (d) Gambling Act 2005 (Limits on Exempt Gaming in Alcohol-licensed Premises) Regulations

2. Purpose and intended effect

2.1 Objective

- (a) To prescribe particular kinds of gaming, thereby allowing members' clubs established for the purposes of providing such gaming to take advantage of rights under Part 12 of the 2005 Act.
- (b) To prescribe limits on stakes and prizes and a maximum participation fee for exempt equal chance gaming conducted in eligible clubs, in order to ensure that gaming in this context continues to be a low scale, low stakes activity.
- (c) To prescribe the additional games of chance that may be played under the authority of a club gaming permit, and a maximum participation fee for such gaming
- (d) To prescribe requirements for limiting stakes and prizes for exempt equal chance gaming conducted on premises licensed for the sale of alcohol.

2.2 Background

Part 12 of the Gambling Act 2005 (the Act) defines three categories of eligible clubs: members' clubs, commercial clubs and miners' welfare institutes. To take advantage of the full rights set out in Part 12 of the Act a club must fall within one of these categories (although not all gaming rights are equally available to all three categories of club).

- (a) Gaming in Clubs: under section 266 and 267 of the Act clubs established wholly or mainly for the purposes of gaming are, as a general rule, not eligible for the full range of rights conferred by Part 12. However, the Act gives the Secretary of State powers to prescribe particular kinds of gaming thereby allowing members' clubs and

commercial clubs established for the purposes of providing such gaming to take advantage of rights under Part 12.

(b) Exempt Gaming in clubs: sections 269 and 270 of the Act give clubs and institutes the right to undertake certain gaming, without the need for any additional authorisation under the Act. Thus, provided the gaming complies with a number of conditions, the club or institute concerned will not be committing an offence. A number of the conditions involve powers for the Secretary of State, and these Regulations cover those powers.

(c) Club Gaming Permits: Section 271(3)(c) of the Act allows those clubs holding a club gaming permit to provide facilities for prescribed games of chance. The intention here is to allow the Secretary of State to authorise particular games involving a bank or unequal chance games (which it would otherwise be unlawful to facilitate) to be played under the permit. Once again, gaming conducted under the provisions of a permit must comply with conditions, a number of which are to be set by the Secretary of State through regulations. It should be noted, however, that the government does not, at this stage, intend to implement the provision that would enable clubs to impose levies or deductions on stakes and prizes for games of chance conducted under a club gaming permit.

(d) Exempt Gaming on Alcohol-licensed Premises: Section 279 of the Act enables premises with an "on-premises alcohol licence" to provide equal chance gaming, subject to a number of conditions. These conditions include a prohibition on levies or deductions on stakes or prizes, a prohibition on participation fees, no linking of games between premises, and the exclusion from the gaming of children and young persons. In addition the Secretary of State is required to prescribe requirements for limiting stakes and prizes for the gaming.

2.3 Rationale for government intervention

The underpinning rationale for intervention in this area is to enable clubs and certain premises licensed for the sale of alcohol to undertake low scale, low stake gaming without the need for express permission under the Act (e.g. a licence or permit). The need for specific interventions derives from powers and obligations already contained within the Gambling Act 2005, and the regulations covered by this document are required to give practical effect to the Act's enabling provisions. A number of these provisions are aimed at maintaining the same operating framework as currently applies to gaming in clubs under the Gaming Act 1968, although the opportunity is being taken to up-rate some of the maximum charges to take account of the passage of time since they were last revised.

Although with the majority of these provisions the Secretary of State has discretion whether or not to make Regulations, not to do so would be incompatible with the

underpinning regulatory rationale and objectives of the enabling legislation.

3. Consultation

3.1 Public sector consultation

Prior to the publication of its consultation document, the Department consulted the Gambling Commission, the Local Authority Coordinators of Regulatory Services (LACORS), the Scottish Executive and the Association of Chief Police Officers.

3.2 Wider consultation

A twelve-week public consultation exercise ended on 20 April. Prior to this DCMS officials had met informally with a number of representatives from the relevant sectors, including the Committee of Registered Clubs Associations (CORCA), the Clubs and Institutes Union (CIU), Action for Communities in Rural England (ACRE), the Central Council for Physical Recreation (CCPR), Business in Sport and Leisure (BISL) and the British Beer and Pub Association (BBPA). Officials have subsequently met again with representatives of some of these organisations, and have also held meetings with the UK Poker Clubs Association and other industry interests.

3.3 Outcome of consultations

These Regulations cover a series of inter-related measures relating to the detailed conduct of gaming in clubs, public houses and similar premises, and the consultation exercise demonstrated that there are widely conflicting views about what the Regulations should contain. The following are the key areas of disagreement that were identified.

Poker as a prescribed game of chance - of the 22 respondents who provided a specific answer to this question, 18 agreed and four disagreed with the Government's proposal that poker should not be prescribed. Licensing authorities, representatives of other gambling sectors, faith groups and other social impact interests all supported the Government's position. The British Medical Association, Responsible Gambling Solutions and, jointly, the Methodist Church and Salvation Army all made the point that poker, by its very nature, presents particular risks for vulnerable people. Casino interests raised their own concerns about illegal gaming and what it described as associated criminal involvement in unlicensed poker clubs. Of those who disagreed, the principal objector was the UK Poker Clubs Association (UKPCA), which argued that there was a strong case for prescribing poker so that its members could bring themselves within the Act's formal regulatory framework. Long-standing Government policy in this area is that any gaming should be a low scale, ancillary activity. The only exceptions to this principle, bridge and whist, have enjoyed the privilege of club status for many years

without any consequential problems. The Government concluded that prescribing poker would open up the prospect of large numbers of clubs, dedicated to gaming (potentially for very high stakes) yet functioning outside the operating licence regime, and that this would be likely to represent an unacceptable level of risk to the licensing objectives. The Government has therefore decided that poker should not be prescribed, effectively maintaining the status quo.

Limits on stakes and prize limits for poker - most respondents agreed there should be stake and prize limits for poker. Of the 23 respondents who commented, only two disagreed. Considerations raised in support of this approach included the increasing popularity and prevalence of poker, the particular nature of the game and the fact that gaming conducted under the exempt gaming provisions will be almost entirely self-regulated. The UKPCA considered that the case for treating poker differently had not been made, and that all equal chance gaming should be subject to the same limits. In response to the specific limits for poker, 14 respondents thought that they were at about the right level, 7 felt they were too high, while 5 felt that they were too low or needed to be applied more flexibly. The consultation has demonstrated that the amount of poker played in clubs, both as an ancillary activity and in clubs dedicated to gaming, has increased significantly in recent years. The aspirations of those providing facilities for poker on a regular and organised basis would take the scale of poker provided well beyond that envisaged by the Government when it introduced these legislative provisions to Parliament. In all the circumstances, therefore, the Government has concluded that stake and prize limits should, with one exception, remain as proposed in the consultation document. Whilst this will represent a constraint on the amount of poker played in clubs, and in particular in those clubs dedicated to gaming, we are satisfied that this approach is consistent with the Act's objectives, and the Government's aims and intentions as indicated to Parliament during the passage of the legislation.

Participation fees - only poker club interests raised substantive concerns about the proposals. The UKPCA wanted to see the maximum charge for poker raised to the same level as that proposed for bridge and whist (i.e. from £1 to £18), arguing that the proposals would not allow poker clubs to offer an efficient and safe service to their members. One commercial operator also felt that the proposals were too low, and would not allow clubs providing poker as an ancillary activity to cover their costs - they suggested that the maximum fee should be increased to £2 or £3. It has been long-standing Government policy to maintain charges for gaming (other than for bridge and whist) in what are currently unregistered clubs at a low level (currently 60p), and the proposed increase to £1 maintains this policy. Members' clubs and institutes that wish to provide more comprehensive gaming facilities will be able to do so by obtaining a club gaming permit, so long as gaming

remains an ancillary activity, and then make higher participation charges (up to £3) to cover their costs. Commercial clubs, however, will not qualify for a club gaming permit, and the Government received representations that this would prevent clubs who wish to do so from providing facilities of an appropriate standard for their members. In light of these representations, the Government has therefore decided that where a commercial club obtains a club machine permit under section 273 of the Act it may charge a participation fee of up to £3 per person per day for any exempt gaming for which it also provides facilities. This brings the maximum fee that commercial clubs may charge in line with that for members' clubs and institutes that hold a club gaming permit, and should enable those clubs to cover the cost of providing appropriate facilities should they wish to do so.

Limits on stakes and prizes for gaming on alcohol-licensed premises

While licensing authorities and social impact interest groups were supportive of the proposed approach, there were a number of respondents who disagreed. Representatives of the licensed trade considered some of the specific proposals unreasonable, and a retrograde step, pointing to the fact that dominoes and cribbage had been played without formal limits on stakes for many years, with no evidence of harm. They also argued that there was no justification for treating pubs any differently than clubs who, they suggested, were subject to a less rigorous regime under the Licensing Act. There was broad agreement that poker played as a game of chance in alcohol-licensed premises requires additional regulation. Some, including bingo and casino interests, together with certain faith groups, felt that poker should not be played at all in pubs (although it should be noted that banning equal chance games, of any description, is not an available option under these Regulations). Most respondents thought that the proposed limits were about right, but a number, notably licensed trade representatives, considered them to be too low. The British Beer and Pub Association (BBPA) in particular argued that the proposed limits represent a disincentive for licensees to exercise their exempt gaming entitlements, and that they should be increased to the same level proposed for clubs and institutes. The BBPA also made a strong plea for the weekly limit on stakes and prizes to be a simple multiple of the daily limits to aid compliance (i.e. weekly limit to be seven times the daily limit). This, they suggested, would make it easier for individual premises to understand and enforce the limits. Taking account of all of the responses received, the Government remains of the view that there is a case for continuing to make a distinction between gaming in clubs (which are essentially private premises with a long, and largely unblemished record of providing gaming), and pubs (where the nature and scale of any gaming have historically been subject to much stricter controls). However, we believe that there is merit in some of arguments adduced on behalf

of the licensed trade, and we have therefore made two specific adjustments to the original proposals. Firstly, cribbage and dominoes will not be subject to the prescribed limit on individual stakes. Secondly, we have removed from the Regulations the explicit reference to a weekly premises-based limit on poker stakes whilst retaining a daily limit of £100. The effect of this will be to increase the *de facto* weekly limit from £500 to £700 per week, and in the process address the trade's proposal that the weekly limit should be a simple multiple of the daily one to aid compliance. We are satisfied that these measures should enable alcohol-licensed premises to utilise the additional flexibility that the Act provides, without presenting unacceptable risks to the licensing objectives.

4. Options

4.1 Option 1: Do nothing. Whilst this would, in some respects, be feasible, without the detailed regulations provided for here the Government's policy objectives for gaming in clubs and alcohol-licensed premises would not be secured. Clubs established wholly or primarily for the provision of prescribed gaming (bridge and whist clubs) would be unable to bring themselves fully within the provisions of Part 12 of the Act, and as a consequence might be unable to continue to function as they do now. Failure to prescribe maximum participation fees for gaming would create a situation whereby clubs could charge whatever they wanted, and undermine the long-standing policy objective that charges for gaming should be kept at a low level, and not represent a commercial incentive for clubs to promote gaming. Failure to prescribe additional games of chance would prevent those clubs that wish to do so from providing facilities for such games. Failure to implement the power to set limits on stakes and prizes for equal chance gaming would run contrary to the government's objective of ensuring that gaming in those clubs operating without a gaming permit remains a low scale, low stake activity, and would represent a risk to the underpinning objectives of the Act. Failing to do the same in respect of premises licensed for the sale of alcohol would call into question the operability of the relevant provisions (section 279 of the Act). **The government has therefore rejected this option.**

4.2 Option 2: Implement regulations where the Act requires it, but do nothing where discretion exists. This would be feasible, technically, but would still result in a number of negative consequences and anomalies. Bridge and whist clubs would still be unable to bring themselves fully within Part 12, and would have to rely solely on the Act's exempt gaming provisions, which could have a negative impact on their finances. It would also still be impossible for clubs to provide facilities for additional games of chance, while the risks associated with a decision not to prescribe limits on stakes and prizes for exempt equal

chance gaming in clubs and institutes would remain as for Option 1. **The government has therefore rejected this option.**

4.3 Option 3: Implement regulations, as amended in light of consultation. This Option included the consideration and assessment of a range of alternative proposals for the detailed content of the individual provisions covered by this assessment, as summarised in section 3 above. Option 3, as refined, will enable the intended regulatory framework for gaming in clubs and alcohol licensed premises to be brought into full effect, and will help to secure the Government's policy objectives in respect of this type of gaming. **This is the government's preferred option.**

5. **Costs and benefits**

5.1 Sectors and groups affected

- Members' clubs
- Miners' Welfare Institutes
- Commercial clubs
- Clubs that would be members' clubs or commercial clubs but for the fact that they are gaming clubs
- Pubs and other alcohol-licensed premises
- Licensing authorities
- Law enforcement agencies

There are no readily verifiable statistics for the number of clubs and institutes currently operating in this country, but it is believed that there are at least 40,000 clubs of one description or another. However, a significant proportion of these will not be premises-based. The latest available figures from licensing authorities suggest that there are in excess of 20,000 clubs licensed to sell alcohol, and it is within this group that the majority of clubs engaged in gaming, of one form or another, are likely to be situated.

The 2006 survey of licensing authorities undertaken by the Gambling Commission produced the following figures for current club registrations under the 1968 Gaming Act:

Part II: England & Wales - 340; Scotland - 60

Part III: England & Wales - 7256; Scotland - 441

However, these figures relate to only just over half the total number of licensing authorities (albeit most of the larger ones), and it is therefore reasonable to assume that the national figures are likely to be at least 500 (for Part II registrations) and 10,000 (for Part III).

The latest available licensing statistics suggest that there are in excess of 80,000 pubs and other premises licensed for the sale and consumption of alcohol on the premises. It is not known what proportion of these provide facilities for or otherwise permit equal chance gaming, but

the playing of dominoes, cribbage and similar games for low stakes is a traditional pastime in many pubs.

5.2 Benefits

Although it is not possible to quantify the financial benefits flowing from these particular regulations, it is clear from discussions with clubs' representatives that gaming, in one form or another, is an important activity in many clubs, and makes a significant contribution to club funds. These measures will, in the vast majority of circumstances, enable clubs to continue to function as they do now. The increases in the maximum level of participation fees provide clubs with the opportunity to increase their revenues, although it will be for individual clubs to decide the extent to which they wish to take advantage of these changes. For commercial clubs providing gaming as an ancillary activity, the increase in the maximum participation fee that may be charged should enable them to recover the full cost of providing gaming facilities. For pubs and similar premises, the freedom to allow equal chance gaming of all kinds enshrined in the 2005 Act, and the establishment of definitive limits on stakes (and for poker, stakes and prizes), should provide much greater clarity for licensees about what is and is not permitted, in contrast to the current legislation which refers only to gambling not being for "high stakes"¹. The "special status" of cribbage and dominoes will remain, while licensees will no longer need to obtain approval from licensing authorities to provide other types of equal chance gaming, thereby removing a potential administrative burden and cost. As pubs are not allowed to charge participation fees or make deductions from amounts staked, there will be no other direct financial benefits arising from these changes. Any indirect benefits from additional customer footfall will vary, depending on the extent to which individual premises decide to take advantage of these provisions, and are therefore impossible to assess with any degree of accuracy.

5.3 Costs

Indirectly, where clubs are currently providing gaming there may be some additional costs in the following areas:

- (a) keeping records of sums staked and won at poker to ensure that daily and weekly limits are not breached; and
- (b) where they intend to provide poker for stakes totalling more than £1000 per week, the need to apply for and maintain a club gaming permit.

The costs associated with obtaining and maintaining club gaming and club machine permits have been the subject of a separate consultation and regulatory impact assessment. Informal discussions with clubs representatives suggest

¹ Section 6(4) of the Gaming Act 1968

that the number of clubs likely to apply for a club gaming permit will be very low, and of those it is reasonable to conclude that some will already be registered under Part II of the Gaming Act (and therefore already meeting the associated regulatory costs).

As discussed in 3.3 above, the Government also acknowledges that the aggregate limits on stakes for poker played in clubs are likely to act as a constraint on the amount of poker played, particularly in those clubs that are established and conducted for the purposes of providing facilities for such gaming.

For pubs and similar premises that wish to permit gaming there will, potentially, be some costs associated with the need to monitor gaming activities to ensure that limits are not being breached. Given that the position of cribbage and dominoes, the games currently permitted without express approval, has been protected, it will be for individual licensees to decide whether or not the benefits of allowing other types of equal chance gaming on their premises outweigh any costs associated with supervising the activity. There will be no obligation on licensees to permit such gaming if they do not wish to do so, but these measures (as amended in light of consultation) should provide a clear regulatory framework for individual, commercial decisions about the extent to which they provide gaming facilities for their customers.

Licensing authorities already have certain responsibilities in respect of the licensing and supervision of clubs and alcohol-licensed premises. The additional costs arising from gaming that takes place under the authority of a club gaming permit may be recovered through permit fees. Clubs and alcohol-licensed premises providing gaming under the Act's exempt gaming provisions will not be liable for such fees. However, under recently published Government guidance on premises licence fees, licensing authorities will, in future, be able to include within those fees an element to meet the reasonable and proportionate cost of dealing with illegal gambling (for example, gambling which takes place in breach of the exempt gaming provisions). Under the new arrangements licensing authorities will also be relieved of their current responsibility for considering applications under section 6(3) of the Gaming Act from pubs and other alcohol-licensed premises that wish to provide additional types of gaming - in future gaming of this kind will be covered by the exempt gaming provisions.

The consultation proposed the introduction of a code (or codes) of practice for gaming in clubs and pubs, and work on this is well advanced. The code provisions are being developed in consultation with the relevant sectors, with the objective of providing clarity and aiding compliance, whilst at the same time minimising any associated burden on those providing gaming facilities under these provisions. At this stage, it seems to us that any additional costs associated with managing compliance with these measures are likely to be minimal.

6. Small Firms Impact Test

The vast majority of clubs likely to be affected by these proposals probably fall within the broad definition of a small firm. Of those all but a handful are likely to be non-profit making private members clubs and institutes. As indicated above, these proposals are primarily permissive in nature, and most clubs will continue to function as they do now, with any marginal additional costs more than offset by the associated benefits, including the ability to charge higher participation fees to their members. For pubs and other alcohol-licensed premises these provisions represent a universally applicable framework for low stakes, low scale gaming activity, and provide clarity about what is and is not permitted. These proposals are unlikely, therefore, to have a disproportionate impact on small firms.

7. Competition assessment

The statutory framework for gaming in clubs is predicated on the assumption that premises-based commercial gaming for anything more than low stakes and prizes should take place only in licensed casinos and bingo clubs. Whilst, therefore, commercial clubs may provide a limited range of gaming opportunities for their members, the statutory limits on participation fees and stakes and prizes, and the inability to levy deductions mean that gaming is, as a general rule, an ancillary activity. Any competition constraints arising from the fact that non-commercial clubs and institutes may obtain a Club Gaming Permit (and therefore, unlike their commercial counterparts, provide unlimited stakes and prize gaming for their members) are a consequence of the primary legislation (the Gambling Act 2005), which was subject to its own Regulatory Impact and Competition Assessments. The decision to set the maximum participation fee for commercial clubs with a club machine permit at the same level as that for clubs and institutes holding a club gaming permit should provide a more level playing field in respect of the provision of appropriate gaming facilities.

As with the current legislation, the Gambling Act draws a clear distinction between the respective regulatory requirements for clubs and pubs, and these Regulations also reflect the difference characteristics of these two broad categories of premises. Once again, however, gaming in pubs and other alcohol-licensed premises is intended to be an ancillary, low scale activity. The Act provides certain exemptions and entitlements to a limited amount of gaming, subject to conditions (including those contained in these Regulations). These provisions offer greater flexibility for alcohol-licensed premises in respect of the types of gaming they may provide without further, express permission, and to that extent they should make a positive contribution to the competitiveness of those businesses that elect to use them. It is not considered, therefore,

that these Regulations will have a disproportionate impact as between different types of operator or premises.

8. Enforcement, sanctions and monitoring

It is anticipated that clubs will, as now, be responsible to a significant extent for regulating their own gambling activities. Local licensing authorities will be responsible for issuing and renewing permits and, in partnership with the Gambling Commission (which has broad responsibilities in relation to the investigation and prosecution of illegal gambling) and the police, will also have a role to play in monitoring and enforcement. There are, however, no new offences or sanctions created by these proposals. The arrangements for cancellation or forfeiture of a permit, including associated rights of appeal, are set out in Schedule 12 to the Act. Similar considerations will apply to pubs and other alcohol-licensed premises, with the onus on individual licensees to ensure that any gaming conducted on the premises remains within the law. Local authorities will have the principal responsibility for monitoring compliance, in parallel with their broader responsibilities for alcohol-licensed premises under the Licensing Act 2003. In Scotland, local licensing boards will exercise those responsibilities. Section 284 of the Gambling Act gives licensing authorities the powers to remove gaming exemptions and entitlements from individual alcohol-licensed premises in certain circumstances, and provides associated rights of appeal.

9. Implementation and delivery plan

The Department is cooperating with the Gambling Commission on the development of a code of practice for gaming in clubs and on alcohol-licensed premises. We will also be issuing guidance leaflets, and revising and updating the advice available on our respective public websites. The Gambling Commission will be providing detailed guidance to licensing authorities on the exercise of their functions under the Act, including relevant enforcement activity. The Department has also published training materials to assist local authorities with their responsibilities in relation to permits, including those for clubs and alcohol-licensed premises. Drawing on guidance issued by the Gambling Commission, the Act itself and other sources, the training materials explain the new roles and responsibilities of licensing authorities.

DCMS has also published guidance on the Act's Transitional Arrangements, including those in respect of clubs and alcohol-licensed premises. This provides licensing authorities and operators with information about the relevant legislative provisions during the transitional period, and includes information on how and when premises should apply for Gambling Act permits and the special provisions for the consideration of such applications.

10. **Post-implementation review**

The Department will liaise closely with all stakeholders about the implementation and impact of these measures through its established industry, community and licensing authority networks. The Gambling Commission will also have a role in monitoring the strategic impact of these measures, and for providing Government with advice on the need for any adjustments to the regulatory framework.

11. **Summary and recommendation**

Ministers have decided to proceed with Option 3 above. The Gambling Act 2005 (Gaming in Clubs) Regulations will come into force on 1 August. 2007 The remaining three sets of Regulations covered by this impact assessment will come into force on 1 September.

12. **Declaration and publication**

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs

Signed

Date

**Gerry Sutcliffe
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