

## **Government review of gaming machines and social responsibility measures**

### **Purpose**

For discussion and direction.

### **Summary**

On Monday 24 October, the Government announced its long awaited [review of gaming machine stakes](#). This review will have a slightly wider scope than previous reviews; this paper therefore outlines the key themes the LGA will need to cover in its submission, and opportunities for ensuring the wider sector engages with the review.

### **Recommendation**

That the Board provide direction on the LGA's response to the review.

### **Action**

Officers to take forward as directed.

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## **Government review of gaming machines and social responsibility measures**

### **Background**

1. As the Board will be aware, the LGA has consistently raised concerns about the impact of betting shop clustering and high stakes B2 gaming machines (commonly referred to as fixed odds betting terminals, or FOBTs) in recent years.
2. Although overall numbers of betting shops have remained relatively stable in recent years, there is clear evidence of clusters of betting shops developing in some areas as numbers reduce in other areas. Independent research for the Responsible Gambling Trust has shown that *'areas close to betting shops tend towards higher levels of crime events, resident deprivation, unemployment, and ethnic diversity'*<sup>1</sup>; a separate piece of research for the Trust indicates that rates of problem gambling are higher in areas with clusters of betting shops.
3. Linked to concerns about betting shop clustering are concerns about the numbers of FOBTs available on high streets. FOBTs have a maximum stake of £100 per spin (or play), compared to maximum stakes on other high street machines of just £2 (see **annex 1**). Each betting shop is entitled to have up to four betting gaming machines, and it is argued that it is the profitability of the machines that has driven clustering. Gross gambling yield from FOBTs (the amount retained by operators after the payment of winnings but before the deduction of operating costs) rose from £1.05bn in 2009 to £1.7bn in 2014-15, and FOBTs now make a greater contribution to betting shop income than traditional over the counter betting.
4. Following significant media and Parliamentary concern about FOBTs, in early 2014 the coalition Government undertook a short gambling strategy review leading to the announcement of a series of measures aimed at addressing concerns about betting shop clustering and FOBTs. From April 2015 customers wishing to stake more than £50 on FOBTs now need to pay over the betting shop counter in cash or use account based play, which tracks and monitors play.
5. There were also changes to the planning system, so that with effect from April 2015, betting shops are in a sui generis category with payday loan shops; this means that planning permission is now required before a building can change to either of these uses. This welcome change gives councils scope to develop local plans that restrict new betting shops (as Newham recently became the first council to do), but the limitation of this is that it applies only in cases where an application for planning permission must be made. Existing betting shops already have planning permission; therefore, if one firm closed an existing premises, there would be nothing to stop a different firm from opening a betting shop in its place. We believe this is a realistic prospect, given expected developments in the market; although recent, anecdotal feedback from the LGA licensing forum indicates that applications for new premises licences from betting shops have virtually dried up since the change was introduced.

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<sup>1</sup> [http://www.responsiblegamblingtrust.org.uk/user\\_uploads/0159%20-%202015%2002%2020%20-%20with%20header.pdf](http://www.responsiblegamblingtrust.org.uk/user_uploads/0159%20-%202015%2002%2020%20-%20with%20header.pdf)

6. Since the 2014 Government review, our efforts have been focused on supporting councils to make effective use of existing and new powers in gambling licensing. We supported the Westminster-Manchester-Geofutures research and are continuing to explore how to roll this out more widely; we also published a comprehensive councillor handbook on gambling and held a successful conference on gambling licensing last month.
7. We have continued to lobby government on these issues through engagement with the Department for Culture, Media and Sport and ongoing media releases highlighting relevant research. Over the past year, we have also been in discussion with government on the Newham Sustainable Communities Act (SCA) application to reduce FOBT stakes to £2. This has been an opportunity to promote our key asks in gambling licensing, which to date have been:
  - 7.1. Government should amend the Gambling Act 2005 to restore the principle of the demand test – we propose that councils be given the statutory right to create cumulative impact zones in areas with a high number of betting shops.
  - 7.2. The addition of new Gambling Act objectives relating to the prevention of public nuisance (equivalent to the Licensing Act 2003) and public health.
  - 7.3. Further player protection measures for FOBTs including bringing maximum stakes into line with maximum stakes for other types of gaming machine playable on high streets (which are £2 in betting shop premises and £5 in casinos).

## **Issues**

### **Terms of the review, evidence requirements and council engagement**

8. As the Board will recall from updates on the Newham SCA application, we have always felt that the most likely route to achieving a reduction in FOBT stakes is via a triennial review of stakes, and it is therefore extremely good news that a review is now taking place.
9. It is also extremely positive that the Government has chosen to widen the terms of reference for the review beyond machine stakes and prizes, and by considering impacts on communities as well as on individuals. The stated objective for the review is to look across the industry and determine what, if any, changes are needed to strike the right balance between social responsible growth and the protection of consumers and wider communities.
10. The review is seeking evidence on the following issues (a list of the consultation questions is set out in **annex 2**):
  - 10.1. Maximum stakes and prizes for all categories of gaming machines permitted under the Gambling Act 2005;
  - 10.2. Allocations of gaming machines permitted in all licensed premises under the Gambling Act 2005; and

- 10.3. For the industry as a whole (ie, not limited to gaming machines), social responsibility measures to minimise the risk of gambling related harm. This includes looking at gambling advertising to understand whether we have the right measures in place to ensure that the young and vulnerable are protected.
11. The call for evidence repeatedly emphasises that it is seeking evidence-based submissions. To support this, alongside highlighting recent research about the location of betting shop clusters and rates of problem gambling near clusters, we also propose to work with a small number of councils to try to develop detailed case study evidence about issues in their areas. As part of its SCA work, Newham council identified police call out rates to local betting shops, which are significantly higher than average figures reported to the Gambling Commission might suggest. It would be useful to replicate this data for other areas; it would also be helpful to outline how councils are using cumulative impact policies in relation to alcohol licenced premises.
12. It will be important that in addition to a sector-wide submission from the LGA, as many individual councils as possible submit a response to the review. It would be helpful if Board members could encourage their own councils to respond, if they are areas that have particular concerns about gambling or have signed up to the Newham SCA.
13. The Board's licensing champions have proposed developing a draft model motion for councils to debate, as a prompt for them to get involved in the review. A draft model motion will be circulated for consideration ahead of the Board's political group meetings.
14. The Board's views on other ways to encourage councils to engage with the review would also be very helpful.

### **Review themes – suggested LGA lines**

15. As set out above, the LGA has an existing set of policy asks for gambling licensing which we will of course want to feed into this review. Some possible lines to take, and questions for the Board on key issues, are set out below.

### **16. Gaming machine stakes**

- 16.1. FOBT stakes should be brought into line with maximum stakes for other machines playable in high street locations.
- 16.2. However, effective and balanced regulation of gaming machines relates not only to stakes, but also to the number of machines, as determined by machine allowances for different premises and the number of premises.
- 16.3. The statutory aim to permit makes this difficult for councils, which is why we would favour supporting recent planning changes with the introduction of a statutory cumulative impact approach in gambling licensing.
- 16.4. Similarly, a wider set of licensing objectives, in particular including an anti-social behaviour objective, would enable councils to better reflect community impacts as part of the licensing process.

## **17. Location of gaming machines**

- 17.1. There is scope here to make a proposal in relation to numbers of gaming machines playable in all gambling premises, not just betting shops.
- 17.2. A localist approach would be to propose that licensing authorities have flexibility to determine the number of machines per premises in their areas, depending on local circumstances. A similar power has been devolved to the Scottish Government in relation to reducing the number of FOBTs allowable per betting shop, although it should be noted the power remains at a devolved government rather than local level.
- 17.3. The Board's views on this issue would be welcome.

## **18. Social responsibility / advertising**

- 18.1. Although not within the remit of licensing authorities, the issue of gambling advertising was something which many members expressed strong views about during the LGA's Betting Commission work in 2014.
  - 18.2. Again, an indication from members of whether there is a common LGA view on this issue would be very helpful.
19. At our recent gambling licensing conference, the Gambling Commission spoke of the need to ensure that the review did not focus solely on a current issue of concern, such as FOBTs, and in so doing miss the opportunity to identify issues which may in future cause equal concern – such as the trend towards remote gambling (eg, gambling online), or the increasing use of B3 gaming machines in betting shops (B3 games can be played on the same machines as B2 games; although the maximum stake is significantly lower, at £2, the play or spin speed is significantly quicker, at just 2.5 seconds).
20. It is clearly difficult to anticipate where future challenges might lie: as we note in the introduction to our Gambling Handbook, the main concern highlighted during the passage of the Gambling Act focused on 'Las Vegas style casinos' but local betting shops and their machines have subsequently proved to be far more controversial, and the industry is going through substantial changes due to developments in technology, which are behind the growth in remote gambling for instance.
21. However, the Board are invited to make any suggestions of measures that could be proposed to try to address this, for example a mechanism for more regular gambling reviews, or requirements for account based play (rather than anonymous play) on gaming machines.

## **Next steps**

### **22. Members are asked to:**

- 22.1. Provide a view on the shape of the LGA's consultation response. Previous work in this area has been shared with lead members from the Culture, Tourism and Sport Board for comment.
- 22.2. Make suggestions about relevant evidence to draw on and / or encouraging councils to respond to the review.

- 22.3. Agree that as the call for evidence closes on 4 December 2016 that the Lead Members approve the consultation response from the Board.

**Implications for Wales**

23. Gambling is a reserved matter; therefore the review is also applicable to Wales.

**Financial Implications**

24. None.

**Annex 1 – current gaming machine stakes**

Machine category	Maximum stake (from 2014)	Maximum prize (from 2014)	Type of gambling premise machine can be found in
B1	£5	£10,000	<ul style="list-style-type: none"> <li>• Casinos</li> </ul>
B2	£100	£500	<ul style="list-style-type: none"> <li>• Betting premises</li> <li>• Casinos</li> </ul>
B3	£2	£500	<ul style="list-style-type: none"> <li>• Adult gaming centres</li> <li>• Bingo premises</li> <li>• Betting premises</li> <li>• Casinos</li> </ul>
B3A	£2	£500	
B4	£2	£400	<ul style="list-style-type: none"> <li>• Adult gaming centres</li> <li>• Bingo premises</li> <li>• Betting premises</li> <li>• Casinos</li> </ul>
C	£1	£100	<ul style="list-style-type: none"> <li>• Clubs with permits</li> <li>• Qualifying alcohol licensed premises</li> <li>• Family entertainment centres (with licence)</li> <li>• Adult gaming centres</li> <li>• Bingo premises</li> <li>• Betting premises</li> <li>• Casinos</li> </ul>
D (five different stakes / prizes, including non-money prizes)	10p - £1	(value inc non-money prize) £5-£20	<ul style="list-style-type: none"> <li>• Travelling fairs</li> <li>• Clubs with permits</li> <li>• Qualifying alcohol licensed premises</li> <li>• Family entertainment centres (with licence or permit)</li> <li>• Adult gaming centres</li> <li>• Bingo premises</li> <li>• Betting premises</li> <li>• Casinos</li> </ul>

**Annex 2 – list of questions in the call for evidence document**

Q1. What, if any, changes in maximum stakes and/or prizes across the different categories of gaming machines support the Government's objective set out in this document? Please provide evidence to support this position.

Q2. To what extent have industry measures on gaming machines mitigated harm or improved player protections and mitigated harm to consumers and communities? Please provide evidence to support this position.

Q3. What other factors should Government be considering to ensure the correct balance in gaming machine regulation? Please provide evidence to support this position.

Q4. What, if any, changes in the number and location of current gaming machine allocations support the Government's objective set out in this document? Please provide evidence to support this position.

Q5. What has been the impact of social responsibility measures since 2013, especially on vulnerable consumers and communities with high levels of deprivation? Please provide evidence to support this position.

Q6. Is there anything further that should be considered to improve social responsibility measures across the industry? Please provide evidence to support this position.

Q7. Is there any evidence on whether existing rules on gambling advertising are appropriate to protect children and vulnerable people from the possible harmful impact of gambling advertising?