

3 March 2014

Fixed Odds Betting Terminals (FOBTs) and Betting Shops

Purpose

For discussion and direction.

Summary

Gambling, in the form of Fixed Odds Betting Terminals (FOBTs) and betting shops more generally, has been the subject of intense media coverage and parliamentary debate since the Board last discussed this issue in June 2013. Most recently there has been a change in the position of some of the major UK Betting chains, who have suggested greater powers for councils in regard to the licensing of betting shops.

This paper sets out proposals to build on this renewed interest and achieve the outcomes that councils have been campaigning for in terms of clustering and FOBTs.

Recommendation

The Board is asked to agree the actions outlined in this paper.

Action

Officers to progress as directed.

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Background

1. It is now five years since the Gambling Act 2005 commenced and introduced a new system of governance for all types of gambling. The Board will be aware that since the introduction of the Act, member councils have repeatedly raised concerns about two separate, but related, issues.
2. The **clustering of betting shops** has been raised regularly with the LGA and has also been the subject of a private members bill, lobbying by the Campaign for Fairer Gambling, and a recommendation in the Portas review that betting shops should be given their own planning class.
3. In fact, evidence suggests that the overall numbers of locally licensed premises has remained largely unchanged since the introduction of the Gambling Act. However, there has been a shift in the location of premises, with betting shops taking advantage of the decline in the traditional high street to move into vacant stores. This has increased their visibility and contributes to a perception that overall numbers have gone up.
4. Around a dozen councils are known to be experiencing problems with the clustering of betting shops, with the worst affected having over 40 premises in close proximity. The majority of these councils are London boroughs with high deprivation levels. There is concern that betting shops are clustering in deprived areas, impacting on already vulnerable people.
5. There is also **concern about the type of betting activity taking place within betting shops**. Changes in technology have led to a change the type of machines available in premises and there are concerns that **Fixed Odds Betting Terminals (FOBTs)**, in particular, can be habit forming. They are also increasingly the primary source of income for high street betting shops.
6. The numbers and types of machines that can be operated are strictly regulated according to the type of premise, and evidence from the Gambling Commission suggests that overall average gaming machine numbers have declined by 10% between 2010/11 and 2011/12. However the LGA is aware of at least twenty councils who have passed motions against FOBTs or are running campaigns against them. It is believed, although evidence is lacking, that residents losing money through these machines frequently turn to payday loans and loan sharks to fund their gambling.
7. **Annex 1** contains some further information and statistics on gambling.

Latest developments

8. The LGA briefed MPs for an Opposition Day debate on FOBTs which took place on 8 January 2014 (the issue was subsequently raised at PMQs on the same day). The LGA called for updated licensing legislation to provide councils with greater flexibility to refuse licences where they believe the primary activity is not traditional betting (ie, betting on sports at a counter). Traditional betting offers greater interaction with staff and an

opportunity to identify players at risk of addiction, when compared to betting on gaming machines FOBTs.

9. Following on from this debate, the LGA has written to Helen Grant MP, as the minister responsible for gambling, to outline the LGA's position on this issue, and to suggest that local government should input to a government study being conducted into the impact of FOBTs on gamblers.
10. At the end of January, Ralph Topping, Chief Executive of William Hill, in an article in the *Racing Post* called for 'the insertion of a cumulative impact test' to allow councils to refuse new licence applications in areas where there are too many betting shops.
11. In the same article, Fred Done, Chairman of BetFred, called for a return to the demand test that magistrates were able to apply prior to the introduction of the Gambling Act. He also called for a joint-LGA and betting industry task force to examine how local authorities, bookmakers and communities interact.

The LGA position on betting shops / FOBTs

12. The LGA's position on betting shops / FOBTs relates to both planning and licensing functions and as such has been developed with input from the Environment and Housing Board.
13. In licensing, we have previously argued that incorporating the 'primary activity' test into the Gambling Act would enable councils to refuse licences where they do not believe the primary focus of the shop will be betting rather than gaming. Councils that have tried to refuse licences based on the references to primary activity in the Gambling Act guidance have been the subject of successful legal challenges.
14. In *Rewiring Licensing* we called for clarity about how planning and licensing operate to ensure that planning use classes provide effective economic regulation and licensing manages the social and public protection impact. The intention behind this proposal was to be clear about the distinction between the roles of planning and licensing as mechanisms for regulating betting shop activity on high streets.
15. Two specific licensing proposals in *Rewiring Licensing* would help councils to address issues of clustering and FOBTs. We argue for the extension of public health concerns to the all licensing objectives, and the ability to consider the cumulative impact of when making licensing decisions.

Betting shops / FOBTs task and finish group

16. The support of two major players from the gambling sector greatly strengthens our position in pushing for controls to restrict the numbers of betting shops and gaming machines, in line with our *Rewiring Licensing* proposals. Paddy Power have also

contacted Cllr Tony Page to seek a meeting on this issue, albeit noting that their perspective differs from the perspective offered from others in the industry.

17. We propose, subject to member agreement, the establishment of a member led joint LGA-betting industry task and finish group, as suggested by BetFred. The objective of the group would be to explore the options for regulating the number and activity of betting shops, with a view to agreeing an industry / sector led response and making jointly agreed recommendations to government as required.
18. We believe a task force should comprise representatives from local government, the betting industry, academics and a support organisation for problem gamblers. This would be chaired by a member of the SSCB and include cross party representation from the Board.
19. LGA officials and Cllr Page are due to meet with officials from BetFred and Paddy Power at the end of February, and from William Hill in early March; a verbal update will be provided at the Board meeting on 3 March. It is our intention that a workshop on this issue should be held at the annual conference in July.
20. Although the proposals in *Rewiring Licensing* suggest that this issue could in future be regulated through the licensing system, the Environment and Housing Board retain a strong interest in this issue, and it is anticipated that a lead member from the Board would be represented on the task force alongside the SSCB. Additionally, the CTS Board will also be kept informed of developments on this issue.

Financial Implications

21. Any funds necessary to support this work will be made available from the Finance and Policy Programme Budget. Staff time on this work will be treated as a priority, but can be absorbed within the existing budget.

Annex 1: Gambling Commission statistics and council case studies

Number of betting shop premises

Overall numbers of betting shops premises have not changed significantly over the last 3 years. There has been a less than 2% increase since 2009, but this is down from a high point in 2012.

However, this mostly static figure disguises a significant shift in locations, which has seen some areas experiencing marked increases. For example, in Islington, there has been a 50% increase in the number of betting shops over the past decade.

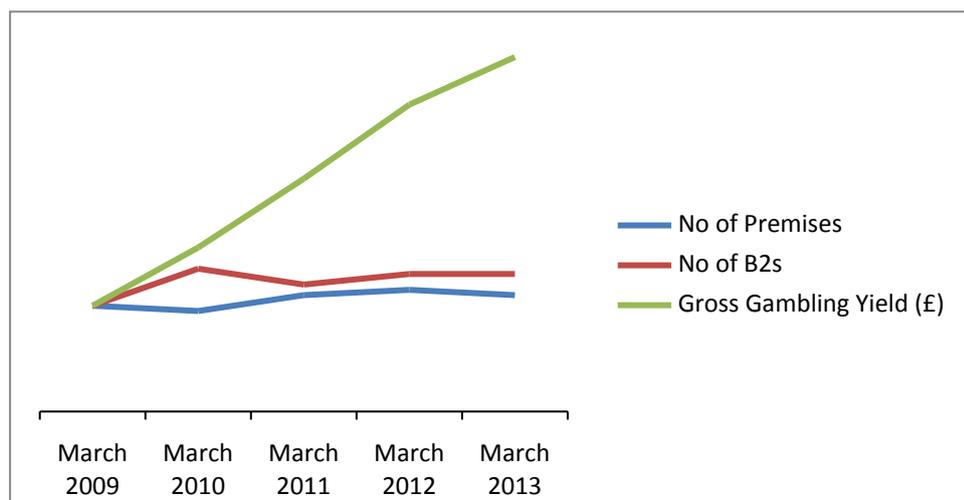
Reports also show that betting shops are moving from dispersed locations to clusters on high streets.

Numbers and income from gaming machines

The numbers of Fixed Odds Betting Terminals (FOBTs) have not increased significantly over the past 6 years, although it should be noted that in 2003 there were no FOBTs at all. Prior to the 2005 Act, FOBTs were not classed as gaming machines under existing legislation so there were no limits on where they could be placed and in what numbers.

Despite stable numbers, the amount of income drawn from these machines has increased by almost 50% between 2009-2013, from £1bn to over £1.5bn. According to the Association of British Bookmakers, the percentage contribution of machine income to average betting shop profits was 39.9% in 2008 and rose to 49.4% in 2011¹.

Trends over time



Source: Gambling Commission regulatory returns, published November 2013

Fixed Odds Betting Terminals:

FOBTs are a type of gaming machine. The Gambling Commission sets out classifications for different type of gaming machines. These range from the types of machines commonly found in seaside amusement arcades (which typically have low stakes and relatively small prizes)

¹ <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcomeds/421/421we13.htm>

to machines in 'adult gaming centres' (ie, where no under-18s are allowed), which still have relatively low stakes but larger prizes, to machines which allow a significantly higher stake but can only be based in betting shops or casinos.

The table below sets out the different types of gaming machines, maximum stakes and maximum prices, and where they can be located. Although FOBTs has historically referred to category B2, B3 and C gaming machines, in practice it is now used to refer to category B2 machines.

The stake for a B2 machine, at £100, is significantly higher and out of synchronisation with other betting machines, and maximum payouts are proportionately much lower relative to the stakes involved. Additionally, play at Casino tables is four times slower, allowing greater opportunity for interventions than is the case with B2 machines, where £100 can be staked on a 20 second spin of the wheel.

Gaming machines stakes are reviewed every three years and were last reviewed by in 2013, when Government concluded that there should be no change in the stakes for B2s, although some other machines had stakes reduced.

In 2012, the Culture Media and Sport Committee concluded that "that the allocation of gaming machines under the 2005 Act is complex and was not made on the basis of solid evidence about the risk of problem gambling." However, the Committee went on to recommend the more B2 machines be permitted in betting shops, and that they be introduced into Adult Gaming Centres.

In 2008, the Republic of Ireland banned B2s from betting shops, restricting them only to casinos, on the grounds that they promoted problem gambling and local nuisance.

Machine category	Maximum stake (from July 2011)	Maximum prize (from July 2011)	Type of arcade gaming machines can be found in	
A	Unlimited	Unlimited	Casinos	
B1	£2	£4,000	Betting shops	
B2	£100 (in multiples of £10)	£500		
B3	£2	£500	[Redacted]	Adult Gaming
B3A	£1	£500		
B4	£1	£250		
C			Family Entertainment Centres	

Problem gambling:

GamCare figures show that 39% of calls to its Helpline came from people who cited B2 machines specifically.

Council case studies

The figures above outline national trends on number of gaming machines, betting shops and the income from them. However, trends in certain areas are starker, with some places experiencing significant increases in number of betting shops, or particular problems with gambling / FOBTs.

Premise numbers

- The number of betting shops in Islington has already doubled in the last decade to 72, while Newham has 81 betting shops. Tottenham High Road, in Haringey is home to 11 betting shops alone.
- Greater London Authority figures show a 13 per cent increase in betting shops in London's town centres between January 2010 and December 2012.
- There are 39 licensed gambling premises in Stockport, including 33 betting shops. Twelve of these are located within the town Centre.
- Fareham Council area, in Hampshire, has about 14 betting shops that last year saw £81m gambled on 51 of the machines.

Expenditure

In Bootle, Liverpool, a combined £440m was bet at 422 FOBTs in 2011. Bootle is in the bottom 50 most deprived areas of the country.

In Newham:

- Average cash amount inserted is c£55 per each machine session, with 1 in 5 (19%) inserting over £100 cash
- FOBT users are gambling on average c£17 per spin
 - Those from the lowest economic groups are gambling the most per spin (averaging c£19.00 per spin).
- Over a third of FOBT users are gambling on more than one machine per day and on average they gamble at 2 shops per day.
- Again, the lower economic groups are gambling at more shops on average, per day.