

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Licensing Team	Report Number: MLR/17/3
To: MSDC Licensing and Regulatory Committee BDC Licensing and Regulatory Committee	Date of meeting: 1 December 2017 8 December 2017

GAMBLING ACT 2005 – FIXED ODDS BETTING TERMINALS (FOBTS) – GOVERNMENT CONSULTATION ON GAMING MACHINES AND SOCIAL RESPONSIBILITY MEASURES

1. Purpose of Report

- 1.1 This report is to advise members of the current consultation exercise being undertaken by the Department for Culture, Media and Sport (“DCMS”).
- 1.2 The DCMS consultation exercise is on proposed changes to Gaming Machines and Social Responsibility Measures, which includes the issues surrounding Fixed Odds Betting Terminals (FOBTS), classified as category B2 gaming machines under the Gambling Act 2005 in betting shops. From the consultation documentation, the DCMS is seeking views on FOBTS maximum stake, stakes and prizes to other category gaming machines and social responsibility measures.

2. Recommendations

- 2.1 That the content of this report and the consultation document attached as Appendix A be noted.
- 2.2 That members consider whether they wish to make comment on the Government consultation paper. If members would like to respond to the consultation, officers will create a submission in consultation with the Committee Chairs and Vice Chairs.

3. Financial Implications

- 3.1 There are no equality implications arising directly from this report. It should be noted that fees premises licences under the Gambling Act 2005 are self set on a cost recovery basis within the maximum permissible for each premises type.

4. Legal Implications

- 4.1 There are no legal implications arising directly from this report.

5. Risk Management

- 5.1 The risks that inherently apply to the Licensing Authority when carrying out its Gambling Act 2005 functions relate to promotion of the gambling licensing objectives, which are

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

6. Consultations

- 6.1 The content and recommendations of this report relate to a Government consultation that concludes on 23 January 2018.

7. Equality Analysis

- 7.1 There are no equality and diversity implications.

8. Shared Service / Partnership Implications

- 8.1 Each District Council is a separate authority for Gambling machines and must take decisions affecting its own district.

9. Links to Joint Strategic Plan

- 9.1 FOBTs are gaming machines which have been linked, by some groups and sectors of research (particularly within urban areas of deprivation), to negative impacts on citizen's financial and physical wellbeing and also to money laundering (prevention of crime objective).

10. Key Information

- 10.1 On 31 October 2017 the DCMS published its consultation proposal for changes to gaming machines and social responsibility measures is attached to this report as Appendix A.
- 10.2 In October 2016 the Government announced a review of gaming machines and social responsibility measure "A call for evidence", the objective of the review was to ensure that the Government struck the right balance between a sector that can grow and contribute to the economy, and one that is socially responsible and doing all it should to protect consumers and communities. Following the call for evidence the DCMS have formulated its consultation proposals, the main proposals put forward in the consultation are as follows:
- The DCMS believe that the current regulation of **B2 gaming machines** is inappropriate to achieve their stated objective. The DCMS are therefore consulting on regulatory changes to the maximum stake, looking at options between £50 and £2, in order to reduce the potential for large session losses and therefore to potentially harmful impacts on players and their wider communities.
 - While the industry proposes increases to the remaining **stakes and prizes, permitted numbers and allocations across other categories of machine** (B1, B3, B3A, B4, C and D gaming machines), the DCMS believes that the

retention of the current regulatory environment will better protect players from potential harm than industry's proposed increases.

- The DCMS are aware that the factors which influence the extent of harm to the player are wider than one product, or a limited set of parameters such as stakes and prizes. These include factors around the player, the environment and the product. The DCMS are therefore also consulting on **corresponding social responsibility measures across gaming machines that enable high rates of loss, on player protections in the online sector, on a package of measures on gambling advertising and on current arrangements for the delivery of research, education and treatment (RET)**. Within this package, the DCMS want to see industry, regulator and charities continue to drive the social responsibility agenda, to ensure that all is being done to protect players without the need for further Government intervention, and that those in trouble can access the treatment and support they need.

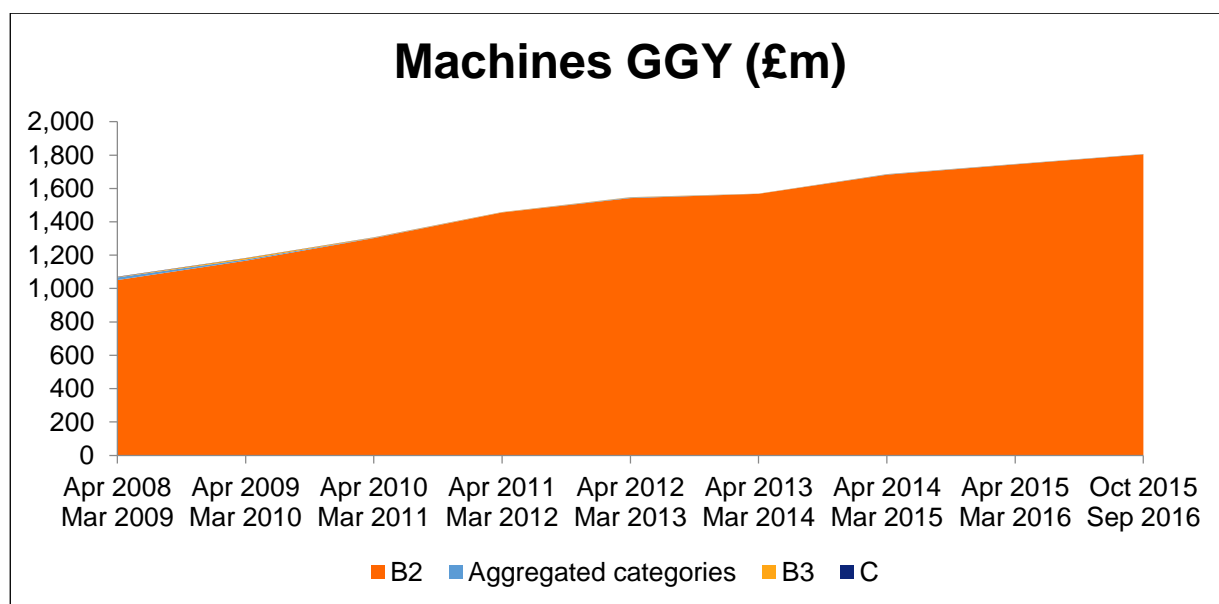
- 10.3 The consultation document contains 16 questions which the DCMS is requesting opinions on during the 12 week consultation period. A summary of the consultation document's 16 questions is summarised within this report.
- 10.4 Q1 relates to FOBTs, which Members will be aware from a report to this Committee in 2016, that FOBTs dubbed in many circles as the crack cocaine gaming machine due to their ability to take up to £100 pounds every 20 seconds are the most controversial of the gaming machines.
- 10.5 Why are FOBTs controversial? The introduction of FOBTs in betting shops was initially criticised for bringing "casino-style" betting into a bookmaking environment, the crucial distinction being that the outcome of FOBT games is governed by the laws of probability ('fixed odds'), rather than the outcome of a real-world event. The criticism has now focused on addictive potential of FOBTs and their role in "problem gambling" as there is the ability to lose large amounts of money in a very short period of time.
- 10.6 In 2014 the London Borough of Newham which is one of the Country's most deprived areas had one of the highest numbers/clutters of betting shops at that time lobbied the Government along with the Local Government Association (LGA) and 93 Councils under the Sustainable Communities Act 2007 to demand that the Government reduce the maximum stakes on FOBTs from £100 to £2 in line with gaming machines in bingo halls and arcades, however the Government rejected the call in July 2015.
- 10.7 Lord Clement-Jones in June 2015 submitted a Private Members' Bill to amend the categorisation and use of B2 machines which includes currently an amendment to the Gaming Machine Regulations 2007 changing the stake from £100 pounds to £2 pounds on FOBTs. In March 2016 the Bill undertook its second reading with the Government agreed to undertake a review.
- 10.8 The gambling industry stated previously that there was no evidence of a causal link between FOBTs and problem gambling. It also claimed that reducing the maximum stake to £2, as some critics are campaigning for, would put betting shops and jobs at risk. The Association of British Bookmakers (ABB) have continued to argue that the income from B2 machines has become increasingly important to maintaining the viability of many high street betting shops.

In addition the ABB stated that there is no correlation between the increased number of B2 machines over time and levels of at-risk and problem gambling during the same period, and that B2 machines do not cause increased harm to problem gamblers. They also argue that session losses and potential harm are not just about stake, but about the interplay between stake, spin speed and the return to player ratio.

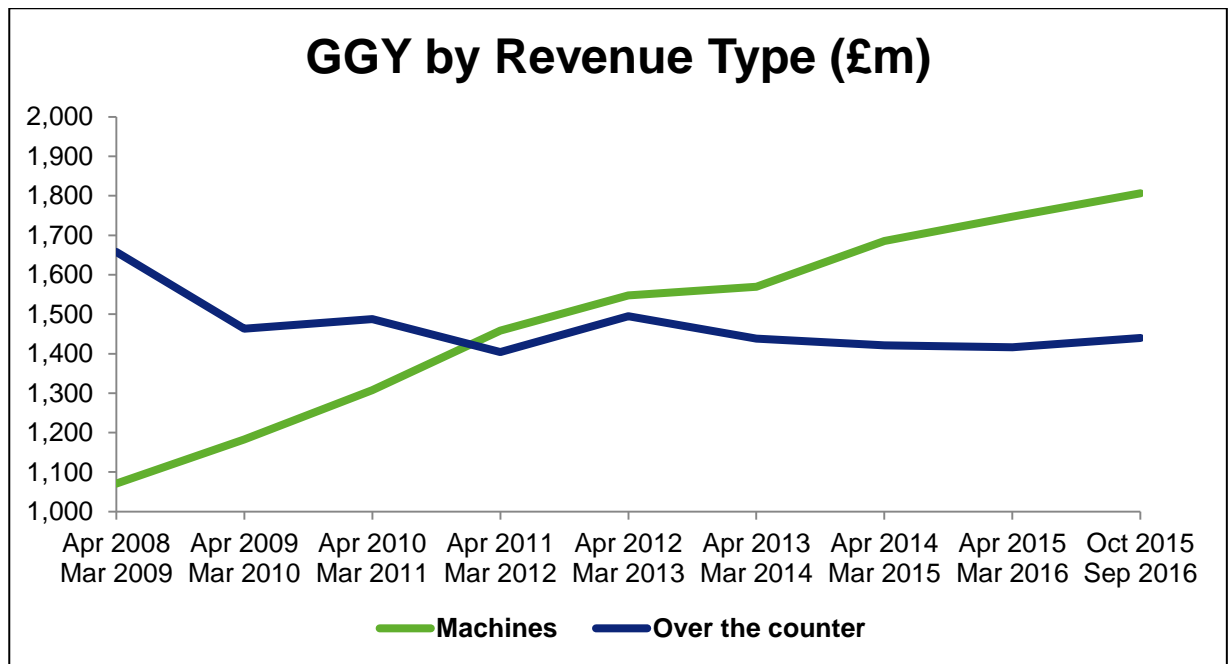
Gambling Industry data for bookmakers (off course) by gaming machines codes compared with over the counter betting – in gross gambling yield (GGY) – A Gambling Commission report published May 2017.

GGY is the amount retained by in millions operators after payment of winnings but before the deduction of costs of operation

Betting Data - Off Course Machines GGY (£m)									
	Apr 2008 Mar 2009	Apr 2009 Mar 2010	Apr 2010 Mar 2011	Apr 2011 Mar 2012	Apr 2012 Mar 2013	Apr 2013 Mar 2014	Apr 2014 Mar 2015	Apr 2015 Mar 2016	Oct 2015 Sep 2016
B2	1,050.71	1,166.50	1,302.35	1,455.95	1,542.12	1,567.71	1,682.40	1,744.33	1,804.38
B3	2.46	7.69	2.07	1.76	1.64	1.02	0.89	0.68	0.66
C	1.64	1.08	0.61	0.25	0.19	0.15	0.31	0.06	0.04
Aggregated categories	16.18	7.67	2.24	0.54	3.74	0.26	2.25	1.89	1.61
Total	1,070.99	1,182.94	1,307.28	1,458.50	1,547.69	1,569.14	1,685.84	1,746.96	1,806.69
% Change		10%	11%	12%	6%	1%	7%	4%	3%



Betting Data - Off Course combined GGY (£m)									
	Apr 2008 Mar 2009	Apr 2009 Mar 2010	Apr 2010 Mar 2011	Apr 2011 Mar 2012	Apr 2012 Mar 2013	Apr 2013 Mar 2014	Apr 2014 Mar 2015	Apr 2015 Mar 2016	Oct 2015 Sep 2016
Machines	1,070.99	1,182.94	1,307.28	1,458.50	1,547.69	1,569.14	1,685.84	1,746.96	1,806.69
Over the counter	1,657.99	1,463.68	1,487.55	1,403.82	1,495.08	1,437.95	1,421.33	1,416.62	1,439.60
Total	2,728.98	2,646.62	2,794.82	2,862.32	3,042.77	3,007.08	3,107.17	3,163.58	3,246.30
% Change		-3%	6%	2%	6%	-1%	3%	2%	3%



10.9 There are four options that the DCMS is asking consultees to consider if they consider a reduction is necessary to reduce the maximum stake of FOBTs from £100 pounds, these are:

- Option 1 – To reduce the maximum stake to £50 on all B2 content;
- Option 2 – To reduce the maximum stake to £30 on all B2 content;
- Option 3 – To reduce the maximum stake to £20 on B2 non-slots and £2 on B2 slots;
- Option 4 – To reduce the maximum stake to £2 on all B2 content.

10.10 Other questions in the consultation are as follows:

- Q2-Q7 asks whether you agree with the Government's proposals to maintain the status quo on categories B1, B3, B3A, B4, C and D.
- Q8 asks whether you agree with the Government's proposals to increase the stake and prize for prize gaming in line with industry proposals (Stake increases are 50p on B3, £1 on C, 5p to £1 range on D).
- Q9 asks whether you agree with the Government's proposals to maintain the status quo on allocations for casinos, arcades and pubs.
- Q10 asks whether you agree the Government's proposals to bar contactless payments as a direct form of payment to gaming machines.
- Q11-Q13 asks whether you support the package of measures to improve player protection measures on gaming machines, online sector and advertising respectively.

- Q14 asks whether you agree that the Government should consider alternative options including a mandatory levy if the industry does not provide adequate funding for RET.
- Q15 asks whether you agree with the Governments assessment of the current powers available to local authorities (Statement of Principles – Local area profiles/risk assessments and Planning’s Local Plan are the current powers referred to).
- Q16 asks whether there are any other relevant issues that you would like to raise as part of the consultation which was not covered by the previous questions but must be supported by evidence.

11. Appendices

Title	Location
(a) Consultation document from the DCMS on proposals for changes to Gaming Machines and Social Responsibility Measures	Attached

12. Background Documents

- 12.1 Gambling Act 2005
- 12.2 Gambling Commission Guidance to Licensing Authorities 5th Edition
- 12.3 Categories of Gaming Machine Regulations 2007
- 12.4 Sustainable Communities Act 2007
- 12.5 Babergh District Council’s “Statement of Principles” and Mid Suffolk District Council “Statement of Principles”
- 12.6 Gaming Machine (Circumstances of Use) (Amendment Regulations) April 2015
- 12.7 Industry Statistics published by the Gambling Commission Published May 2017
- 12.8 Lord Private Members’ Bill – Categorisation and Use of B2 Gambling Machines) Bill (including House of Lords – In Focus (a briefing paper for private members’ bills))

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