

## **Response from the London Borough of Newham (LBN) to the Government's 'Review of Gambling Machines and Social Responsibility Measures'**

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### **Introduction:**

LBN welcomes this review and is pleased that it promises to take a close look at B2 gaming machines (referred to as Fixed Odds Betting Terminals or FOBTs) and specific concerns about the harm they cause to the player and communities in which they are located.

This is an issue on which Newham has campaigned for some years and we believe that FOBT stake reduction is the mechanism with which to achieve the right balance between permitting responsible gambling and protecting players and communities. By removing high stake machine gambling ('hard gambling') from the high street the Government can achieve this balance and prove it is on the side of consumers and communities – particularly those who are 'just about managing'.

LBN submitted the most widely supported Sustainable Communities Act (SCA) proposal<sup>1</sup> ever in November 2014 calling for FOBT stake reduction to £2 and this process is ongoing. Our campaign has always focused on the community, rather than individual, harm caused by high stake gambling. This is not because we do not think there is significant harm to significant numbers of people, however as a local authority we believe it is our duty to ensure that responsible gambling takes place on our high streets and that the industry does not target deprived communities. This submission therefore provides evidence on this social harm to communities resulting from FOBTs.

On behalf of Newham's residents and our 92 local authority supporters we look forward to the Government taking firm and swift action to address high stake gambling on our high streets following the conclusion of the review and consultation process.

**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.**

The Government's stated objective is to strike the right balance between socially responsible growth of the industry and the protection of consumers and wider communities. Our evidence shows that communities are harmed by the clustering of betting shops, particularly in deprived areas and that the balance between industry and communities has become out of kilter.

This community/social harm is due to changes to the 2005 Gambling Act which enabled the development of FOBTs and ultimately permitted high stake gambling on the high street. Each betting outlet can provide four FOBT machines and in response to this cap on numbers

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<sup>1</sup> Supported by a total of 93 Local Authorities - <https://www.newham.gov.uk/Documents/Campaigns/SCAsubmission.doc>

bookmakers have opened multiple premises in clusters to facilitate more machines. In doing so, they are breaking the spirit – if not the letter – of the numbers cap in order to place as many of these highly profitable fixed margin machines as possible in deprived neighbourhoods.

**Anomaly of FOBT stakes:** It is clear that the stakes on B2 category machines are on a different scale to all other machines permitted in betting shops, an anomaly for which there is no justifiable rationale. In order to ensure the right balance is struck, stakes should be brought in line with other on-street gambling machines and this means lowering the stakes to £2. This table below illustrates the B2 anomaly:

Machine Category	Maximum stake (from Jan 2014)
A (only permitted in casinos)	Unlimited
B1 (only permitted in casinos)	£5
<b>B2</b>	<b>£100</b>
B3	£2
B3A	£2
B4	£2
C	£1
D (money prize)	10p
D (non-money prize other than crane grab machine)	30p
D non-money prize (crane grab machine)	£1
D combined money and non-money prize (other than coin pusher or penny falls machines)	10p
D combined money and non-money prize (coin pusher or penny falls machine)	20p

**Profit and proliferation of FOBTs:** There is clear evidence that this high stake means that FOBTs are driving the huge increase in betting shops in the high streets of the most deprived neighbourhoods:

- FOBTs now account for half of bookmakers' annual profits nationally with 55% of betting shop profits coming from FOBTs<sup>2</sup>.
- The gross gambling yield (GGY) from these machines increased last year by 1.5% from £1.68bn to £1.71bn<sup>3</sup>. As a result there has been a gradual shift in betting industry profits towards online betting and FOBTs and traditional betting now makes up less than 50% of the profits.

<sup>2</sup> [Industry statistics April 2008 to March 2016](#), Gambling Commission (2016)

<sup>3</sup> [Licencing Authority Bulletin Summer 2016](#), Gambling Commission (2016)

- Between 2007 and 2015, the number of FOBTs on high streets throughout Britain doubled<sup>4</sup> to 34,704<sup>5</sup>.
- In one high street alone in Newham £3m was spent last year on FOBT machines<sup>6</sup>.

The profitability of FOBTs (particularly relative to other products such as over the counter betting) has driven the increase in the number of machines and thus the number of betting shops to house them.

**Clustering of betting shops in deprived areas due to FOBTs:** Newham is concerned by the correlation of greater numbers of betting shops in areas of deprivation and this is due to bookmakers getting around the machine cap to facilitate as many FOBTs as possible.

- There are more than twice as many betting shops in the poorest 55 boroughs compared with the most affluent 115, which are equivalent by population<sup>7</sup>.
- Additionally, analysis of betting shop loyalty card holders shows that 28% of card holders living within 400 metres of a cluster of betting shops are problem gamblers, compared to 22% when people do not live as close<sup>8</sup>.
- While the number of betting shops in deprived areas has been growing (for example in Newham there has been a 47% increase in the number of betting shop licences in the borough since the introduction of the 2005 Gambling Act), the overall number of betting shops has declined nationally by only 2% since 2009<sup>9</sup>. This shows growing concentrations in deprived areas.

Stake reduction would give significant additional protection to those vulnerable to gambling excessively/compulsively and to those causing substantial harm to themselves, those close to them and the communities in which they live.

Reducing the maximum permitted stake on FOBTs would more than halve the likelihood of unaffordable losses by those who are most vulnerable to being or becoming problem gamblers<sup>10</sup>.

**Negative impact of clustering:** Newham has one of the highest number of betting outlets of any London borough with 84 betting shops and as noted above since the introduction of the Gambling Act (2005) there has been a 47% increase in the number of betting shop licences in the borough (see appendix 1 and 2).

<sup>4</sup> Harriet Harman, [The Problem of Betting Shops Blighting High Streets and Communities in Low-Income Areas](#) (2011)

<sup>5</sup> [Industry statistics April 2011 to March 2015](#), Gambling Commission (2016)

<sup>6</sup> [Campaign for Fairer Gambling](#) (2016)

<sup>7</sup> [Campaign for Fairer Gambling](#) (2014)

<sup>8</sup> Gaynor Astbury & Heather Wardle, [Examining the effect of proximity and concentration](#), Responsible Gambling Trust (2016)

<sup>9</sup> [Industry statistics April 2008 to March 2016](#), Gambling Commission (2016)

<sup>10</sup> Peter Collins, Graham Barr, and Leanne Scott, [Report on results of research into the likely effects of substantially reducing the maximum permitted stake of £100 per 20-second spin on category B2 electronic gambling machines in UK betting shops](#), Bacta (2016)

The spread of high street betting outlets has a negative impact on the borough and residents tell us that their high streets are dominated by betting shops. In a local consultation conducted by Newham<sup>11</sup>:

- 99% of residents who responded thought there are too many betting shops in the borough.
- 84% of residents who responded agreed that the amount that can be bet on FOBTs should be reduced.

A representative poll of adults in England and Wales conducted by Ipsos Mori<sup>12</sup>, on behalf of Newham, found:

- 70% of people believed that the maximum bet on FOBTs of £100 is too much.
- 63% of respondents agreed that 'local councils should be able to control the number of betting shops within their own borough, district or county'.

**Crime and anti-social behaviour:** There is a link between proximity to betting shops and rates of crime and deprivation:

- This is highlighted by a 2015 Responsible Gambling Trust report<sup>13</sup>: "areas close to betting shops tend towards higher levels of crime events, and resident deprivation, unemployment, and ethnic diversity".
- 11,232 incidents related to gambling activity in betting shops required police assistance in Jan-Dec 2014 in England, an average call out of 216 times per week to bookmakers<sup>14</sup>.

In Newham, according to the Index of Multiple Deprivation (IMD), some areas of the borough have seen marked improvements in crime levels over the past five years. However, areas of Newham with a high concentration of betting shops persistently remain within areas with the highest levels of crime in the borough<sup>15</sup>.

- In Newham, police officers were called to an incident of crime or ASB related to the vicinity of a betting shop every day in 2012-14<sup>16</sup>.
- Current police data shows that for 2015-16 the number of calls received by Newham police for offences linked to betting shops in the borough has **risen** to an average of 1.2 calls per day<sup>17</sup>. It is clear the problem is increasing.
- There has been a total of 39 arrests linked to a betting shop over the course of the year with an arrest happening on average every 9 days.

<sup>11</sup> For further info please see Newham's Sustainable Communities Act submission (Appendix E):

<https://www.newham.gov.uk/Documents/Campaigns/SCAsubmission.doc>.

<sup>12</sup> Survey details can be found in Newham's SCA submission [here](#).

<sup>13</sup> Gaynor Astbury & Mark Thurstain-Goodwin, [Contextualising machine gambling characteristics by location](#), Responsible Gambling Trust (2015).

<sup>14</sup> [FOI - Response incidents of crime](#), Gambling Commission (2015)

<sup>15</sup> Data obtained by using DCLG's Index of Multiple Deprivation:

<https://www.gov.uk/government/collections/english-indices-of-deprivation>

<sup>16</sup> Newham police data, 2012-2014

<sup>17</sup> Newham police data, 2015-2016

- 37.6% of the offences involved criminal damage, such as that caused to property. A quarter of these offences have involved assault, ABH and GBH. Whilst 20% have involved theft, robbery, burglary and shoplifting.
- On 93 occasions when police were called and attended the suspects had already left prior to police arrival, with these subjects potentially committing further offences after leaving the betting shop and further stretching police resources.
- There were 36 occasions when staff refused to substantiate an allegation after having called the police. This potentially supports suspicions that some in the industry are suppressing evidence of ASB this follows media reporting on an internal memo at a large betting shop chain that instructed staff not to contact the police when customers damage FOBTs<sup>18</sup>.

These figures are clear evidence of the detrimental impact betting shops have on their surrounding local community – impacting the safety of the local areas and burdening police resources. Significant stake reduction to £2 would reduce losses on FOBT machines and in turn reduce the number of betting shops clustered which contribute to increased crime levels.

**Employment and economic growth:** The clustering of betting shops negatively impacts high streets and town centres by reducing local economic growth and retail activity. Because they are part of big chains betting shops with FOBTs are able to squeeze out alternative High Street outlets due to their ability to pay higher rents on longer leases. At the same time betting shops provide fewer benefits to either employment or the local economy.

Compared to other outlets found on the high street (such as supermarkets, greengrocers, cafés or retail outlets), betting shops do not generate employment locally in the same numbers – this is brought further into focus with the increasingly common working practice of single-manning in major betting outlets<sup>19</sup>. Newham has attempted to impose conditions on betting shops to require them to operate double-staffing but have been overturned by the courts (see response to question 3). We have only succeeded once where there was a issue with the level of low level crime associated with a particular betting shop.

Some businesses contribute to the local economy through their supply chain – the goods and services which they purchase. A good example of this would be if a café or grocery store sells products sourced from local suppliers – an increase in retail sales of these items would then lead to an additional positive “multiplier” effect on the local economy as demand for local products would increase in turn.

Far from adding to the local economy betting shops with FOBTs will actually extract resources from the deprived areas in which they are located.

- Over the next ten years, the total annual wage bill in areas where FOBTs are established will be reduced by around £700m and net tax receipts will be around £120m per year less due to the expansion of FOBTs.<sup>20</sup>

<sup>18</sup> <https://www.theguardian.com/money/2012/may/11/work-safety-betting-shop-staff>

<sup>19</sup> <https://www.theguardian.com/business/2016/may/31/big-gamble-dangerous-british-betting-shops>

<sup>20</sup> Howard Reed, [\*The Economic Impact of Fixed Odds Betting Terminals: 2015 update\*](#), Landman Economics (2015)

- It is estimated that for every £1bn lost on FOBTs as many as 20,000 jobs are lost in the wider consumer economy whilst only 7,000 are created in the betting industry.
- This net reduction of 13,000 jobs for every £1bn lost is due to FOBTs being non-labour intensive and having comparatively fewer economic multipliers<sup>21</sup>.

It is clear that this phenomenon of betting shop clustering has multiple detrimental consequences. Reducing FOBT stakes to £2 would not only bring them in line with other machines but would crucially address the issues associated with betting shop clustering.

**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.**

**ABB code:** The Association of British Bookmakers (ABB) introduced its new Code for Responsible Gambling and Practice in September 2013. The code included a range of measures aimed at reducing gambling-related harm<sup>22</sup>. LBN is not able to collect evidence on this on a borough level, however a report prepared for the Responsible Gambling Trust to look into these measures revealed “no statistical evidence of any impact of the machine changes on session length, money gambled and the proportions of gamblers playing for 30 minutes or more and inserting £250 or more into machines during their session.”<sup>23</sup>.

Analysis of data from the number of machine gambling sessions where gamblers set voluntary limits – or gambled to the extent that one of the mandatory messages was triggered – showed that less than 10% of sessions included some kind of interaction with the machine-based messages and very few sessions included any kind of voluntary limit-setting.

**£50 authorisation:** The Government implemented the Gaming Machine (Circumstances of Use) (Amendment) regulations 2015 which required that those who access higher stakes (£50+) first seek out authorisation either through loading cash via staff interaction or through account based play.

Evaluation of the regulations stated that “a degree of uncertainty remains as to the impact of the policy”<sup>24</sup> with interpretation still involved as to whether players are a) circumventing authorisation of higher stakes to maintain their anonymity with no associated increase in control of their play or b) if players are no longer staking over £50 because the authorisation mechanisms have given them greater control over their staking behaviour.

<sup>21</sup> Howard Reed, *The Economic Impact of Fixed Odds Betting Terminals*, Landman Economics (2013)

<sup>22</sup> 1. Technological changes to machines whereby players could set limits on how long they wanted to gamble for or how much money they wanted to spend; 2. Mandatory messages on machines alerting players if they had gambled for 30 minutes or more or inserted £250 or more into the machine.

<sup>23</sup> Sergio Salis, Heather Wardle, Stephen Morris & David Excell, *ABB Code for Responsible Gambling and Player Protection: Evaluation of early impact among machine gamblers*, Responsible Gambling Trust (2015)

<sup>24</sup> *Evaluation of Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015*, Department for Culture Media and Sport (2016)

Data from gaming machines suppliers found the speed of play for B2 roulette in the 10 weeks pre-implementation averaged 37.22 seconds whilst for the first 21 weeks post-implementation it was 37.33 seconds. This suggests average speed of play has undergone minimal change.

There is no evidence that the social responsibility mechanisms have had any significant impact on high stake gambling, FOBT profits or the number of betting outlets on the high street. There is certainly no evidence that they reduce the impact of clustering on communities such as ASB or reduced employment.

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

Significant stake reduction to £2, to bring FOBTs in line with other machines, is one element of a suite of measures needed to address this issue along with additional planning and licensing powers.

**Lack of local authority powers:** The powers available to local authorities are extremely limited and even appear to be designed to be ineffective. Local authorities can in theory exert some form of control over the number of betting outlets in an area using a) planning and b) licensing powers. However, the practice is different.

**a) Planning:** In Newham, we have rejected 8 change of use planning applications since 2008 and 100% of these have been overturned by the Planning Inspectorate. Reclassification of betting shops from financial and professional services to a new standalone use class does nothing to change that track record. Nor does planning do anything to tackle existing clustering because it only applies to new shops.

We have attempted to address this by drafting a new planning policy that means small changes to places can now be assessed cumulatively rather than in isolation. This also introduces limits to the numbers of betting shops (and other outlets) and intends to prevent new shops from locating in areas where there are already 3 units of the same use within a 400m radius (typical 5 minute walk).

This is the first of its kind nationally and has yet to be tested (since it was only introduced in September 2016) in appeals to the Planning Inspectorate. While we hope it will be more effective, our experience does not lead us to believe that this will answer the issue of betting shop clustering driven by high FOBT stakes. This is because it does not apply retrospectively and therefore will not address the existing clustering seen by many communities across the country. Therefore stake reduction to £2 is still crucial.

**b) Licensing:** LBN is currently hamstrung in its ability to deal with the issue of high street clustering as the Gambling Act 2005 created a permissive licensing regime, removing any meaningful control from local government.

The Gambling Act places a legal obligation on local authorities to aim to permit licences:



*“In exercising their functions under this part a licensing authority shall aim to permit the use of premises for gambling in so far as the authority think it—*

- a) in accordance with any relevant code of practice under section 24,*
- b) in accordance with any relevant guidance issued by the Commission under section 25,*
- c) reasonably consistent with the licensing objectives (subject to paragraphs (a) and (b)),*
- and*
- d) in accordance with the statement published by the authority under section 349 (subject to paragraphs (a) to (c))”<sup>25</sup>.*

These priorities are in descending order from (a) to (d). It is therefore clear that the role of the licensing objectives is subservient to the codes of practice and guidance issued by the Gambling Commission, and that the Council’s Statement of Policy is the last on the list of priorities for consideration.

**Primary activity:** We have tried to turn down licencing applications on the grounds that the primary activity of the betting shop was to cater for FOBT use rather than over the counter betting. However, this was overturned because the court ruled that as long as the outlet provides for over the counter betting then the percentage of FOBT activity is not relevant. This therefore does not effectively help control the numbers of betting shops in the borough.

**Licencing conditions:** Similarly, in 2013 Newham imposed conditions on a big betting shop chain outlet given the vast amounts of crime and ASB associated with it (enforcement teams were contacted 112 times about ASB relating to this individual outlet). Conditions included: no planned single manning of the premises; a full CCTV system to be maintained and operated; gambling compliance forms to be completed daily and all incidents recorded on a daily basis; an intruder alarm and a panic button to be connected to the alarm system; amongst others. These are light touch and there is no evidence that these conditions have impacted on ASB.

This action does not help the council tackle existing clustering in deprived areas nor is the balance between machine gaming and traditional over the counter betting addressed. It is therefore crucial that the stakes on FOBTs are reduced to £2.

**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.**

As outlined in response to question 1, the proliferation of on-street betting outlets in the borough is an issue of serious concern to local residents due to the impact on the vitality of Newham’s high streets and the increased anti-social behaviour and crime associated with clustering in one locality.

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<sup>25</sup> The Gambling Act (2005), [S.153](#)



Newham has one of the highest number of betting outlets of any London borough with 84 betting shops and since the introduction of the Gambling Act (2005) there has been a 47% increase in the number of betting shop licences in the borough.

As outlined in response to question 3, local authorities are unable to use existing planning or licensing powers to challenge the number of machines within betting shops. It is not possible under the Gambling Act for local authorities to reduce the numbers of B2 machines in any particular betting premises or reduce the stakes for such machines:

*“S.172 of the Act prescribes the number and category of gaming machines that are permitted in each type of gambling premises licensed by authorities. Neither the Commission nor licensing authorities have the power to set different limits or further expand or restrict the categories of machine that are permitted. The exception to this is alcohol-licensed premises that hold gaming machine permits, where licensing authorities have discretion to specify the number of permitted gaming machines. In addition, limits are set separately in the Act for certain types of permit issued by licensing authorities”<sup>26</sup>.*

LBN therefore believes that, along with stake reduction, local authorities should be empowered to control their own high streets and be able to decide how many FOBTs one shop is allowed to operate.

**Q5. What has been the impact of social responsibility measures since 2013, especially on vulnerable consumers and communities with high levels of deprivation?**

Player-protection and social responsibility measures have so far proved ineffective and do not address high-stake gambling in an unregulated environment<sup>27</sup>. The focus has been concentrated on player protection measures being trialled in isolation with a reluctance in trialling stake reduction in isolation.

If stake reduction is considered to be one method of pursuing the licensing objectives, acknowledging that there may be additional measures which also can be taken, then stake reduction should be seriously considered as a player protection measure.

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

LBN does not hold evidence on this specific issue and therefore will not comment on possible additional measures to help prevent problem gambling.

However, with regard to community impact, we believe that social responsibility measures have proved inadequate to address the existing harm. The issues are caused by hard gambling via FOBTs on the high street and therefore stake reduction is the only mechanism to address this issue.

<sup>26</sup> Guidance to licencing authorities, [5<sup>th</sup> edition](#) (2015)

<sup>27</sup> Sergio Salis, Heather Wardle, Stephen Morris & David Excell, [ABB Code for Responsible Gambling and Player Protection: Evaluation of early impact among machine gamblers](#), Responsible Gambling Trust (2015)

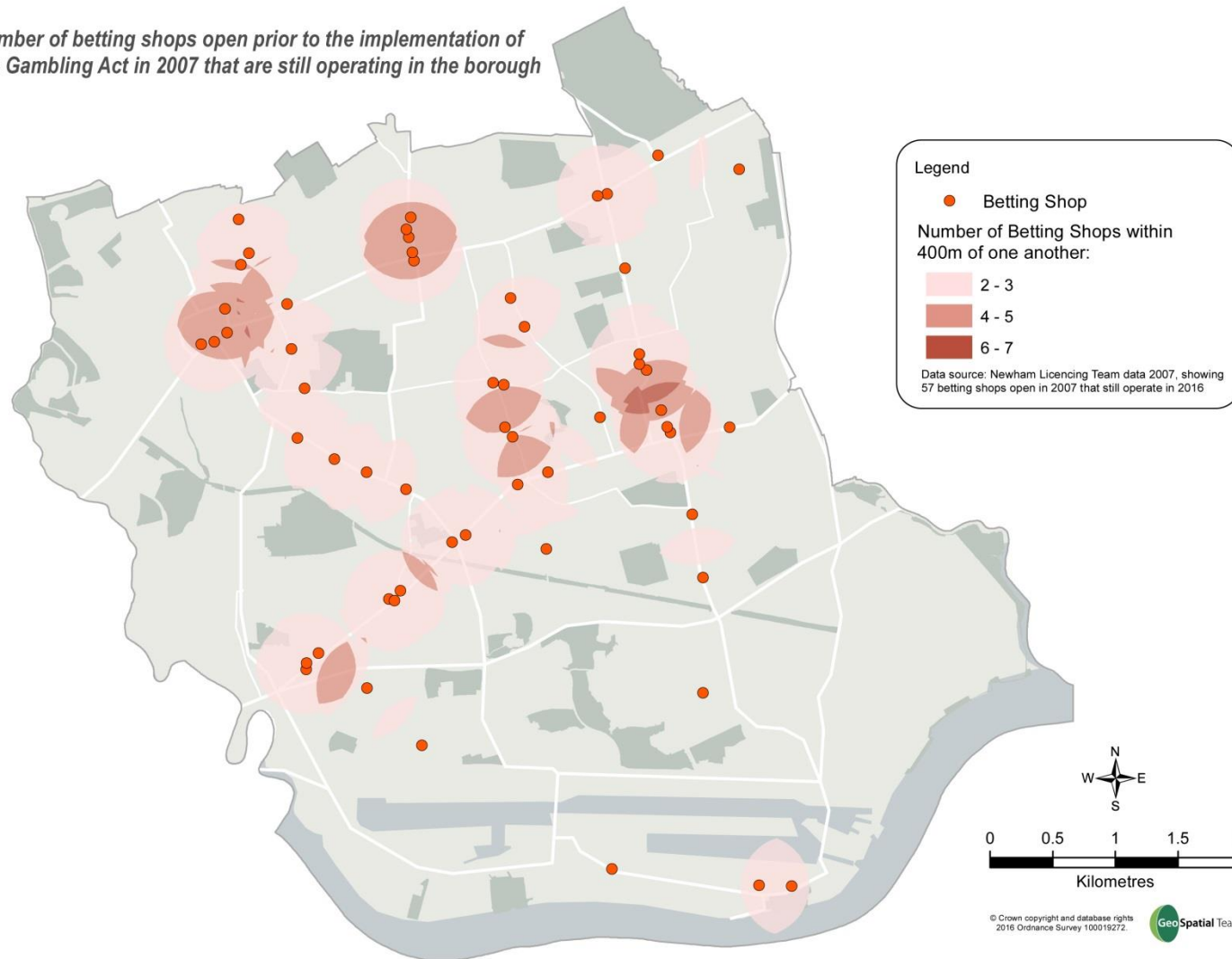
**Q7. Is there any evidence on whether existing rules on gambling advertising are appropriate to protect children and vulnerable people from the possible harmful impact of gambling advertising?**

LBN do not hold evidence on this specific issue.

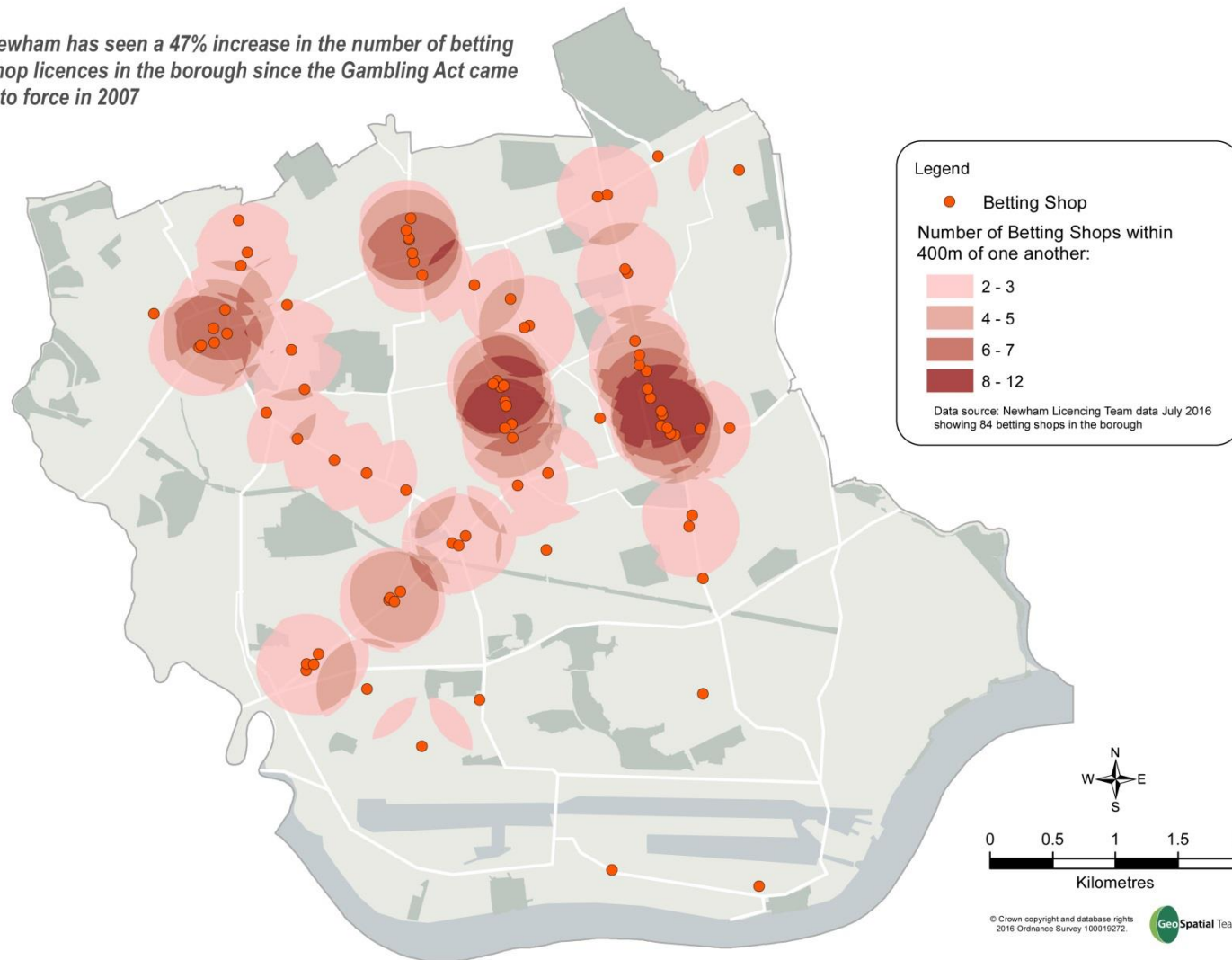
**Appendices:**

**Maps illustrating the increase in betting shops in Newham from 57 betting shop licences in 2007 to 84 betting shop licences in 2016:**

*Number of betting shops open prior to the implementation of the Gambling Act in 2007 that are still operating in the borough*



*Newham has seen a 47% increase in the number of betting shop licences in the borough since the Gambling Act came into force in 2007*



The particular clustering in Green Street, High Street North, Stratford, and Forest Gate, are plain to see.