

## Review of gaming machines and social responsibility

### Sheffield City Council submission

#### Delivering a different approach to the regulation of gaming machines

The evidence is increasingly clear that Fixed Odds Betting Terminals (FOBTs) have a detrimental impact on the wellbeing of populations. At present, the operation of FOBTs under existing legislation is counter to the Government's objectives of "*creating an industry and a wider economy that works for all*".

In 2015, an estimated **£13m was lost by people using FOBT machines in Sheffield**<sup>1</sup>. Further, the proliferation of FOBTs has significant implications for the economic and financial wellbeing of people and particularly more vulnerable communities. Indeed, there are more than twice as many betting shops in the poorest 55 local authority areas compared with the most affluent 115<sup>2</sup>.

In Sheffield:

- 44% of betting shops are in areas that are amongst the 20% most deprived in England
- 35% of betting shops are in areas that are amongst the 20% most *income* deprived in England

Sheffield recognises that the gambling industry makes a significant contribution to the economy. However, it is vital to ensure that appropriate regulation and safeguards are in place to enable a healthy gambling industry to thrive whilst guarding against the damaging mental, social and economic consequences that can result from problem gambling.

Sheffield City Council has been a vocal supporter of the campaign by Newham Council and is keen to ensure that cities in the UK are able to grow in an economically inclusive way<sup>3</sup>.

Sheffield believes that there are three steps the Government must take:

**1. Reduce the maximum stake on FOBT machines to £2**

The maximum stake on FOBTs is disproportionately high at £100 and should be reduced to £2. This will ensure that stakes are set at a level that continues to support an effective gambling industry in the UK whilst reducing the exposure of more vulnerable communities to problem gambling, financial exclusion and the associated impacts on mental wellbeing.

**2. Empower councils to reduce clustering**

Government should address the fact that bookmakers have opened multiple premises in clusters to enable them to establish more machines in small geographical areas. Government should give local authorities the powers that they need to respond to concerns from their local communities and stop the proliferation of FOBTs and betting shops.

**3. Empower councils to shape economically vibrant and diverse urban centres**

Councils should have additional powers (e.g. a reintroduction of the demand test or a cumulative impact test), that would allow local authorities to reject applications for new shops in areas already saturated with betting shops. Such powers would enable Sheffield to create more economically inclusive urban centres and environments to support business growth, and enhance population productivity and wellbeing.

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<sup>1</sup> Campaign for Fairer Gambling, 2016

<sup>2</sup> <https://www.newham.gov.uk/Documents/Campaigns/SCASubmission.doc>

<sup>3</sup> Sheffield City Council (2016) *Motion by Cllr. Ben Miskell, 7<sup>th</sup> December 2016*, <http://sheffielddemocracy.moderngov.co.uk/ielListDocuments.aspx?Cid=154&Mid=6354&Ver=4>

1. Sheffield City Council welcomes the Government's timely review of gaming machines in light of previous resolutions concerning FOBTs, betting shop clustering and related local authority powers. Sheffield wants to create an economically productive and inclusive city — which means both driving economic growth with a dynamic business base while also ensuring that people in Sheffield are connected to and can benefit from such growth through good jobs and better incomes.
2. The city's economy has continued to grow throughout the recession and is now worth over £11bn. Furthermore, the city's employment rate is comparable to national levels. Our focus is now on driving up the quality and productivity of our jobs.
3. Sheffield recognises that the gambling industry makes a significant contribution to the economy. However, it is vital to ensure that appropriate regulation and safeguards are in place to enable a healthy gambling industry to thrive whilst guarding against the damaging mental, social and economic consequences that can result from problem gambling.
4. The evidence is increasingly clear that without stronger regulation the high-stakes thresholds of FOBTs in particular have the capacity to trap people in a rapid spiral of addiction and debt, which has significant implications for their personal wellbeing as well as that of their families and communities. These effects stop people fulfilling their potential and result in increasing demand on local public and voluntary-sector services.
5. As a result, Sheffield supports the campaign led by the London Borough of Newham which builds upon their Sustainable Communities Act submission to reduce the maximum stake on category B2 FOBTs in on-street betting outlets from £100 to £2 per spin.

### **Understanding the scale of the challenge**

6. Nationally, £1.7bn was made by the gambling industry through gaming machines in betting shops in the last year<sup>4</sup>, of which 99.3% was bet through B2 (FOBT) terminals<sup>5</sup>.
7. No other gaming machine enables people to gamble in such a high speed, high stakes way. People are able to wager up to £100 per spin, every 20 seconds.
8. The nationally available data demonstrates that there is a real danger with the current approach to FOBTs:
  - While the overall number of FOBT machines has reduced in the last year (from 35,067 to 34,809), each machine (with a maximum of four allowed per betting shop) took an average £48,724 from customers<sup>6</sup>
  - 70-80% of FOBT sessions result in a net loss for the player, and while the average (median) loss per session is £5, 10% of sessions result in a loss of more than £60<sup>7</sup>
  - The average (median) time of a session is 3 minutes 54 seconds, but 10% of sessions last longer than 22 minutes<sup>8</sup>

<sup>4</sup> <http://www.gamblingcommission.gov.uk/docs/Gambling-industry-statistics-April-2008-to-March-2016.xlsx>

<sup>5</sup> <http://www.gamblingcommission.gov.uk/pdf/Gambling-industry-statistics-April-2013-to-March-2016.pdf>

<sup>6</sup> <http://www.gamblingcommission.gov.uk/docs/Industry-statistics-April-2011-to-September-2015.docx>

<sup>7</sup> <https://www.parliament.uk/business/publications/research/key-issues-parliament-2015/social-protection/fixed-odds-betting-terminals/>

<sup>8</sup> *Ibid.*

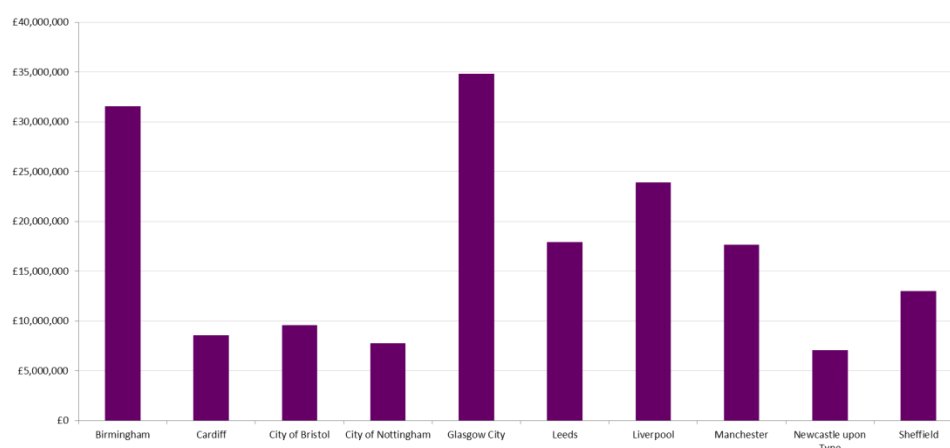
9. Newham Council's analysis of the Gambling Commission's premises register (2008 to 2010 and 2014) finds that:

"Amongst the 261 areas for which there is consistent data there has been a 12% increase in the number of betting shops that are in the most deprived areas. Over a third of betting shops—36%—are in the fifth most deprived areas."<sup>9</sup>

### The picture in Sheffield

10. In Sheffield, estimates suggest around £65m was put into FOBT machines to 'commence or continue' play in 2015 and an estimated £13m was lost by people using FOBT machines.<sup>10</sup>
11. In the ten UK Core Cities, an estimated £172m was lost by gamblers using FOBTs in 2015.

**Figure 1: Estimated gross gambling yield (i.e. amount lost by people on FOBTs) (Campaign For Fairer Gambling, 2015)**



12. In a situation that reflects many other areas of the country, betting shops in Sheffield are mainly located in the city centre and clustered around a small number of other key urban centres (Figure 2).
13. According to the latest available estimates, nearly all betting shops in Sheffield have installed the maximum allowed number of FOBTs (based on 75 betting shop licenses and an estimated 278 machines in the city).<sup>11</sup>
14. The proliferation of FOBTs has significant implications for the economic and financial wellbeing of more vulnerable communities — indeed, there are more than twice as many betting shops in the poorest 55 local authority areas compared with the most affluent 115<sup>12</sup>.
15. Using the location of Sheffield's licensed gambling premises and Indices of Multiple Deprivation 2015, there is a clear there is a strong correlation between the location of gambling premises and more deprived communities<sup>13</sup>.
16. In Sheffield:

<sup>9</sup> <https://www.newham.gov.uk/Documents/Misc/SustainableCommunitiesActBettingShopCampaign.pdf>

<sup>10</sup> Campaign for Fairer Gambling (2016) <http://www.stopthefobts.org/wp-content/uploads/2014/03/National-media-pack.zip>

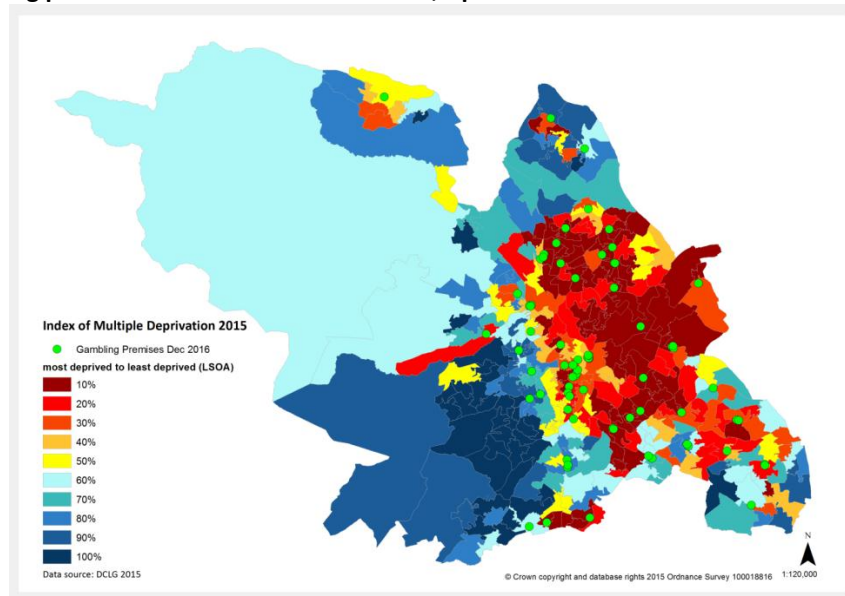
<sup>11</sup> <http://www.stopthefobts.org/wp-content/uploads/2014/03/National-media-pack.zip>

<sup>12</sup> <https://www.newham.gov.uk/Documents/Campaigns/SCASubmission.doc>

<sup>13</sup> DCLG (2015) *Indices of Multiple Deprivation, 2015* <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>

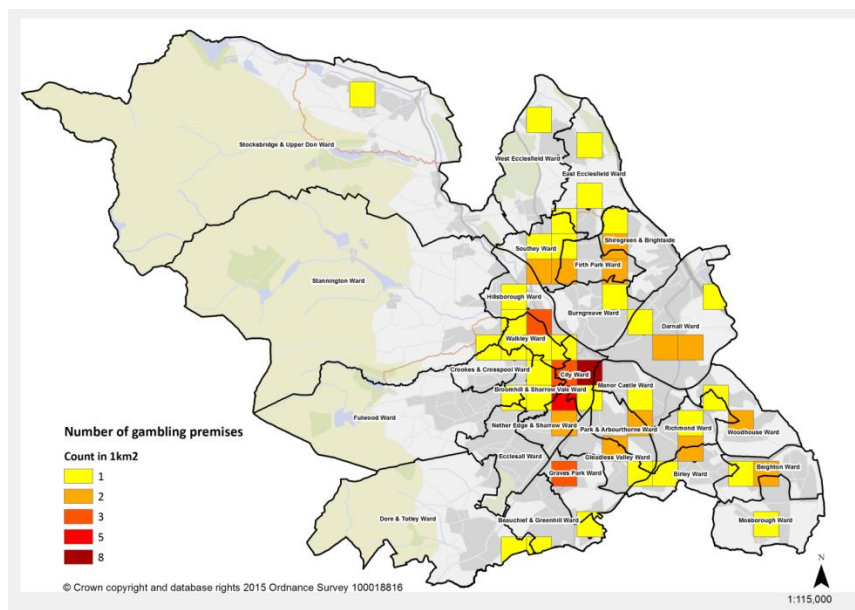
- **Overall IMD ranking** – 44% of betting shops are in areas that are amongst the 20% most deprived in England; 83% of betting shops are in areas that are amongst the 50% most deprived in England.
- **Income deprivation** - 35% of betting shops are in areas that are amongst the 20% most deprived in England; 69% of betting shops are in areas that are amongst the 50% most deprived in England.

**Figure 2: Gambling premises in Sheffield and IMD2015, April 2015**



17. The east of Sheffield is relatively more deprived than areas in the west of the city and as Figure 2 shows, gambling premises in Sheffield are relatively more weighted towards the population centres in the east of the city.

**Figure 3: Clustering of licensed gambling premises in Sheffield**



18. In particular, there are strong clusters of gambling premises around a small number of urban cores, particularly in Fitzalan Square (city centre), Darnall and Hillsborough. Figure 3 above shows that

there are concentrations of licensed gambling premises within small areas, providing increased opportunity to access FOBT machines. Companies have opened multiple outlets in close proximity, increasing the number of FOBTs they can make available to customers in a community.

19. The challenge of clustering is addressed directly in Sheffield City Council's 'Statement of Principles 2016' based on the Gambling Act 2005. The Statement identifies Fitzalan Square, Darnall Centre and Hillsborough Corner as 'areas nearing stress' and are 'leading to problems affecting the licensing objectives' (i.e. the protection of children and vulnerable persons from being harmed or exploited by gambling, crime and disorder issues)<sup>14</sup>.
20. The main clusters of gambling premises in 'areas nearing stress' in Sheffield are well connected centres with tram and bus transport infrastructure. Therefore, even where premises are not directly located in more deprived communities, they are easily accessible. This distribution shows that the proliferation of FOBTs in licensed gambling premises have the potential to cause problems for Sheffield's communities that already struggle with issues such as high unemployment.
21. More anecdotally, there have been a number of examples of where FOBTs have caused significant harm to the health and wellbeing of people in Sheffield. The local media have recently publicised the story of a Sheffield man who lost £3,500 in 20 minutes on FOBTs. He was quoted in local press as saying: *"Fixed-odds terminals are highly dangerous. You don't realise how much money you are putting in. It's so addictive."*<sup>15</sup> Tellingly, the same man was also quoted as saying:

I'm not anti-gambling now, the industry employs lots of people and gives pleasure to millions, but it would be better if people couldn't lose as much money as quickly...Reducing the maximum stake doesn't mean people won't sit on [an FOBT] all day, but it does mean they can't spend as much money as quickly.<sup>16</sup>
22. This personal testimony reflects the problems that places are facing due to the operation of FOBTs under current legislation. Indeed, as the Government's 2013 response to consultations made clear, average figures about the time and money spent on FOBTs are unlikely to demonstrate the extent of their impact — rather, it is those people living "at the extremes" who are themselves indicative of "problematic behaviour".<sup>17</sup>
23. Given the major changes in the gambling environment since the introduction of the Gambling Act 2005 and the increasing focus on technology as a means of gambling, the use of gaming machines presents an element of concern to the public health community that should be monitored closely.
24. Given the public health duties that councils have for maximising population wellbeing, there is substantial evidence of co-morbidity with other problems that are accepted as public health issues including; depression, substance abuse and homelessness. Sheffield Clinical Commissioning Group (CCG) identifies stress-related disorders, anxiety and suicide attempts as health harms that problem gamblers are more like to experience than other people.<sup>18</sup>
25. In this sense, it is necessary to look beyond individual problem gamblers to understand the extent of the harm that problem gambling can do to the population as a whole. Indeed, when an individual

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<sup>14</sup> Sheffield City Council (2016) *Statement of Principles, 2016*, <https://www.sheffield.gov.uk/business-economy/licensing/general-licensing/the-gambling-act-2005/policy.html>

<sup>15</sup> <http://www.thestar.co.uk/business/you-don-t-realise-how-much-you-re-putting-in-to-machines-1-6572870>

<sup>16</sup> <http://www.thestar.co.uk/news/sheffield-gamblers-lose-estimated-12m-in-addictive-gambling-machines-1-7173440>

<sup>17</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/249311/Government\\_Response\\_to\\_Consultation\\_on\\_Gaming\\_Machine\\_Stake\\_and\\_Prize\\_Limits\\_FINAL.docx.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/249311/Government_Response_to_Consultation_on_Gaming_Machine_Stake_and_Prize_Limits_FINAL.docx.pdf)

<sup>18</sup> <http://www.sheffieldccg.nhs.uk/Your-Health/gambling-addiction.htm>

has a gambling problem, it can also adversely affect their friends and family (for example through relationship breakdown or outstanding debts). In this broader sense, the city is dedicated to tackling this issue because there are many vulnerable people who are already engaging with services for any number of reasons that may in turn be related to problem gambling. Subsequently, as Sheffield City Council is charged with improving the health of the people who live in the city, problem gambling is not an issue that the city is able to ignore.

26. The evidence is increasingly clear that FOBTs have a detrimental impact on the wellbeing of populations. In this respect, the operation of FOBTs under existing legislation is counter to the Government's objectives of "creating an industry and a wider economy that works for all".

### **High stakes, high impact**

27. There have been a number of national reports of gambling addiction specifically related to the use of FOBTs, and in Sheffield these have been prominent enough to lead to changes in the city's healthcare provision. In one case, the NHS Sheffield CCG was prompted to introduce a raft of measures targeted at raising awareness of gambling addiction in Sheffield following a high-profile campaign.<sup>19</sup>
28. The Government's response to the 2013 triennial review on gambling stated that it was not clear how great an impact a reduction in the maximum FOBT stake would have on gambling-related harm based on the empirical evidence provided.<sup>20</sup>
29. Statistical analysis in a recent Panorama investigation demonstrated that the return from FOBTs (i.e. the percentage of the money staked that is paid out) is 97.3%, and it is this high return along with the high stakes and rapid, quick-fire gaming premise that make FOBTs so addictive. Under the current, disproportionately high-stakes model of FOBTs in the UK, people can lose significant amounts of money in a very short space of time and this can spiral out of control.<sup>21</sup>
30. In pursuing a balance that allows for socially responsible gambling, Sheffield City Council recognises the economic contribution of the gambling industry to the UK and to Sheffield's economy but is concerned about the anomaly of the significantly higher stakes permitted on FOBTs compared to other high street machines, and the evidence of harm linked to them.
31. This harm extends beyond individuals suffering from, or at risk of developing, a gambling addiction.
32. Therefore, a reduction in the maximum stake would benefit local communities and be more economically viable for bookmakers.
33. The policy of single-staffing is another issue linked to betting shops' use of FOBTs. This policy makes it difficult for shops to oversee and monitor customers' behaviour and prevent excessive gambling. Single-staffing also goes against the argument that the gambling industry contributes to employment. Reducing the FOBT maximum stake would reduce the incentive to operate shops with one member of staff.

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<sup>19</sup> <http://www.thestar.co.uk/news/health/sheffield-health-group-supports-gambling-campaigners-1-7561613>

<sup>20</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/249311/Government\\_Response\\_to\\_Consultation\\_on\\_Gaming\\_Machine\\_Stake\\_and\\_Prize\\_Limits\\_FINAL.docx.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/249311/Government_Response_to_Consultation_on_Gaming_Machine_Stake_and_Prize_Limits_FINAL.docx.pdf)

<sup>21</sup> <http://www.bbc.co.uk/programmes/b07w11kg>

34. Ultimately, a reduction in the maximum stake would be a simple and effective way of reducing the harm caused by these highly addictive machines without the need for primary legislation, whilst achieving a balance between sector growth and social responsibility, and between economic contribution and protection of consumers and communities.

**ACTION 1 – reduce the maximum stake on FOBT machines to £2**

The maximum stake on FOBTs is disproportionately high at £100 and should be reduced to £2. This will ensure that stakes are set at a level that continues to support an effective gambling industry in the UK whilst reducing the exposure of more vulnerable communities to problem gambling, financial exclusion and the associated impacts on mental wellbeing.

**Clustering and diversity – creating high quality city and local centres**

35. The Government needs to empower local authorities with the tools required to respond to concerns from their local communities and stop the proliferation of FOBTs and the corresponding clustering of betting shops.

Clustering

36. While legislation has limited bookmakers to a maximum of four FOBTs per shop, this has simply led to many opening multiple shops in close proximity. In response to the Government's cap, bookmakers have opened multiple premises in clusters to facilitate more machines, as a fixed margin product guarantees bookmakers a return and as a result. FOBTs have become a significant part of their business operations, which has led to betting shops proliferating on high streets and licences being moved from tertiary locations to clusters. Indeed, according to the latest available estimates, nearly all betting shops in Sheffield have installed the maximum number of FOBTs (based on 75 betting shop licenses and an estimated 278 machines in the city).<sup>22</sup>
37. In this sense, some Government measures to limit FOBTs to four per shop have not improved player protections or mitigated harm to consumers and communities — instead, they have provoked and aggravated harm by causing betting shops to cluster.
38. The increase in the number of betting shops impacts on the ability of councils to shape diverse high streets and establish the physically appealing environment to attract investment and drive business growth.

**ACTION 2 – empower councils to reduce clustering**

Government should address the fact that bookmakers have opened multiple premises in clusters to enable them to establish more machines in small geographical areas. Government should give local authorities the powers that they need to respond to concerns from their local communities and stop the proliferation of FOBTs and betting shops.

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<sup>22</sup> <http://www.stopthefobts.org/wp-content/uploads/2014/03/National-media-pack.zip>



### Diverse urban centres and investable places

39. Sheffield welcomes the move to require bookmakers to apply for planning permission, there remains the option to appeal a local authority refusal — which can leave councils facing potentially expensive legal costs. Furthermore, the current system places the onus on those objecting to a betting shop to create a body of evidence rather than the bookmaker proving the demand — making it resource-intensive and potentially prohibitive for councils wishing to challenge.
40. The changes already introduced do little to address the problems created by the lack of licensing powers, which has contributed not only to single-staffing of shops, but also extended opening hours, money laundering, underage gambling and gambling addiction.
41. Accordingly, this Council supports the LGA's position regarding amendments to the Gambling Act in order to align it with other licensing legislation by introducing a statutory cumulative impact test that would enable local councils to reject applications for new betting shops, as well as a licensing objective to prevent public nuisance that would help local councils tackle anti-social behaviour as part of the licensing process.<sup>23</sup> While it is possible for local planning departments to refuse applications, once premises have planning permission and come to be licensed, it is subsequently difficult to refuse without specific evidence (which is not readily available), that it would cause an issue under current legislation.
42. The removal of the demand test, which made it harder for betting shops to open near each other, has also aggravated the issue of betting shop clustering. A cumulative impact test would allow for socially responsible gambling in Sheffield's communities by giving the local council stronger powers to prevent the opening of additional betting shops in areas already saturated with them.
43. In fact, it has been necessary to ask applicants to carry out risk assessments to prevent any additional impact on Sheffield's licensing objectives. Part 5 of Sheffield City Council's Gambling Act 2005 Statement of Principles covers the location of betting shops and specifically mentions "areas nearing stress", stating that: "In some areas of Sheffield, a concentration of licensed premises exist which are leading to problems effecting the licensing objectives."<sup>24</sup> These objectives are as follows:
  - Preventing gambling from being a source of crime and 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.
44. Similarly, Sheffield has made it clear in the above policy that anyone applying to open a betting shop near a community centre, educational establishment, hospital or place of worship will be required to provide further detailed information on how their proposals will promote these objectives. While Sheffield has made the decision to help safeguard the city's highest-risk areas, there remains nothing in national legislation that permits councils to consider cumulative impact.
45. Local authorities also need powers to be able to close an existing betting shop if it is found to be in breach of the Gambling Act 2005 licensing objectives. To be able to do this, local authorities need to

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<sup>23</sup> <http://www.local.gov.uk/documents/10180/11607/FOBT+WH+Debate+22+April+Final/83e02a2b-cbc8-422a-a0be-372322a41089>

<sup>24</sup> <https://www.sheffield.gov.uk/dms/scc/management/corporate-communications/documents/business-industry/licensing/gambling/Gambling-Act-2005---Statement-of-Principles--Policy--2016/Gambling%20Act%202005%20-%20Statement%20of%20Principles%20%28Policy%29%202016.pdf>



rely on the Gambling Commission or the police to support them. However, as these bodies are both under-resourced, betting shops, which are often single-staffed, are left to monitor themselves. As a result, the current system represents facilitation rather than regulation in the truest sense.

**ACTION 3 – empower councils to shape economically vibrant and diverse urban centres**

Councils should have additional powers (e.g. a reintroduction of the demand test or a cumulative impact test) that would allow local authorities to reject applications for new shops in areas already saturated with betting shops. Such powers would enable Sheffield to create more economically inclusive urban centres and environments to support business growth and enhance population productivity and wellbeing.

**Impact of social responsibility measures since 2013**

46. In April 2015, the Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015 came into force, requiring anyone wanting to stake over £50 on a B2 machine to load cash via staff interaction or to use account-based play. While the aim is to encourage greater player control and more conscious decision making, the government's own evaluation earlier this year found that there had been relatively low uptake of verified accounts and that over-the-counter authorisation of stakes over £50 appeared to happen in a very low percentage of sessions.<sup>25</sup>
47. Furthermore, a large number of players opted to stake below £50 and increase the duration of their session.<sup>26</sup> There is no conclusive evidence to suggest that an increase in the duration of play for those staking exclusively under £50 reflects more considered playing behaviour. Rather, these changes in behaviour could represent the opposite — that players are merely circumventing authorisation of higher stakes to maintain their anonymity.

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/493714/Evaluation\\_of\\_Gaming\\_Machine\\_Circumstances\\_of\\_Use\\_Amendment\\_Regulations\\_2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/493714/Evaluation_of_Gaming_Machine_Circumstances_of_Use_Amendment_Regulations_2015.pdf)

<sup>26</sup> Ibid.

## Appendix 1: motion to Sheffield City Council on 7<sup>th</sup> December 2016

That this Council:-

- (a) reiterates support for previous resolutions calling on the government to give local authorities the powers they need to respond to concerns from their local communities and stop the proliferation of Fixed Odds Betting Terminal (FOBT) machines and betting shops;
- (b) notes that each betting outlet can provide four FOBT machines which offer casino style content including games such as roulette at up to £100 a spin, which can be wagered every 20 seconds, and believes:-
  - (i) it is in response to the cap that bookmakers have opened multiple premises in clusters to facilitate more machines as a fixed margin product guarantees bookmakers a return; and
  - (ii) as a result, FOBTs have become a significant part of their business operations which has led to betting shops proliferating on high streets and licenses being moved from tertiary locations to clusters;
- (c) further notes there are now more than 33,400 FOBTs offering casino content on high streets, illustrating this is a nation-wide issue, and that there are also more than twice as many betting shops in the poorest 55 local authority areas compared with the most affluent 115, which are equivalent by population;
- (d) notes the campaign led by the London Borough of Newham, with support from a number of local authorities, to support the Sustainable Communities Act (SCA) submission to reduce the stakes on category B2 Fixed Odds Betting Terminals (FOBTs) in on-street betting outlets from £100 to £2 per spin;
- (e) wholeheartedly supports this campaign, which will help to tackle the proliferation of betting shops throughout Sheffield, an issue which the Council is hamstrung to tackle;
- (f) notes that the Government have announced a full review of high stake gaming machines, with consultation closing on 4th December; and
- (g) directs that a copy of this motion is sent to the Government and the London Borough of Newham to convey Sheffield's full support for the campaign, in addition to the Council providing a full response to the Government consultation.

<http://sheffielddemocracy.moderngov.co.uk/ieListDocuments.aspx?CId=154&MId=6354&Ver=4>