

London Borough of Newham's submission to the consultation on proposals for changes to Gaming Machines and Social Responsibility Measures

The London Borough of Newham (LBN) welcomes this consultation and the recognition by Government of the need for stake reduction for B2 gaming machines. We support the Department for Digital, Culture, Media and Sport's assessment that the current regulation of B2 gaming machines is inappropriate.

This is an issue on which LBN has long campaigned and we believe that B2 gaming machine stake reduction is the mechanism with which to achieve the Government's aim of striking the right balance between socially responsible gambling industry growth and the protection of consumers and the communities they live in.

It is widely recognised that the deregulation of FOBTs under the Gambling Act 2005 was a mistake. In light of the knowledge we now have that the introduction of these gaming machines would allow players to lose £100 in 20 seconds, it is to be hoped that the maximum stake would never have been set at such a level, anomalous with any other machines permitted on the high street.

This consultation represents a powerful opportunity for Government to step in and correct this. The arguments for a £2 maximum stake reduction are powerful and compelling and command widespread support across different sectors. The only possible reason for failing to intervene is the impact for Exchequer revenue. The job of Government is to do what's right and act to protect its citizens.

If the Department is serious about tackling gambling related harm, it must act urgently and reduce the maximum stakes on FOBTs to £2. Only a stake reduction of £2 will provide adequate protections for Newham residents and promote responsible gambling. Anything over this will just continue to perpetuate the problem.

There is widespread public support for reducing maximum FOBT stakes to £2 in line with other gambling machines. In a local consultation conducted by LBN 84% of residents who responded agreed that the amount that can be bet on FOBTs should be reduced.

LBN submitted the most widely supported Sustainable Communities Act (SCA) proposal ever in 2014 calling for FOBT stake reduction to £2. The submission was supported by 92 local authorities from across the country and political spectrum, representing over 40% of the population.

As a local authority we believe it is our duty to ensure that responsible gambling takes place on our high streets and by removing high stake machine gambling from the high street the Government can prove it is on the side of consumers and communities.

On behalf of Newham residents and the other 92 local authority SCA 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 consultation process.

Q1. Do you agree that the maximum stake of £100 on B2 machines (FOBTs) should be reduced? If yes, what alternative maximum stake for B2 machines (FOBTs) do you support?

Yes, LBN agrees that the maximum stake on FOBTs should be reduced and that this stake should be £2, bringing them in line with other machines available on the high street.

Last year, in Newham alone, we estimate that nearly £20 million was lost on FOBTs¹. As Newham residents are the most likely in the UK to be burdened by debt², with average earnings less than in the UK as a whole and nearly half of residents living in poverty once housing costs are accounted for, this loss is a huge price that some of our poorest and most vulnerable residents are paying due to the clustering of betting shops in deprived areas and the ease of availability of high stake gambling machines on our high street. Reducing the maximum permitted stake diminishes greatly the susceptibility to large, unaffordable losses for those who are most vulnerable to being or becoming problem gamblers³.

While it is welcome that the consultation commits to a reduction in maximum FOBT stakes, as the consultation itself acknowledges, a reduction to £50 would represent almost no change to the status quo. LBN does not agree with distinguishing between slot and non-slot machines, proposing a £2 for the former but only £20 for the latter. Both the £20 and £30 option would still be significantly out of line with the maximum amounts that can be staked on other types of gaming machines available on the high street which the consultation proposes to keep at existing levels.

By contrast, a £2 stake reduction would correct this anomaly and give significant additional protection to those vulnerable to gambling excessively/compulsively, causing substantial harm to themselves, those close to them and to society as a whole. As the Government's own consultation acknowledges, analysis by the Gambling Commission shows the number of sessions where a player lost more than £500 on a stake of £2 or less is negligible (0.001%). This clearly demonstrates that only a stake reduction to £2 will meaningfully tackle problem gambling and the issue of over-indebtedness.

Proliferation of FOBTs and the clustering of betting shops in deprived areas

The high stakes available on FOBTs are driving the huge increase in betting shops in the high streets of the most deprived neighbourhoods with FOBTs accounting for over half of bookmakers' annual profits nationally. The profitability of FOBTs has driven the increase in the number of machines and thus the number of betting shops to house them.

¹ Campaign for Fairer Gambling, [FOBT figures for Local Authorities](#), 2017. The estimates are based on [Gambling Commission industry statistics](#) (detailing the total number of betting shops, FOBTs, and gross gambling yield), regional variations based on [data published by the Responsible Gambling Trust](#), problem gambler losses based on a [paper by Professor Jim Orford](#), and jobs losses based on a report by Landman Economics.

² Money Advice Service, [Over-indebtedness in the UK – 2017 Statistics](#), 2017. Over-indebted individuals are defined as those who are likely to find meeting monthly bills a "heavy burden" and/or those missing more than three bill payments within a six-month period.

³ 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](#), 2016

Since the introduction of the 2005 Gambling Act and the expansion of FOBTs the number of betting shops in Newham has nearly doubled to 81 with 12 on one high street alone. While the number of betting shops in deprived areas has been growing, the overall number of betting shops has declined nationally by only 2% over roughly the same period.

This shows growing concentrations of betting shop clustering in deprived areas. Bookmakers have claimed that the correlation is that between population density rather than deprivation. However a Responsible Gambling Trust report finds that the spatial occurrence of betting shops with FOBTs is not the result of a simple function of population density and that “areas close to betting shops tend towards higher levels of crime events, and resident deprivation, unemployment, and ethnic diversity”⁴. Analysis of betting shop loyalty card holders also show 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 close⁵.

Crime and anti-social behaviour

There is a link between the proximity to betting shops and rates of crime and deprivation. In Newham, police officers received an average of 1.2 calls per day for offences linked to betting shops in the borough⁶. Nationally, 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 bookmakers⁷.

Over the course of a year in Newham there were 36 occasions when staff refused to substantiate an allegation after having called the police⁸. This supports anecdotal evidence that the rate of ASB associated with betting shops is underreported because of a conscious policy by the industry not to report incidences of customer damage to FOBTs to the police.

Betting shops are having a detrimental impact on their surrounding local community, impacting the safety of 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 clustering on high streets which contribute to increase crime levels.

Employment, economic growth and wider impact on society

FOBTs have been shown to have a detrimental impact on the local economy and community. Clustering of betting shops negatively impacts high streets and town centres by reducing local economic growth and retail activity.

It is concerning that the Government’s impact assessment fails to monetise the benefits of reducing the maximum stake and makes no meaningful attempt to quantify the economic impact of diverting funds from gaming to other uses. The only monetary costs the

⁴ Gaynor Astbury & Mark Thurstain-Goodwin, [Contextualising machine gambling characteristics by location](#), Responsible Gambling Trust (2015).

⁵ Gaynor Astbury & Heather Wardle, [Examining the effect of proximity and concentration](#), Responsible Gambling Trust (2016)

⁶ Newham police data, 2015-2016

⁷ [FOI - Response incidents of crime](#), Gambling Commission (2015)

⁸ Newham police data, 2015-2016

Government have identified in their impact assessment relate to costs for the gaming industry itself.

However there is analysis available that suggests a net increase in GVA contributions to GDP at all potential maximum stakes with a £2 maximum stake reduction expected to yield the largest net positive impact on the economy⁹. As a consequence of the changes in employment in the economy that correspond with the GVA impacts of these reductions, a £2 maximum stake could see a net increase in jobs of 2,150 after netting off a loss of 150 jobs in the gambling sector¹⁰.

It is also concerning that the Government hasn't published details of the implications for the Treasury of the different stake reductions being consulted on or costs to the taxpayer linked to FOBT problem gambling.

Based on IPPR¹¹ research, further analysis by CEBR suggests that problem gambling linked to FOBT machines could be associated with an excess fiscal cost in the region of £210m, which translates to an estimate of £1,723 per FOBT problem gambler. In welfare terms¹², FOBT problem gamblers could be imposing a cost of £1.5bn on themselves, their families and wider social networks, equating to £13,780 per FOBT problem gambler¹³.

A £2 stake reduction on FOBTs would have the greatest potential to reduce the exposure to and severity of large losses amongst problem gamblers that continue to play on machines these machines in betting shops with positive fiscal implications for welfare and other public services as well as the individuals themselves.

Q10. Do you agree with the government's proposals to bar contactless payments as a direct form of payment to gaming machines?

Yes, LBN agrees with the Government that the use of credit or debit cards as a direct form of payment to gaming machines would be a backward step in the protection of vulnerable players.

Q.11 Do you support this package of measures to improve player protection measures on gaming machines?

Yes, LBN supports the improvement of player protection measures on gaming machines. However LBN would welcome greater transparency and availability of data on how gaming machines are played for the purposes of monitoring, evaluation and research.

Player-protection and social responsibility measures by themselves are not sufficient and do not address the issues related to high-stakes gambling in an unregulated environment.

⁹ Centre for Economics and Business Research, Assessing the potential impacts of maximum stake reduction on B2 gaming machine, 2018

¹⁰ Ibid.

¹¹ IPPR, [Cards on the table: the cost to government associated with people who are problem gamblers in Britain](#), 2016.

¹² Drawing on Housing Association's Charitable Trust (HACT) and Simetrica 'Community and investment and homelessness values from the Social Value Bank' database (www.socialvaluebank.org).

¹³ Centre for Economics and Business Research, Assessing the potential impacts of maximum stake reduction on B2 gaming machine, 2018

With regard to community impact, LBN believe that social responsibility measures in isolation have proved inadequate to address existing harm as 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.

Ultimately the only socially responsible, player protection measure is to reduce irresponsibly high FOBT stakes which carry higher risks to the consumer and the community. It is LBN's view that only a stake reduction to £2 will bring about the Department's desired outcome.

Q.12 Do you support this package of measures to improve player protection measures for the online sector?

Yes, LBN supports the improvement of player protection measures for the online sector and is supportive of additional online safeguards.

Q.13 Do you support this package of measures to address concerns about gambling advertising?

Yes, LBN is supportive of measures to address concerns around gambling advertising. Government should look seriously at robust measures to minimise the risks to vulnerable groups, in particular advertising which is easily accessible to and seen by children and young people.

Q.14 Do you agree the Government should consider alternative options including a mandatory levy if industry does not provide adequate funding for RET?

Yes, LBN supports a mandatory levy for the purposes of research, education and treatment that supports individuals and families at risk of, or experiencing, gambling related harm. This must be a complement to £2 maximum stake reduction on FOBTs.

Q.15 Do you agree with our assessment of the current powers available to local authorities

No, LBN does not agree with the Government's assessment of powers available to local authorities and supports stronger powers for councils to limit betting shop clustering. Local authorities are hamstrung in their ability to tackle betting shops.

Local authorities are unable to use existing planning or licencing powers to challenge or control effectively the number of betting shops in their local authority area due to a range of factors:

- **Planning:** Newham has rejected 8 change of use planning applications but the Planning Inspectorate has overturned 100% of these since 2008. The Government cites this power to block 'change of use' which in practice is always overturned due to the Government's own planning policy. This is a cynical claim that planning can be used to control the clustering of betting shops. Even if this power were effective the reclassification of betting shops from financial and professional services to a new standalone use class does nothing to combat existing clustering.

- **Cumulative Impact:** In response to the above we have drafted a planning policy that proposes that change of use can now be assessed cumulatively rather than in isolation; and introduces limits to the numbers of betting shops (and other outlets) ensuring they are separated from each other in the street scene. This new policy proposes no new betting shops in areas where there are already 3 units of the same use within a 400m radius (typical 5 minute walk).

However this policy has not been tested so we don't know how effective it will be in practice. It is possible that the Planning Inspectorate will continue to overturn decisions on appeal irrespective of what local people want. Also this does not apply retrospectively and will not address the issue of existing clustering. Therefore the stake reduction is crucial.

- **Lack of control over numbers of FOBTs:** It is not possible for local authorities to reduce the numbers of B2 machines in any particular betting premises or reduce the stakes for such machines.
- **Licencing conditions:** The Gambling Act places a legal obligation on local authorities to "aim to permit" licences, creating a permissive licensing regime. This removes any meaningful control from local government.

For example in 2013 because we were unable to block a betting shop through licencing Newham imposed conditions it given the vast amounts of crime and ASB associated with it (enforcement teams were contacted 112 times about ASB relating to this individual outlet). The conditions available are light touch and there is no evidence that these conditions have impacted on ASB.

LBN believes that, along with FOBT stake reduction to £2, local authorities should be empowered to control their own high streets and be able to decide on proportionate numbers of betting shops and gaming machines on the high street.

The proliferation of on-street betting outlets in the borough is an issue of serious concern for 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.

99% of residents who responded to a local consultation thought there are too many betting shops in the borough with 63% of people in a representative poll of adults in England Wales agreeing that 'local councils should be able to control the number of betting shops within their own borough, district or county'.

LBN together with the other 92 local authorities who supported the Sustainable Communities Act proposal continue to call for amending the Gambling Act to reintroduce the demand test or to give councils the statutory right to create cumulative impact zones in areas with a high number of betting shops, in order to reduce clustering retrospectively. We also wish to see new Gambling Act objectives relating to the prevention of public nuisance and public health incorporated within the Act, as well as ensuring the Gambling Commission is more robust and prioritises its objective to protect the vulnerable.