



Glasgow City Council

Executive Committee

Report by City Treasurer, Councillor Paul Rooney

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Call for Evidence on inquiry on Fixed-odds Betting Terminals

Purpose of Report:

To update members on the proposed response to the Scottish Parliament Local Government and Regeneration Committee call for evidence on Fixed-odds Betting Terminals.

Recommendations:

It is recommended that the Executive Committee:

- (i) Notes progress on implementing the recommendations made by the Sounding Board on the Impact of Fixed Odds Betting Terminals
- (ii) Approves the proposed response to the call for evidence.

Ward No(s):

Citywide:

Local member(s) advised: Yes No consulted: Yes No

1. Purpose of the Report

- 1.1 This report details the proposed response to the Scottish Parliament Local Government and Regeneration Committee call for evidence on Fixed-odds Betting Terminals (FOBTs).

2. Background

- 2.1 In November 2014 the Smith Commission Heads of Agreement: Pillar 2 included provision that the Scottish Parliament will have the power to prevent the proliferation of Fixed-Odds Betting Terminals.

- 2.2 Clause 45 of The Scotland Bill proposes devolving legislative competence in relation to gaming machines authorised by a betting premises licence where the maximum charge for a single play is more than £10 to the Scottish Government.

- 2.3 In effect, this would change the Gambling Act 2005 so that the Scottish Ministers would have authority to vary the number of machines allowed on betting premises.

- 2.4 Since 2005, the number of machines permitted on each premises has been limited to four. The power to vary that limit would only apply to applications for new premises.

- 2.5 The Scottish Government's proposed alternative clause replaces the references to betting premises with a more general reference to gambling premises; so as to have effect on Casinos as well as betting shops. It also extends to existing premises.

- 2.6 The Scottish Parliament Local Government and Regeneration Committee has invited responses on the level of control of FOBTs as proposed in The Scotland Bill 2015. Specifically it asks:

- What would be the benefits and disadvantages for you as a consequence of the UK Government's proposed provision in the Scotland Bill 2015?
- What would be the benefits and disadvantages for you as a consequence of the proposed alternative provision suggested by the Scottish Government?
- Which of these approaches do you prefer, and why?
- Are there any changes in this area of law you would like to see which are not covered by either proposal, and why?
- Please make any further comment you feel is relevant to Committee's inquiry into FOBTs.

3 Sounding Board on the Impact of Fixed Odds Betting Terminals in Glasgow

- 3.1 At its meeting of 26th June 2014 the Executive Committee approved the findings and recommendations of the cross party Sounding Board, made up of Councillor Dr Martin Bartos, Councillor Gerry Boyle and chaired by myself, on the impact of Fixed Odds Betting Terminals in Glasgow.
- 3.2 The Sounding Board had gathered a range of views and opinions on the impact of FOBTs via a series of evidence hearings. Whilst consideration was given to all problem gambling activity and the impacts across the city the focus was on FOBTs in particular.
- 3.3 Evidence was taken from a diverse range of individuals and organisations; ranging from Citizen's Advice, debt and money advice agencies, representatives of the gambling industry, FOBT manufacturers, the industry regulator, gambling lobby groups, planning specialists, academics, Police Scotland and specialist advice agencies providing support to problem gamblers.
- 3.4 Written evidence was also provided by the Association of British Bookmakers and the National Health Service Greater Glasgow and Clyde (NHSGGC). Expert advice was sought from various council services, in particular those dealing with planning and licensing.
- 3.5 Focus groups were held to capture the views and experiences of people who had experienced gambling addiction or periods of problem gambling. Members of the Sounding Board also undertook site visits to both observe FOBTs being used and take part in play.
- 3.6 A number of academic studies were considered. Particular consideration was given to the major analytical studies on patterns and types of gambling in recent years; including the British Gambling Prevalence Survey of 2010 and the Scottish Health Survey of 2012

This evidence was supplemented by data provided by the Association of British Bookmakers (ABB), the Responsible Gambling Trust (RGT), the Gambling Commission, the Campaign for Fairer Gambling (CFG) and a number of respected academic studies carried out in recent years.

- 3.7 From the evidence provided, a series of findings and recommendations were proposed and approved. These are noted at Appendix 1 for information.

4 Progress on Sounding Board recommendations

- 4.1 Good progress has been made and the Council continues to work with the industry and regulator to deliver an environment in which the recommendations can be fully implemented.

4.2 In particular the Council has contributed to a number of consultations and has actively engaged with the regulator, the gambling industry and our own partner organisations to influence policy and direction to ensure progress is made, including:

- Working with the Council's Employee Assistance Resource to establish how we can assist council employees to gain access to the right support
- Facilitating a number of workshops to ensure Glasgow Advice and Information Network members are aware of the issues gambling problems can create and can signpost customers appropriately.
- Liaising with the Gambling Commission to share best practice and understand how Council can use their Statement of Gambling Policy to deliver licensing arrangements that protect individuals and communities.
- Working directly with the Gambling Industry on improving and strengthening exclusion schemes. This has resulted in a multi-supplier pilot scheme covering 36 premises in Glasgow city centre, which commenced at the end of July 2015. The project will deliver, for the first time anywhere in the UK, data sharing between multiple suppliers and the regulator on who self-excludes and why. Findings will be reported to the Sounding Board regularly throughout the pilot.

In addition, a number of wider positive outcomes have been noted that move the agenda forward, including:

- The Senet group of gambling providers made up of William Hill, Ladbrokes, Coral and Paddy Power, who run more than 80% of Glasgow betting shops, have introduced a number of measures aimed at addressing concerns around the advertising of gambling products. These include a ban on television sign-up offers before 9.00 pm, the removal of FOBT advertising from shop windows, providing at least 20% of shop window advertising for responsible gambling messages and the inclusion of more prominent responsible gambling messages in all advertising.
- The Gambling Commission's voluntary code of conduct has been strengthened and includes tighter controls on advertising and greater visibility and prominence for responsible gambling messages

5 Response to the call for evidence

5.1 While the introduction of provisions that may help limit the proliferation of FOBTs is welcome, the proposals contained in the Scotland Bill and the suggested alternative noted in the call for evidence do little to fundamentally address the problems identified by the Sounding Board.

- 5.2 The cross party group recommended a total of 18 actions under three headings – Regulation and Constraint; Promotion and Prevention, and Setting the Agenda. Neither provision meets or makes significant progress towards any of those 18 recommendations.
- 5.3 There has been no obvious consideration of public health – including the impact of FOBT stakes, prizes and the duration and speed of play in terms of gambling behaviour, problem gambling, addiction, health and harm.
- 5.4 Neither provision considers the current regulatory framework nor how it could be improved or supplemented.
- 5.5 There is no attempt to understand the impact of problem gambling and how it may relate to a range of issues; including poverty and both physical and mental health.
- 5.6 Instead, the entire focus is on the number of machines available for play in each premises.
- 5.7 Evidence sourced by the Sounding Board suggested that the existing limitation of four FOBTs per betting shop may be a factor behind the clustering of betting shops in the city. With annual profits in excess of £1.5 billion from FOBTs (or more than £47,000 from each machine) there is an obvious incentive for the gambling industry to maximise the number of machines available to customers.
- 5.8 However, any risk could be mitigated by giving local authorities the required licensing and planning authority to limit the number of betting shops in their communities.
- 5.9 The power to do this is already available to the Scottish Government, in terms of planning and should be sought by the Scottish government in terms of licensing. Considerable progress is being made in England to extend these powers to councils.

6. Conclusions

- 6.1 The attempt to limit the proliferation of FOBTs is both overdue and welcome and - if devolved to communities, along with the necessary planning and licensing authority to take decisions on the number and location of new premises – may have some local benefits.
- 6.2 However, it must be recognised that the proposals as drafted are limited in scope and fail to address the wider issues associated with FOBTs and problem gambling of any kind.
- 6.3 It is also clear that, despite these issues being raised repeatedly by local government and the third sector, little progress has been made in understanding how problem gambling affects communities, families and individuals – and its impact on a range of policy areas; including health,

justice and poverty.

- 6.4 To address this, the Scottish Government should establish a Commission capable of taking evidence from a wide range of interested parties and initiating appropriate research to inform policy development and intervention.
- 6.5 It is therefore proposed that the council responds to the call for evidence as follows:

What would be the benefits and disadvantages for you as a consequence of the UK Government's proposed provision in the Scotland Bill 2015?

While any attempt to limit the proliferation of FOBTs is welcomed the potential impact of the provisions is limited. In order to be effective, powers would need to be devolved to a local level, along with the required licensing and planning authority to limit the number of betting shops in their communities and ensure that vulnerable groups are protected.

The power to do this is already available to the Scottish Government, in terms of planning and should be sought by the Scottish government in terms of licensing. Considerable progress is being made in England to extend these powers to councils.

Limiting the restrictions to only new licences does nothing to address how more than 800 FOBTs already in place throughout Glasgow are played; or by whom.

The provisions also fail to address concerns in relation to public health; effective regulation of play and advertising; a lack of reliable research on gambling behaviour, or improve support to those who may experience harm.

What would be the benefits and disadvantages for you as a consequence of the proposed alternative provision suggested by the Scottish Government?

While recognising the wider scope of the amended regulations and the ability to impose retrospective restrictions, the amended provisions still do not go far enough.

In order to be effective, powers would need to be devolved to a local level, along with the required licensing and planning authority to limit the number of betting shops in their communities and ensure that vulnerable groups are protected.

The power to do this is already available to the Scottish Government, in terms of planning and should be sought by the Scottish government in

terms of licensing. Considerable progress is being made in England to extend these powers to councils.

This is particularly relevant in the case of the alternative provision; if we are to avoid a situation where the current number of FOBTs is maintained simply by creating new premises.

As before, the provisions also fail to address concerns in relation to public health; effective regulation of play and advertising; a lack of reliable research on gambling behaviour, or improve support to those who may experience harm.

Which of these approaches do you prefer, and why?

Neither provision appears to offer any research or evidence that would allow most respondents to analyse their likely impact.

However, the experience of our Sounding Board would suggest that, as drafted, neither could be expected to address the wider issues associated with the use of FOBTs and problem gambling to the extent that would be required to support public health and reduce harm.

In order to have a positive effect, the powers would need to be devolved to a local level, along with the required licensing and planning authority to limit the number of betting shops in their communities and ensure that vulnerable groups are protected.

The power to do this is already available to the Scottish Government, in terms of planning and should be sought by the Scottish government in terms of licensing. Considerable progress is being made in England to extend these powers to councils.

If progress can be made on these matters, as has already been the case in England, the amended proposal offers wider coverage. The retrospective ability to impose restrictions may allow greater potential for success and would be the preferred option.

Are there any changes in this area of law you would like to see which are not covered by either proposal, and why?

Yes. The cross-party Sounding Board recommended that, to support a more effective regulatory regime and allow local authorities to better reflect citizens' concerns about where betting shops are located, our approach to gambling should change as follows.

- The regulation of gambling should be approached from a public health perspective, as in a number of other countries, rather than solely as a leisure activity or entertainment.

- The advertising of gambling products should be evaluated from a public health perspective, as with tobacco and alcohol.
- Premises should not offer free-play FOBT tournaments or promotions.
- Casino-style gaming should be subject to casino-style regulation. The use of FOBTs should require a secure membership card.
- Promotional materials, including on-screen information, should make it clear to players that FOBTs are games of chance, requiring no skill; that gambling can be addictive and may cause harm to some.
- Player-set limits should be mandatory for all sessions. Time-outs should display the same promotional advice and should end, rather than pause, play.
- The Scottish Government should reconsider its position on the use of planning legislation to limit further clustering of betting shops and payday lenders. Specifically, Ministers should take immediate steps to put betting shops in a new planning class; giving councils the opportunity to consider all new applications. Alternatively, examine the approach taken by English authorities; which have moved a number of premises previously classed alongside betting shops into a new, expanded retail class – greatly reducing the number and type of premises that can be converted to a betting shop without planning consent.
- A robust inspection regime should be introduced to ensure FOBTs comply with all relevant regulations and licensing conditions – both at the point of production and play.
- To address health and safety concerns and to ensure better identification and control of problem gambling, betting shops should not be single staffed.

In order to make meaningful progress to protect communities, families and individuals affected by problem gambling - and to understand its impact on a range of policy areas – Ministers should establish a Commission capable of taking expert evidence and initiating appropriate research.

7. Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	None
<i>Legal:</i>	None

Personnel: None

Procurement: None

Council Strategic Plan: Supports priority of a City that looks after its vulnerable people

Equality Impacts:

EQIA carried out: No

Outcome:

Sustainability Impacts:

Environmental: None

Social: None

Economic: None

8. Recommendations

It is recommended that the Executive Committee:

- (i) Notes progress on implementing the recommendations made by the Sounding Board on the Impact of Fixed Odds Betting Terminals
- (ii) Approves the proposed response to the call for evidence.

Appendix 1

Sounding Board Findings

The evidence gathered by the Sounding Board was examined to determine what findings could be established from the available information. The Sounding Board findings have been broken into 6 main themes:

FOBTs

- In Glasgow, gamblers put £201 million into betting shop FOBTs annually. They lose £31 million.
- Many of the most popular games on FOBTs are categorised as B2 casino content and are not subject to the same restrictions on stakes and prizes that are associated with other traditional slot machine games.
- Gambling on FOBTs does not involve any degree of skill. Winning or losing is entirely down to chance.
- The most popular game is roulette. It is possible to stake £100 on a single spin and the period between spins can be as brief as 20 seconds.
- In Glasgow gamblers bet on average £12.86 on each spin of an FOBT and industry data suggests the average time between spins is 35 seconds.
- Stakes are limited to £100, but individual bets are also limited by the maximum prize of £500. For roulette, this means a maximum bet of £14 on any individual number – however, multiple numbers can be played.
- Bookmakers quote a ‘return to player’ of around 97%, resulting in a 3% loss, this can be misleading as it is based on a net loss after the session is finished, calculated against the sum total of all wagers made during the session.
- However, based on the ratio of cash put into the machine to cash paid out, gamblers lose on average 16% of their original stake.
- The FOBT machines are supplied, developed and maintained free of charge by the system manufacturers in exchange for a percentage of the profit. The suppliers pay for independent auditing of the machines to ensure they meet Gambling Commission standards.
- All games are run and managed on central servers by the manufacturers.

- In the UK in 2012/2013 a Gross Gambling Yield (GGY) of £1.547 billion was generated from just over 33,000 machines suggesting an average of around £47,000 in gross yield each year for each machine.
- Regulations restrict the number of FOBTs in any betting shop to 4. The industry states it is highly unusual for any shop to have fewer than 4, with a national average of around 3.67 per premises.
- There are currently around 800 FOBTs in more than 200 licensed betting shops in Glasgow.
- The popularity of FOBTs means significant sums leave the Glasgow economy each year.
- Findings from the focus group confirm the ability to gamble high stakes quickly is a contributory factor influencing problem gambling for some users.
- The promise of achieving large prizes from lower stakes is a key attraction for some gamblers. Former betting shop staff explained that customers gambling on horse racing would have to make a series of 3 or more winning bets at attractive prices in order to achieve the same value of winnings from the same stake.

Clustering

- There is significant evidence to show a clustering of betting shops on many local high streets and other retail centres in Glasgow. Examples are provided on the maps in Appendix A.
- Bookmakers suggest this has come about through rival companies attempting to provide competition to established successful outlets.
- They also say the potential profits to be made have encouraged newer companies, not previously associated with the betting shop market, to establish a high street presence for the first time, compounding the clustering effect.
- Despite a period of unprecedented growth in on-line gambling, the number of betting shops has remained consistent and floor space is rising.
- There is evidence suggesting a correlation between gambling, the location of establishments and lower than average economic activity.
- Planning and licensing regulations limit the council's scope to rule on over-provision of betting shops.
- There is a correlation between betting shops and non-standard lending, with many examples across the city of shops located next

door or in the same row. However, there is no evidence to support that this is as a result of any deliberate policy or strategy within the gambling industry.

Problem Gambling and FOBT

- The Scottish Health Survey suggests 0.7% of the population are problem gamblers. However, this includes large numbers of people who never or very rarely gamble.
- Evidence from the Scottish Health Survey suggests that as many as 1 in 20 betting shop customers may be problem gamblers.
- The gambling industry and the regulators approach to managing the issue is through manual voluntary self-exclusion and restriction schemes.
- There is no evidence to date that the gambling industry's self-exclusion approach is working. There were around 22,000 self-exclusions in 2012/13. More than 2/3rds of those who excluded cancelled the exclusion after the minimum period expired.
- The link between problem gambling and public health that has been established in some other countries does not currently exist in Scotland or the United Kingdom.
- Substantial independent research on the social and financial impacts of problem gambling is scarce.
- Problem gamblers believe the increased prevalence of gambling advertising and promotion is normalising the activity and making it increasingly difficult for those who do experience problems to break out of harmful patterns of gambling.
- There is a link between problem gambling and payday lending.

Regulation

- Gambling regulation is a reserved matter managed by the Department for Culture, Media and Sport (DCMS). The current regulations were established in the Gambling Act 2005.
- The 2005 Act also created the Gambling Commission to regulate the gambling industry on behalf of DCMS.
- The regulatory arrangements can be viewed as controlling a leisure activity rather than protecting public health.
- In other countries such as New Zealand and Canada gambling is seen as a public health issue and regulated accordingly.

- There is no local authority Trading Standards or Gambling Commission inspection of the machines once they are on site.
- The formal regulatory link between problem gambling and public health seen in other countries is not formally recognised in the United Kingdom.
- The regulatory links between planning and licensing are ineffective in preventing clustering or allowing consideration of over-provision.
- The Scottish Government have the power to create a planning class for betting shops that gives more powers to councils in countering over-provision.

Betting Shop Staff

- With an increasing amount of betting shop activity associated with the use of FOBT, as opposed to traditional over-the-counter transactions, it is considered that bookmakers have taken the opportunity to reduce staffing. This has established a trend towards lone-working during less busy periods.
- Concerns were raised by a trade union representative that lone-working could present a health and safety issue for both staff and customers.
- A trade union representative described violence and verbal abuse of staff as a daily occurrence. The Sounding Board received anecdotal evidence that abuse and vandalism are under-reported and considered normal by many working in the industry.
- It is considered that some instances of abuse and violence are fuelled by frustration at losses on FOBTs.
- Both the focus group and the trade union provided anecdotal evidence that betting shop staff had become problem gamblers. The gamblers themselves linked their problem to the use of FOBTs.

Links to Criminal Activity

- The Sounding Board heard evidence that FOBT machines have been used to launder 'cash in transit' robbery funds and counterfeit notes and acknowledged that machines could be used to legitimise money from criminal activity.
- Gambling firms have, generally, good relationships with the police and are committed to tackling such behaviour. However, a significant number of stolen or forged notes returned to banks comes from bookmakers.

Sounding Board Conclusions and Recommendations

There are significant issues around the impact of FOBTs in the city. This is a multi-faceted problem that requires a multi-discipline approach.

FOBTs are making significant sums for the gambling industry and are a primary driver for the maintenance of betting shop numbers despite the economic slow-down and shift to on-line gambling.

The issues caused by problem gambling have been clearly articulated to the Sounding Board by problem gamblers and those who have studied, supported and treated them. The financial, emotional and psychological issues described clearly show the issue as a public health consideration and not just regulating a leisure activity. The issue may not always be fully recognised by all advice providers.

The use of FOBTs is cited by those involved as a significant contributory factor in problem gambling.

The public health aspects of problem gambling do not appear to be as fully recognised by the industry or the Gambling Commission as they are in other countries.

The voluntary contributions to support the Responsible Gambling Trust in advancing education, prevention, research and treatment programmes are disproportionately low in comparison to the revenue generated, particularly from FOBTs.

The funding for education, prevention and treatment comes exclusively through voluntary donations from the gambling industry. A more formal approach that recognises the extent of the problem while placing the onus on the industry to demonstrate safe practices would be more appropriate.

Despite recent action from the gambling industry to promote breaks in play and ensure human intervention in FOBT activity, the Sounding Board remains deeply concerned at the lack of any appropriate mandatory controls for FOBT and the speed and frequency at which bets can be placed.

Consideration must be given as to whether a reduction in the maximum stake, the speed of play or the overall duration of a FOBT session could reduce the potential for harm.

Clustering of bookmakers is a real issue in the city. There is evidence that bookmakers and non-standard lenders are situated together although there is no evidence to suggest this is a deliberate strategy employed by the gambling industry.

The lack of flexibility given to councils via planning and licensing regulations seriously hinders any attempt to proactively consider over-provision. However there is clear scope within existing devolved powers for changes to planning use-classes that could help resolve some of the issues. Ministers at Westminster have already indicated these changes will be made in England and Wales.

As a result the Sounding Board is **recommending a number of actions** for the council to take forward to positively impact on the position across the city. These fall into 3 main categories:

Regulation & Constraint

To support a more effective regulatory regime and allow local authorities to better reflect citizens' concerns about where betting shops are located, the Sounding Board recommends:

- The regulation of gambling should be approached from a public health perspective, as in a number of other countries, rather than solely as a leisure activity or entertainment.
- The advertising of gambling products should be evaluated from a public health perspective, as with tobacco and alcohol.
- Significant research is required to properly understand the impact of FOBT stakes, prizes and the duration and speed of play in terms of gambling behaviour, problem gambling, addiction, health and harm.
- Premises should not offer free-play FOBT tournaments or promotions.
- Casino-style gaming should be subject to casino-style regulation. The use of FOBTs should require a secure membership card.
- Promotional materials, including on-screen information, should make it clear to players that FOBTs are games of chance, requiring no skill; that gambling can be addictive and may cause harm to some.
- Player-set limits should be mandatory for all sessions. Time-outs should display the same promotional advice and should end, rather than pause, play.
- The council should continue to lobby the Scottish Government to reconsider its position on the use of planning legislation to limit further clustering of betting shops and payday lenders. Specifically, Ministers should take immediate steps to put betting shops in a new planning class; giving councils the opportunity to consider all new applications. Similar powers have already been promised to authorities in England and Wales.

- The 5% increase in the duty levied on FOBTs announced by the Chancellor in March 2014 should be wholly committed to support research, education and the treatment and prevention of problem gambling.
- A robust inspection regime should be introduced to ensure FOBTs comply with all relevant regulations and licensing conditions – both at the point of production and play.
- In order to address health and safety concerns and to ensure better identification and control of problem gambling, betting shops should not be single staffed.

Promotion and Prevention

To raise awareness and better understand the support requirements for those impacted by problem gamblers the council will:

- Work with partner organisations to promote awareness of problem gambling and its related social impacts.
- Ensure its relationship with the Glasgow Advice and Information Network helps to effectively measure financial issues related to problem gambling and supports those affected.
- Support existing advice, support and statutory agencies to better identify and record consequences of problem gambling.
- Increase awareness of problem gambling and available support throughout the council family.

Setting the agenda

To ensure the council promotes the well-being of Glasgow citizens and helps set the agenda for tackling the issues associated with FOBTs, the council will:

- Invite the Gambling Commission to work with the council to understand how existing and emerging regulations can be applied to support communities in developing a wider view of licensing and control of betting shops in the city
- Seek funding from the Responsible Gambling Trust to conduct an in-depth independent analysis of the social and financial problems associated with problem gambling, and in particular the use FOBTs, in Glasgow.
- Lobby bookmakers to undertake work in Glasgow focused on reducing the health, social and financial impacts of problem gambling – including piloting an enhanced self-exclusion programme and the use of secure membership cards.