



Department for
Digital, Culture,
Media & Sport

Government response to the consultation on proposals for changes to Gaming Machines and Social Responsibility Measures

May 2018

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Ministerial Foreword



Millions of people enjoy gambling responsibly and the Government is committed to supporting a healthy gambling industry that generates employment and investment. But gambling also carries a serious risk of harm for individual players, as well as for their families and the communities they live in. When we announced this review, we made clear our purpose was to strike a balance between socially responsible growth and protecting the most vulnerable, including children, from gambling-related harm. The

Government is satisfied with the overall framework of gambling regulation, but as part of our action to build a fairer society and a stronger economy, we believe that when new evidence comes to light, we need to act to target gambling products and activities of concern.

We see gambling-related harm as a health issue and we are working closely with the Department of Health and Social Care (DHSC) and Public Health England (PHE). We are also working with the independent regulator, the Gambling Commission, to bring forward measures that span the industry with the aim of reducing risk to players and communities. Our response outlines initiatives to strengthen protections around advertising and online gambling, and to build the evidence on what treatment works best to help problem gamblers while boosting the system of voluntary contributions which funds it.

One product in particular, however, requires urgent additional regulation. B2 gaming machines (more commonly known as Fixed-Odds Betting Terminals (FOBTs)) are an outlier in the world of high-street gambling because of the speed with which it is possible to lose large amounts of money. It is significant that the gambling industry itself recognises the danger of these machines and accepts there is a case for a reduction in the maximum stake. In March 2018, the Gambling Commission issued formal advice to the Government, suggesting a stake limit between £2 and £30. We are now responding to that advice as well as setting out our proposals in other areas.

The Government is of the view that B2 gaming machines should have a mandatory maximum stake of £2. This is the lowest end of the Gambling Commission's suggested range and we select it after very careful deliberation. There remain consistently high rates of problem gamblers among players of these machines and a high proportion of those seeking treatment for gambling addiction identify these machines as their main form of gambling. We are concerned that factors such as these are further amplified by the relationship between the location of B2 gaming machines and areas of high deprivation. Following analysis of the evidence received at consultation, £2 has been found to be the stake limit that would most substantially impact on harm by reducing the ability to suffer high session losses, while also targeting the greatest proportion of problem gamblers, and mitigating risk for the most vulnerable players for whom even moderate losses might be harmful. Even

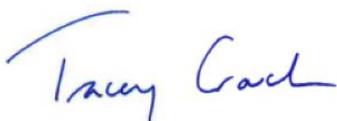
cutting to £10 would leave problem gamblers, and those most vulnerable, exposed to losses that would cause them and their families significant harm.

The response to our consultation has been overwhelmingly in support of a significant reduction in B2 stakes. Local authorities, charities, faith groups, Parliamentarians, interest groups and academics all submitted opinions in favour of a £2 limit. A majority of respondents to the consultation agreed and as such we believe this step has strong public approval.

We recognise the potential impact of this change for betting shops which depend on B2 revenues, but also that this is an industry that is innovative and able to adapt to changes. We will continue to work with the industry and the Gambling Commission to examine the effects of regulatory changes and also the continuing trend of growth of gambling activity online. The online market has been an area of focus throughout this review and I remain committed to supporting the industry to continue this growth in a socially responsible manner, in line with proposals to strengthen the player protection measures currently in place.

More widely, I also intend the change in the law to communicate our determination to achieve, in partnership with the industry, a culture of responsible gambling. I want to be very clear that a stake reduction on B2 gaming machines should not be a signal to the wider industry to take its foot off the pedal on this issue. We want to use this opportunity to see the industry redouble its efforts to promote responsible gambling and to deliver on the actions set out in the National Responsible Gambling Strategy. As part of this agenda, we will also be considering the issue of 16 year olds playing National Lottery products as part of the next licence competition for the National Lottery. We will aim to gather evidence on this issue in order to consider it fully in time for the next licence competition.

We will continue to work with the industry and with the Gambling Commission to monitor betting products and promotions, including the impact of advertising on children and others at risk of harm, increasing our efforts to ensure that gambling is a safe and enjoyable pastime for everyone who chooses it, without unintended impacts on society.



TRACEY CROUCH MP
Minister for Sport and Civil Society
Department for Digital, Culture, Media and Sport
May 2018

1. Executive Summary

- 1.1. The objective of the review is to ensure that we have the right balance between a sector that can grow and contribute to the economy, and one that is socially responsible and doing all it should to protect consumers and communities. Underlying this objective is our focus on reducing gambling-related harm, protecting the vulnerable and making sure that those experiencing problems are getting the help they need.
- 1.2. We welcome the responses to the consultation and in preparing our conclusions, we have reflected on the evidence, concerns and issues that have been raised. Having considered these responses, as well as the advice from the Responsible Gambling Strategy Board (RGSB) and the Gambling Commission (the Commission), we are taking forward the following measures on gaming machines, and driving action across online, advertising, research, education and treatment (RET) and more widely, the public health agenda in regard to gambling.
- 1.3. We are reducing the maximum stake from £100 to £2 on B2 gaming machines. As we set out at consultation stage, there remain consistently high rates of problem gamblers among players of these machines, with the latest data for 2016 (England only) finding that 13.6% of players of gaming machines in betting shops are problem gamblers, the highest rate for any gambling activity.¹ We noted that the highest proportion of those who contact the main gambling addiction provider (GamCare) identify machines in betting shops as their main form of gambling and gaming machines in betting shops also account for one of the highest proportion of those in treatment for gambling addiction. We are concerned that factors such as these are further amplified by the relationship between the location of B2 gaming machines and areas of high deprivation.
- 1.4. Following analysis of consultation responses, we think that a reduction to £2 will reduce harm for the most vulnerable. In comparison to other gaming machines, B2 machines generate a greater proportion and volume of large-scale losses (for example, more than £500 in a session); and losses are larger and sessions longer for those who bet at the maximum stake (£100) than those who play at a lower level. Even cutting to £10 leaves problem gamblers, and those most vulnerable, exposed to losses that would cause them and their families significant harm. In particular, we note that over 170,000 sessions on B2 roulette ended with losses between £1,000.01 and £5,000. These sessions persist at average stakes of £5 and £10, but by contrast, none involved average stakes of £2 or below. We also think that a limit of £2 is likely to target the greatest proportion of problem gamblers and mitigate the impact on those most vulnerable to harm, such as those in

¹ <http://www.gamblingcommission.gov.uk/PDF/survey-data/England-Health-Survey-Findings-2016.pdf>

more deprived areas and those who are unemployed. There was clear support for this measure at consultation stage from the public, local authorities, faith groups, Parliamentarians, charities, interest groups and academics, as well as from some within the betting sector itself, with calls for cutting the stake limit to £10 or less from one betting operator.

- 1.5. In addition, the Commission will work with industry to improve player control measures, including the potential ending of sessions when player limits are met, effectively limiting session losses to a certain cap. It is also seeking to explore in more detail the costs and benefits of tracked play, not just on B2 gaming machines, but also on B1 and B3 machines in other premises (see para 1.6). We encourage industry to work proactively with the Commission on these measures.
- 1.6. We are alive to the risks posed by other Category B gaming machines, so we welcome steps taken by the Commission to take forward proposals to improve player protections on B1 and B3 machines, including measures such as time and spend limits for players, which are already in place on B2 gaming machines. We acknowledge the complexities around identifying and implementing harm-minimisation measures and therefore encourage the Commission, RGSB and industry to continue to develop, trial and evaluate further measures in the pursuit of reducing harm.
- 1.7. We are maintaining the status quo across all other gaming machine stakes and prizes and allocations for the time being. We have agreed to an uplift for stakes and prizes on prize gaming which we think is sufficiently low-risk. However, we have asked the Commission to monitor any potential risks following the change. Stakes and prizes on Category C machines will be maintained, but we will continue to monitor consumer demand and player protection in the sector. If regulatory changes are needed, these will be considered and take place outside of the review process. On Category D machines (including non-complex cranes and pushers), stakes and prizes will be maintained. We are aware there are pressures facing Family Entertainment Centres (FECs) in seaside locations. It is for this reason we have requested further information from the British Amusement Catering Trade Association (BACTA) relating to player protection measures for children, including their existing social responsibility code of practice and evidence of how this is monitored and reported. Discussions related to these points will be taken forward outside of the review process.
- 1.8. We are not minded to make any immediate changes to stakes and prizes or machine allocations in casinos. However, we accept that machine allocations are, by international standards, low for this sector; and unlike other venues, the total number of casinos is capped, which

also limits the total possible number of machines available across the casino estate in Britain. We are aware that pilots of further player protections are underway and encourage casinos to work with the Commission on measures to enhance both player protections and evaluation strategies. If additional measures are put in place to manage the risk of gambling-related harm effectively, we will consider looking again at the question of allocations.

- 1.9. We are not minded to pursue contactless payments on gaming machines at this stage due to concerns about player protection. However, we encourage industry to continue its engagement with the Commission so that it can keep pace with technological change in regard to payment methods, including potential alignment with work that the Commission will be doing in regard to tracked play.
- 1.10. We were clear at consultation stage that more is needed to be done to protect consumers who gamble online. Unlike the land-based sector, all online gambling is account-based and therefore operators know who their customers are and their patterns of play. Operators must use customer data effectively to identify potentially harmful behaviour and target interventions to reduce the risk of harm occurring. We expect operators to act now and trial a range of measures to strengthen the existing protections in place. If operators fail to demonstrate sufficient progress, then the Government and the Commission has powers to introduce additional controls or restrictions on the online sector.
- 1.11. The Commission has also set out a clear plan of action to strengthen player protections online; specifically around age verification, improving terms and conditions, identifying risks to players earlier and on customer interaction policies. This continues to be a rapidly growing and evolving sector and we welcome the ongoing focus of the Commission to assess the effectiveness of current protections and to enhance these wherever possible to reduce the risk of harm.
- 1.12. Our engagement with stakeholders during the Review made clear the importance of technology in developing stronger player protection measures. Through the development of algorithms to identify potential harmful play, gambling operators have been at the forefront of using data and technology to protect players. We recognise that this area evolves quickly and for our understanding to evolve alongside it, we will need greater collaboration. As the department responsible for the digital and online agenda, we have an important role to play in bringing together work from across Government with industry initiatives. As a result, the Minister for Sport and Civil Society will co-chair a roundtable with Margot James, Minister for Digital and the Creative Industries, to bring together stakeholders from the gambling and technology sectors and move towards a wider roll-out of best practice. This will include helping to develop understanding of, and best practice around, online advertising and marketing.

- 1.13. On advertising, we set out a package of measures at consultation - to be implemented by regulators, industry and broadcasters - which will help protect those who are most vulnerable and continue to improve our knowledge about the links between advertising and harm. There has been good progress on these measures: the Committees of Advertising Practice (CAP) has published new guidance on tone and content to help protect those vulnerable to harm, and further guidance on children and young people is due later this year; the Commission has consulted on toughening sanctions for breach of the advertising codes and aims to publish a response in July this year; and a major responsible gambling advertising campaign is due to be launched later this year. This will seek to raise public awareness of the risks associated with gambling and how to mitigate these, including where to seek further information and help if needed.
- 1.14. The Industry Group for Responsible Gambling (IGRG) is also amending its code on socially responsible gambling advertising to ensure that a responsible gambling message appears for the duration of all TV adverts. This change is due to be implemented in June this year. Substantial research on the effects of marketing and advertising on children, young people and vulnerable groups has been commissioned by GambleAware. Getting advertising protections right is an essential part of protecting vulnerable people. We welcome these initiatives and will continue to monitor the situation carefully.
- 1.15. The chapter on research, education and treatment looks at support for those who experience harm, including the arrangements for funding and delivering treatment and the research that underpins this. Steps are being taken to improve evidence on treatment, to assess gaps and expand services and to develop treatment guidelines. Tools are being developed to make it easier for staff in front line services to identify people with gambling problems and signpost them to help available. The chapter also outlines action the Commission proposes to take to strengthen the voluntary system for funding and commissioning research, education and treatment. Gambling-related harm is a health issue and the Department of Health and Social Care (DHSC) and Public Health England (PHE) will be closely involved with DCMS on follow-up to this review.
- 1.16. We recognise the concern from some local authorities about gambling at the local level and the potential impact that gambling has on communities. We also note that the main concern raised by local authorities at consultation stage was around B2 gaming machines, and that a stake reduction to £2 will help support local authorities in their pursuit of protecting wider communities. However, in regard to the request for more powers, we note that where current powers are deployed, local authorities can have a greater say over how and where

gambling can be offered and will not therefore be bringing forward further changes at this stage.

- 1.17. We also recognise the special and long-standing relationship between the betting and horseracing industries. We are confident that Britain's thriving racing industry will continue to prosper and that future commercial arrangements between the two industries will adapt to any changes in the market.
- 1.18. In April 2017, we acted to future-proof the Horserace Betting Levy against channel shift from Licensed Betting Offices (LBOs) to online by extending the Levy to include offshore bookmakers who take bets on British racing - resulting in an estimated £35m increase in statutory funding this year.² We previously committed to review the rate of the Horserace Betting Levy by 2024. If it becomes apparent that changes to stake limits cause significant market changes, we will consider bringing forward the timing of the review of the Levy arrangements.

² The statutory Horserace Betting Levy yield was £50m in 2017/18, with voluntary payments providing an additional £15m. The statutory yield is expected to be c.£85m in 2017/18.

2. Introduction

- 2.1. In October 2016, the Government launched a call for evidence on gaming machines and social responsibility measures across the industry. This included stakes and prizes and allocations on gaming machines, as well as a review of gambling advertising, online gambling and research, education and treatment for gambling-related harm.
- 2.2. We received 275 responses to the call for evidence, and the submissions received helped to inform our preferred proposals which were subsequently outlined in a consultation which was published in October 2017.

Consultation responses

- 2.3. The consultation ran from 31 October 2017 to 23 January 2018. We received 7,361 survey responses from a wide range of interested parties, and a further 243 submissions of supplementary information and evidence. In addition, we received a petition from 38 Degrees and the Association of British Bookmakers (ABB) highlighted a petition it submitted as part of the call for evidence. A full breakdown of responses via the online survey and supplementary submissions received is provided below. Each respective chapter will provide a more detailed summary of consultation responses. These will not be exhaustive, but will instead focus on key points and themes which emerged from the responses. Where permission has been granted, a copy of non-public responses to the consultation will be made available on the gov.uk website.
- 2.4. 96 per cent [7,043] of respondents to the survey identified themselves as individuals and 4 per cent [318] were responding on behalf of an organisation. The breakdown by respondents type is set out below:

Respondent type	Number of responses (online survey)
Member of the public	4,665
Gambling Industry / professional / employee / expert	1,850
Local authority employee	95
Medical / Healthcare professional	145
Charity / voluntary / not for profit sector employee	227
Government Employee ³	58

³ Individuals were able to self-classify themselves into more than one category. Of those who responded 'Government Employee', they also selected: 'Member of the public' [39] / Gambling Industry professional/employee/expert [2] and Armed Forces [1].

Advertising / Media industry employee	33
Campaign group member	36
Other	240
No response	869
Total categories selected ⁴	8,218
Total individual responses	7,361

Respondent type	Number of responses (supplementary submissions)
Gambling Industry – Individual Company, Manufacturer or Supplier	28
Gambling Industry – Trade Association	12
Faith & Community Groups	27
Academics & Think Tanks	9
Local authorities / Public sector ⁵	40
Charities	4
Interest groups	23
Other (individuals)	100
Total	243

Gambling Commission / Responsible Gambling Strategy Board (RGSB) advice

- 2.5. The Commission published its formal advice to the department in March 2018,⁶ taking into account advice from its own advisory body, the Responsible Gambling Strategy Board (RGSB), which was published in October 2017,⁷ as well as the responses to the consultation which were shared with it. The provision of such advice is in accordance with section 26 of the Gambling Act 2005, which places

⁴ Individuals were able to select more than one option for self classification in the online survey which may explain why there is a higher number than the overall number of people who took the survey.

⁵ We had a variety of responses from representatives of local authorities which we have captured here as local authorities. This included responses from: individual councillors, Mayors, specific directorates of local authorities, including licensing boards and other relevant parties.

⁶<http://www.gamblingcommission.gov.uk/PDF/Review-of-gaming-machines-and-social-responsibility-measures-%E2%80%93-formal-advice.pdf>

⁷<http://www.rgsb.org.uk/PDF/Advice-in-relation-to-the-DCMS-review-of-gaming-machines-and-social-responsibility-measures.pdf>

a duty on the Gambling Commission to provide advice to the Secretary of State on matters relating to gambling and its regulation.

- 2.6. In summary, both the Commission and RGSB support action in regard to B2 gaming machines and support a precautionary reduction in stake. RGSB advised that this should be set below £50, and the Commission subsequently advised that this should be materially lower than £50 and involve a stake limit between £2 and £30 if it is to have a significant effect on the potential for players to lose large amounts of money in a short space of time. When considering a specific level for the maximum stake, the Commission's advice was that it was important to consider risks of displacement, riskier staking strategies, comparisons with other gaming machines in other environments, and the potential effect on consumer choice.
- 2.7. Both the Commission and RGSB make clear that setting a revised maximum is a matter of judgement for Government, but is something which should be considered as part of a wider package of measures and be carefully monitored.
- 2.8. On all other gaming machine issues, both the Commission and the RGSB are clear that, in line with the Government's preferred option in the consultation, they do not support any increase in stakes and prizes or machine allocations across all other gaming machines, suggesting that these increases should only be allowed where industry can demonstrate that it has implemented measures that will manage the risk of gambling-related harm effectively. In addition to what we set out on B2 gaming machines at consultation stage, we also asked the Commission to take forward further protection measures on other Category B machines. We welcome its proposal to extend protections such as time and spend limits to B1 and B3 gaming machines, as well as to further explore the costs and benefits of tracked play on B1, B2 and B3 gaming machines. We encourage industry to work proactively with the Commission on this.
- 2.9. In regard to the wider social responsibility agenda, the Commission shares concerns about gambling advertising, but acknowledges that the available evidence is not clear on links with harm. It highlights work to improve the evidence base, and suggests this continues to be an area that requires close scrutiny. Regarding the current voluntary arrangement which involves GambleAware raising funds from industry to fund research, education and treatment, the Commission has identified a number of steps to strengthen it, but thinks that it will struggle against more challenging future demands. It advises that industry needs to meet funding targets in full on a sustainable and guaranteed basis and if these targets cannot be met, the Commission thinks that there is a strong case for implementing a statutory levy.

- 2.10. In regard to online gambling, the Commission recently completed a review of the online sector and identified four areas where it will take action to strengthen the protections in place: age verification; customer identification and better management of risks; unfair terms and conditions; and customer interaction policies. In addition, it will continue to assess the effectiveness of the current consumer protections in place with reference to gambling management tools available and will consider whether the use of credit cards for online gambling should continue to be permitted.

Next steps

- 2.11. In regard to the maximum stakes on B2 gaming machines, changes will be through regulations in Parliament. The move will need parliamentary approval and we will also want to engage with the gambling industry to ensure they are given sufficient time to implement and complete the technological changes. Other commitments will be taken forward along different timings which we have set out in more detail later on in this document. An Impact Assessment containing a cost/benefit analysis of the final proposals has been published alongside this document.
- 2.12. Gambling is devolved in Northern Ireland, but substantially reserved in Scotland and Wales. However, as of 23 May 2016, the Scottish Parliament and Scottish Ministers have executive and legislative competence to vary the number of high-staking gaming machines authorised by a new betting premises licence in Scotland. Under the Wales Act 2017, identical powers were transferred to the Welsh Ministers and the National Assembly for Wales. We are committed to working constructively with devolved administrations as we move towards implementation of the £2 stake limit on B2 gaming machines.

3. Gaming Machines

Key findings and next steps:

- We are reducing the maximum stake on B2 gaming machines from £100 to £2 with the aim of reducing harm for those most vulnerable by reducing the ability to suffer high session losses, while also targeting the greatest proportion of problem gamblers, and mitigating risk for the most vulnerable players for whom even moderate losses might be harmful.
- The Gambling Commission will work with industry to improve player control measures, including the potential ending of sessions when player limits are met and exploring in more detail the costs and benefits of tracked play, not just on B2 gaming machines, but also on B1 and B3 machines in other premises.
- We are maintaining the status quo across all other gaming machine stakes and prizes and allocations for the time being.
- We have agreed to an uplift for stakes and prizes on prize gaming which we think is sufficiently low-risk.
- We are not minded to make any immediate changes to stakes and prizes or machine allocations in casinos. We will amend regulations to clarify the definition of a gaming table for the purposes of machine allocations.

Category B2 gaming machines

Summary of consultation options

- 3.1. At consultation stage, we were clear that we would cut stakes by at least half, from £100 to £50, and wanted to look at options down to £2. We set out 4 illustrative options for a stake reduction - to £50, £30, £20 (with £2 on B2 slots) and £2 - and said that a reduction could be accompanied by one or more additional measures that take into account other factors that may contribute to harm. We acknowledged the progress that industry and, in relation to these machines, the betting sector have made to develop, trial and evaluate measures to reduce gambling-related harm, and also acknowledged that problem gambling rates had remained unchanged since the introduction of the Gambling Act 2005. However, we also set out the evidence and related concerns about the damage that these machines cause to players and wider communities and illustrative options for consultation.

Government response

- 3.2. The Commission has been clear in their advice that while the case has been made to reduce the maximum stake to between £2 and £30, it is a matter of judgement as to what that level should be.

- 3.3. In arriving at this judgement we have considered the information and evidence we received in response to the consultation and concluded that the maximum stake should be cut to £2, the lowest end of the range suggested by the Commission. In coming to this decision, we have put particular weight on the following factors:
- a. The relationship between data for session losses and stake size
 - b. The spread of problem gamblers at each staking level
 - c. The impact on vulnerable players in more deprived areas
- 3.4. We think that a £2 maximum stake will reduce harm because of the effect on a player's ability to place very large stakes quickly. This is something that might be important not only to problem gamblers, but those who might not be categorised as problem gamblers.
- 3.5. Based on current gaming machine data, a £2 maximum stake is likely to best target the volume and proportion of high session losses, one of the best proxies for harm. In particular, we note that over 170,000 sessions on B2 roulette ended with losses between £1,000.01 and £5,000. These sessions persist at average stakes of £5 and £10, but by contrast, none involved average stakes of £2 or below. In addition, according to this data, it is very hard for a player to lose more than £500 in a session using average stakes up to £2.⁸ Although dependent on the circumstances of individual players, we think losses of this scale might be harmful to problem and non-problem gamblers alike.
- 3.6. We highlighted in the consultation that evidence from research into loyalty card holders in LBOs allowed us to identify - albeit with an imperfect sample of gaming machine players - that the proportion of problem and at-risk gamblers was smaller at lower staking levels for this sample of gaming machine players. Based on this data, we think that a £2 maximum stake is likely to capture the greatest proportion of problem gamblers, noting that only at very low levels would a stake reduction have an impact on the large proportion of problem gamblers who typically place stakes at relatively modest levels.⁹
- 3.7. We know that players of B2 machines tend to live in areas with greater levels of income deprivation than the population average; and, alongside problem gamblers, those who are unemployed are more likely to use the maximum stake more often than any other socio-economic group. We think that a £2 maximum stake will also therefore mitigate the impact on those most vulnerable to harm, primarily players in more deprived locations as well as the corresponding harm to communities in which these machines are

⁸<http://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2017/New-data-to-inform-government-gambling-review.aspx>

⁹<http://www.rgsb.org.uk/PDF/Advice-in-relation-to-the-DCMS-review-of-gaming-machines-and-social-responsibility-measures.pdf>

based. Based on the assumption that some of those who are most vulnerable to harm are likely to be those who can least afford to lose large sums of money, we think that these factors also points to reducing the maximum B2 stake to £2.

- 3.8. While we acknowledge the risks of potential displacement, the nature of this, and the effect on overall harm, are impossible to predict and it does not necessarily follow that those who displace to other forms of gambling will be exposed to the same or higher levels of harm. However, we are asking the Commission and the RGSB to monitor closely the impact of all the changes we have set out here to ensure we understand their effects and can respond accordingly.
- 3.9. We acknowledge the potential impacts highlighted in consultation responses that cutting the maximum stake to £2 could have on the industry. We will continue to liaise with key stakeholders on how the impact of these measures can be best managed and help them make necessary preparations. But we are clear that this action is necessary to protect those most vulnerable from harm.
- 3.10. We recognise the special and long-standing relationship between the betting and horseracing industries, and we note the estimates provided by the betting and racing industries of the potential impact on racing's income of a B2 stake reduction. While we acknowledge that changes to stake levels may impact on the racing sector, we consider that these changes are necessary to protect vulnerable people. If it becomes apparent that changes to stake limits cause significant market changes, we will consider bringing forward the timing of the review of the Levy arrangements.
- 3.11. The change to B2 stakes will be accompanied by changes to the wider landscape, with the Commission also taking forward a package of player protection measures on Category B2 and other Category B machines across all premises, and developments in regard to advertising and online, as set out in later chapters of this response.
- 3.12. A summary of consultation responses is set out below with more detailed analysis and supporting data in Annex A.

Summary of consultation responses

- 3.13. Over two thirds (69%) of those who answered the online survey question on this issue agreed that the maximum stake of £100 should be reduced. Those who answered yes were asked a separate question about what the specific stake level should be; over two thirds (69%) supported a reduction to £2, with 10% in favour of £20 (non slots) and £2 (slots), while 7% highlighted a preference for £50. Only 3% wanted to see a £30 stake with a further 3% supporting a different amount

between £2 and £50¹⁰. An additional 6% of respondents chose 'other', with most in favour of abolishing B2 machines altogether or a stake reduction to be lower than £2¹¹.

- 3.14. In addition to those survey responses, we had supporting submissions for a reduction to £2 from local authorities, faith groups, Parliamentarians, charities, interest groups and academics. We received a petition from campaign group 38 Degrees, with over 137,000 signatures calling for a reduction to £2. The rationale for this position varied by respondent but broadly focused on the following themes: harm attributed to the £100 maximum stake and the ability to lose large amounts of money quickly; addictiveness of this particular product; violence and crime associated with B2 gaming machines and LBOs; and community concerns related to the presence of LBOs on the high street. A number of respondents also drew on the Commission's data,¹² collected from gaming machine suppliers, to highlight the large number of high level session losses on B2 gaming machines compared to other gaming machines featured in the data.
- 3.15. Of the members of public that responded to the survey and submitted evidence, similar themes were apparent, with a majority supporting a stake reduction to £2 to reduce high level losses. In addition, concerns were raised about the ease of accessibility to B2 gaming machines and a relationship between these gaming machines and vulnerable groups. Of those that cited alternative stake levels, some supported a reduction to £10 on similar grounds of protecting vulnerable groups.
- 3.16. 31% of the online survey respondents supported the status quo on maximum stakes on B2 gaming machines. In addition, the Association of British Bookmakers (ABB) and a number of operators submitted responses in support of the status quo, or the least restrictive stake option of £50, as did gaming machine suppliers. The ABB also submitted a 'Back the Bookies' petition which has over 300,000 signatures. Other betting operators also put forward suggestions ranging from reductions to £30 and below £10, the latter based on the rationale that the industry desired regulatory certainty and only a significant reduction could achieve this.
- 3.17. The ABB highlighted that problem gambling rates had not increased, argued that there was no link between B2 gaming machines and problem gambling and disputed the data that was set out in the consultation linking high stakes with problem gamblers. The ABB suggested that the focus of Government should be on maintaining the

¹⁰ A further 1% responded 'don't know' along with 1% selecting 'none of the above'.

¹¹ 'Other' included amounts between £2 and £50 (the most popular amounts were £5 [21] and £10 [15]). Most responses however were in favour of abolishing FOBTs / having the stake as low as possible / £1 or less / zero.

¹²<http://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2017/New-data-to-inform-government-gambling-review.aspx>

regulatory hierarchy on gaming machines, drawing comparisons between B2 and B3 gaming machines in terms of Expected Average Theoretical Cost per hour (EATC/h), highlighting that parity with B3 gaming machines would mean that, if it should be reduced at all, stake should be reduced to £50. The ABB also acknowledged that a reduction on B2 slots' maximum stake had merit based on the higher session losses associated with B2 slots that we highlighted in the consultation, and they suggested a revised limit of £25.

- 3.18. The ABB also set out a number of other social responsibility measures that they saw merit in pursuing, including: hard stops when current voluntary time and spend limits were met; debit card blocking as a supplementary tool to the self-exclusion scheme; and expansion of a treatment pilot they have supported aimed at areas of high economic deprivation. We very much welcome these proposals and encourage the ABB and operators to work with the Commission and the RGSB on how to take these forward.
- 3.19. The British Horseracing Authority (BHA) as well as some horseracing operators highlighted in their responses the potential secondary impact of shop closures on the money racing receives from the betting sector via media and Horserace Betting Levy payments. They stated that while the Levy could be affected by closures, the effect may be felt most on media rights payments which are mainly paid on a per-shop basis. Betting and racing respondents estimated that every shop closure reduces racing's income by £30,000 (inc VAT) per annum. A full analysis of these points is set out in Annex A.

Gambling Commission/Responsible Gambling Strategy Board (RGSB) Advice

- 3.20. The Responsible Gambling Strategy Board (RGSB) published its advice to the Commission in relation to the DCMS review of gaming machines and social responsibility measures on 31 October 2017.¹³ Its advice stated that *“Despite uncertainty about the effects, a reduction in maximum stakes on B2 gaming machines implemented for precautionary reasons could still be a potentially useful part of a coherent strategy to mitigate gambling-related harm, provided that the impact on actual harm is carefully monitored and evaluated so that appropriate offsetting action can be taken if necessary.”* It acknowledged that there was sufficient evidence of harm associated with these machines to apply the precautionary principle, but doing so required judgement about the balancing of risks and should take into account the impact on player behaviour including the potential displacement to other forms of gambling which might be greater or equal to the harm caused on B2 gaming machines.

¹³<http://www.rgsb.org.uk/PDF/Advice-in-relation-to-the-DCMS-review-of-gaming-machines-and-social-responsibility-measures.pdf>

- 3.21. In its formal advice to Government, published in March 2018,¹⁴ the Commission made clear that the case has been made for action to be taken on B2 gaming machines to reduce the risk of harm, but that there is no definitive evidence to support any given value for a new maximum stake, so this must be a matter of judgement for Government. However, it advised that there is a case for a stake limit between £2 and £30 on non-slots and £2 on slots available on B2 gaming machines.
- 3.22. The Commission's advice differentiates between different content available on B2 gaming machines, which they broadly categorise as "slots games" and "other games, which include roulette". Industry data collected by the Commission¹⁵ highlights that the amount that players lose appears to be proportionately greater on B2 slots than on roulette. It highlights this, as well as the characteristics of slots games, to recommend a £2 limit on slots games.
- 3.23. In coming to a view on "B2 roulette" or non-slots, the Commission states that *"a precautionary approach should involve a stake limit at or below £30 if it is to have a significant effect on the potential for players to lose large amounts of money in a short space of time"*. However, it advises that the chosen level will depend on the weight that Government attaches to the risk of harm, implications for the way different products are regulated, consumer choice, and public and stakeholder opinion.
- 3.24. In addition, we asked the Commission to advise on whether a change in the maximum stake could be accompanied with changes to the speed of play or other measures, including tracked play. On speed of play it concluded that:
- *"As an alternative measure to cutting stake, slowing the speed of play is unlikely to be a viable alternative to a stake reduction if the aim is to achieve a significant reduction in potential loss rates e.g. a spin cycle slower than 60 seconds (compared to the current 20 seconds) would be necessary to achieve loss rates equivalent to those achieved with a maximum stake of £30 and the current 20 seconds.*
 - *The same level of loss rate protection afforded by a given stake limit could be achieved with a smaller reduction in maximum stake, combined with a slower spin speed – for example, a £50 stake limit with a 50 second spin cycle would be equivalent to £20 and 20 seconds. But the evidence does not point to a combination which would achieve a greater impact on*

¹⁴<http://www.gamblingcommission.gov.uk/PDF/Review-of-gaming-machines-and-social-responsibility-measures-%E2%80%93-formal-advice.pdf>

¹⁵<http://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2017/New-data-to-inform-government-gambling-review.aspx>

gambling-related harm, taking account of effects beyond potential rates of loss”.

- 3.25. The Commission saw more potential benefit in other measures aimed at helping players stay in control, in particular tracked play. Despite some gaps in the evidence needed to fully assess costs and benefits, the Commission’s view was that there is a strong case in principle to make tracked play mandatory across Category B1, B2 and B3 machines, with the possibility of running a trial to get a better understanding of the costs and challenges associated with its implementation. The Commission’s advice was that regardless of the level of stake cut Government decides on, a stake cut alone on B2s would not go far enough to address the wider risk of harm, and it proposed to take forward an additional package of measures which we support, including:
- Banning the facility for machines to allow different categories of games to be played in a single session
 - Working with industry and others on steps to make pre-commitment tools more effective - this could include ending sessions when consumers reach time and money limits
 - Increasing the availability of information about play, potentially to include tracking play on Category B1, B2 and B3 machines
 - Supporting industry to meet the expectations set out in the National Responsible Gambling Strategy.

Category B1 gaming machines

Summary of consultation options

- 3.26. Casinos are permitted to offer gaming machines of Category B1 or lower (except sub-category B3A), and the vast majority of machines in casinos are B1. The number permitted depends on the type of casino licence. The current maximum stake for a B1 machine is £5 and the maximum prize a single B1 machine can pay out is £10,000 (or, with a progressive jackpot, £20,000).
- 3.27. Proposals from the National Casino Forum (NCF), representing the land-based casino sector, were outlined in our consultation document. They included an increase in the maximum progressive linked jackpot on B1 gaming machines to £100,000, a higher stake and prize machine for high-end casinos, an increase to the amount that can be deposited on machines to £50, and for casinos to be able to provide facilities for remote gaming without this counting against machine allowances.
- 3.28. The casino sector’s main request was for casinos with converted licences (1968 Act casinos) to be allowed the same number of machines as Small Casinos licensed under the 2005 Act and for both

to be allowed a ratio of three machines per table. Evidence was provided of the proposed economic benefits of this change. A higher machine cap for Large Casinos was also requested.

- 3.29. The consultation acknowledged the progress that the casino industry has made in relation to player protection measures, and that casinos are in some regards more highly regulated than other environments. However, there was little evidence of how increased risks to players would be managed, and we therefore did not recommend pursuing the industry's proposals at this stage. We instead asked the Commission to take forward with industry additional player protection measures on Category B gaming machines, including B1s.

Summary of consultation responses

- 3.30. The consultation asked whether respondents supported maintaining the status quo on B1 gaming machine stakes and prizes. Of those who answered the online survey question, 48% agreed, with 31% disagreeing and 20% answering 'don't know'. Of those that responded to the online survey question about player protection measures on Category B machines, 78% supported the package set out by Government.
- 3.31. Over half (55%) agreed with the Government's proposals to maintain the status quo on allocations for casinos, arcades and pubs and under one third did not agree.
- 3.32. In the additional submissions received, local authorities and faith groups supported maintaining the status quo on both B1 stakes and prizes and machine allocations. The Local Government Association (LGA) raised concerns about allocations being set at a national level and highlighted the need for local involvement in decision-making.
- 3.33. Supplementary submissions from the casino sector argued that casinos are at the top of the regulatory pyramid, with strict regulation, supervision and player protections in place. It was highlighted that NCF members continue to work to strengthen these and are pursuing limit-setting technologies, with a significant number set to offer this in 2018, as well as trialling facial recognition technology. NCF estimates that around 50% of machine play is currently tracked through loyalty card schemes.
- 3.34. NCF's Playing Safe project with Focal Research has looked at the development of diagnostic algorithms to identify potential harmful patterns of play and NCF has developed a model which it is now piloting. An evaluation of SENSE, the casino sector's national self-exclusion scheme, will be published this year. Casinos employ human supervision at their venues, and ask that this is recognised as a valuable player protection measure.

- 3.35. NCF also submitted a report produced by Novomatic¹⁶, which suggests that casinos with limited machines often have longer playing sessions at busy times, as players are reluctant to take breaks so as not to lose their machine to other waiting players. They intend to commission further research into this issue.

Gambling Commission/Responsible Gambling Strategy Board (RGSB) Advice

- 3.36. The Commission advises that increases to stakes and prizes and machine allocations should only be allowed where industry can demonstrate that it will also implement measures that will manage the risk of gambling-related harm effectively. It will take forward discussions with industry around extending player protection requirements, such as time and spend limits, to B1 and B3 gaming machines. As described in the previous chapter, it is also seeking to explore in more detail the costs and benefits of tracked play, not just on B2 gaming machines, but also on B1 and B3 machines.
- 3.37. On machine allocations, the Commission considers that, if these were to be increased, 1968 Act casinos should be required to meet the same requirements for size and non-gambling space as 2005 Act Small Casinos in order to benefit. It is in favour of amending the Gambling Act 2005 (Gaming Tables in Casinos) (Definitions) Regulations 2009 as outlined in the consultation and in paragraph 3.44 below.

Government response

- 3.38. We welcome the progress that the casino sector has made on player protection measures and the wider social responsibility agenda but the Government is not minded to make any immediate increases to stakes and prizes or machine allocations. We accept that machine allocations are by international standards low for this sector, which is in some regards the most highly regulated, and we have noted evidence that restricted allocations could be having unintended consequences in discouraging players from taking breaks. We are aware that pilots of further player protections are underway and encourage casinos to work with the Commission on measures to enhance both player protections and evaluation strategies. If additional measures are put in place to manage the risk of gambling-related harm effectively, we will consider looking again at the question of allocations.
- 3.39. Regarding progressive linked jackpots, although there have not been reports of an increase in harm in other jurisdictions as a result of increased prizes, we would need further evidence in order to understand potential impacts to players in Britain and proposals to

¹⁶ 'The Influence of Machine Occupancy Rates on Category B1 Machine Player Behaviour', Novomatic, 2017

address the risk of increased player harm. The Government is therefore not minded to increase the progressive prize at this stage.

- 3.40. The current system of cash deposits and transfers provides a basic social responsibility control by slowing the speed at which players can commit funds to gambling, allowing consumers to consider their actions. An increase to £50 would speed up the committed-funds process and without evidence as to how operators would manage the risks it generates, we do not support taking forward this proposal.
- 3.41. While there is nothing to stop customers accessing their remote accounts on their own devices if they wish, we do not think it appropriate for a casino to offer tablets restricted to its own online offerings where that tablet would not count as a 'gaming machine'.
- 3.42. We recognise that higher stake and prize machines could be a significant source of revenue for high-end casinos, which cater for a wealthy international clientele. However, high-end casinos hold the same premises licences as other casinos, and without further information - for example, evidence of how this could be implemented so that only high-end casinos could offer such a category of machine - we do not support this proposal. We encourage the casino sector to work with the Commission to develop stronger proposals on the controls that could be put in place to provide these machines in a socially responsible manner and in a way that would substantially restrict their availability.
- 3.43. We also note concerns from the Local Government Association (LGA) that an increase in gaming machine allocations could impact local areas differently, depending on the number of casinos in that area. The number of casino premises licences in a certain area reflects the applications made and granted by each local authority under the Gaming Act 1968, and was intended to meet local demand. Local authorities have a range of powers, including issuing a 'no casino' policy statement, which would prevent new licences being issued or unused licences coming into use. However, they cannot revoke existing casino licences, meaning they could not limit the number of gaming machines in the case of a national allocation increase. We would welcome further research on the effects on gaming machine allocations at a regional level.
- 3.44. The Government also intends to amend the Gambling Act 2005 (Gaming Tables in Casinos) (Definitions) Regulations 2009 to make clear that only tables for multi player live gaming, operated by a casino dealer, will qualify as a gaming table for the purposes of attracting a machine allowance in both Small and Large Casinos. Neither partially automated nor wholly automated gaming tables will count as "gaming tables" for these purposes.

Category B3 gaming machines

Summary of consultation options

- 3.45. Category B3 is the fastest growing gaming machine category in terms of Gross Gambling Yield (GGY). B3 machines, are located in casino, betting, arcade and bingo venues and received an uplift in maximum stake from £1 to £2 in 2011. The consultation addressed proposals from the British Amusement Catering Trade Association (BACTA), the trade body representing the arcade sector, which proposed an increase in stake from £2 to £2.50, suggesting it would provide an economic stimulus to the sector.
- 3.46. At consultation stage, the Government highlighted the level of growth associated with these machines and player protection concerns. Research by GambleAware into bingo halls¹⁷ and NatCen in relation to LBOs¹⁸ was referenced and showed not insignificant levels of problem gambling amongst players of these machines. Gaming machine data, obtained by the Commission, demonstrated comparability of B3 machines with B2s on session losses and duration, albeit not at the very high levels of losses.¹⁹ We therefore asked the Commission to consider taking forward additional player protection measures on these machines, in line with what is set out above in regards to B1 machines. In the consultation, the Government proposed to maintain the status quo on stakes and prizes for B3 machines.

Summary of consultation responses

- 3.47. The consultation asked whether respondents supported maintaining the status quo on B3 gaming machine stakes and prizes. Of those who answered the online survey question, 49% agreed. There were 31% who disagreed, with the remaining 20% answering 'don't know'.
- 3.48. The sectors that operate B3 machines were broadly in favour, with 8 industry organisations supportive of maintaining the status quo on stake and prize. This included BACTA who did not repeat this request for an uplift at consultation. The majority of non-industry responses came from local authorities and faith groups who supported maintaining the status quo. Some groups went further to suggest that, before any future consideration of an increase to stake or prize, increased levels of player protection measures would need to be applied. A common theme in consultation responses also outlined the importance of monitoring closely the growth of B3 machines and player

¹⁷ <http://infohub.gambleaware.org/wp-content/uploads/2016/07/Bingo-Research-Final-140716.pdf>

¹⁸ <http://natcen.ac.uk/media/1464625/gambling-behaviour-in-great-britain-2015.pdf>

¹⁹ <http://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2017/New-data-to-inform-government-gambling-review.aspx> (The data covers nearly 20 billion plays on machines in licensed betting offices, and over 2 billion plays on machines in adult gaming centres and bingo venues.)

behaviour, specifically in relation to potential displacement of play following a change in stake on B2 machines.

- 3.49. Of those that responded to the online survey question about player protection measures on Category B machines, 78% supported the package set out by Government. The majority of responses from industry accepted the need to introduce some additional player protection measures on B3 machines. A number of sectors suggested it could be a challenge implementing such measures on older version machines and noted that the overall impact of the same measures on B2s were inconclusive. There was overall support across non-industry groups for the introduction of additional player protection measures, including the ban of mixed play between B2 and B3 machines in LBOs and the introduction of mandatory alerts and time/spend limits. A number of local authorities referenced the need to improve player protection measures more broadly, suggesting those currently available are not as effective as they should be at protecting the most vulnerable in society.

Gambling Commission/Responsible Gambling Strategy Board (RGSB) Advice

- 3.50. The Commission reflects similar concerns in its advice on B3 machines to those outlined in the consultation. As highlighted under the B1 and B2 sections above, in regards to B3 gaming machines, the Commission will be taking forward additional protection measures with industry.
- 3.51. The RGSB recommended there should be no increase in stakes and prizes on B3 gaming machines until the impact of any reduction in stakes on B2 gaming machines has been evaluated.

Government response

- 3.52. The Government is aware of the growing concern related to the growth of B3 gaming machines as well as calls for increased player protection measures. Taking into account responses submitted as part of the consultation and advice from the Commission, the Government has decided to maintain the status quo on B3 gaming machines, and to keep this category of machine under review.
- 3.53. On additional player protection measures, we welcome steps outlined by the Commission in its advice and the indicative support from industry in relation to these proposals. These additional tools are already in place on B2 machines, and even though evaluation to date has been inconclusive on the overall effect, we still feel they provide value as a way of enhancing player protection. We are aware of points raised by some sectors about potential challenges and costs

associated with tracked play and urge industry to work with the Commission to better understand these areas.

Category B3A/ B4 gaming machines

Summary of consultation options

- 3.54. B3A and B4 machines are primarily located in members clubs. In the absence of any relevant submissions at the call for evidence, the Government was not minded at consultation stage to take forward any changes to stake or prize on either category of machine.

Summary of consultation responses

- 3.55. In the online survey, 49% of respondents supported the proposal to maintain the status quo on B3A machines, with 30% disagreeing and 21% answering 'don't know'. For B4 machines, 49% supported the proposals to maintain the status quo, with 29% disagreeing and 22% responding 'don't know'. No additional references were made to either classification of machine in the additional submissions received at consultation.

Government responses

- 3.56. There were no additional submissions received as part of the consultation in relation to either B3A or B4 machines. For this reason, we have decided to maintain the status quo for both stakes and prizes on B3A and B4 machines.

Category B5 gaming machines

Summary of consultation options

- 3.57. BACTA set out in their response to the call for evidence a recommendation for the introduction of a new B5 machine that would have a £10 stake and £125 prize with a game of 30 seconds minimum. This was accompanied by a corresponding request to allow B5s to account for 10% of all gaming machines in Adult Gaming Centres (AGCs). At consultation stage, Government was not minded to agree to the request for a new category of machine at this time.

Summary of consultation responses

- 3.58. The consultation asked whether respondents supported maintaining the status quo on allocations for casinos, arcades and pubs. Of those who answered the online survey question, over half (55%) agreed and under one third did not agree.
- 3.59. In the consultation response, BACTA did not repeat its request for the B5 machine, but stated it would look to revisit plans in the future. There

was one specific reference to B5 machines in the additional submissions which agreed with the Government's position outlined in the consultation.

Gambling Commission advice

- 3.60. The Commission suggest it would not be appropriate to allow Category B5 machines at this stage, with the need to better understand how players would interact with this type of machine.

Government response

- 3.61. We understand the importance of innovation in any sector, but in addition to the point raised in the Commission's advice, it is important to fully understand the impact of changes on B2 gaming machines before exploring the introduction of a new category of gaming machine. For this reason, the Government has decided to maintain its position outlined in the consultation and will not be taking forward the request in relation to allocations for a B5 Category in arcades at this time.

Category C gaming machines

Summary of consultation options

- 3.62. Category C machines are available in casinos, LBOs, tracks with pool betting, bingo halls, AGCs, members' clubs, miners' welfare clubs, commercial clubs and pubs. Stake and prize limits were last increased from 50p/£35 to £1/£70 in 2009 and the maximum prize further increased to £100 in 2014. The Gambling Act 2005 sets out machine allocations for pubs which give an automatic entitlement of two gaming machines of Category C or D upon notification to the licensing authority.
- 3.63. The pub and arcade sector put forward an economic case for an uplift to stake and prize at the call for evidence stage. The proposals included an uplift in stakes from £1 to £2 and a prize increase from £100 to £150, referencing a decline in revenue and performance of the machine category.
- 3.64. The consultation referenced concerns relating to player protection, with the proposed uplift by industry making Category C comparable in maximum stake to B3 machines (but with a lower return to player ratio), combined with availability in environments where gambling is not the primary activity. No additional player protection measures were put forward to support the sector's request, citing a lack of evidence that the machines have the potential to cause harm.

- 3.65. On machine allocations, several members of the pub sector also requested changes to the automatic entitlement of machines from two to four. The consultation incorrectly noted that the request for changes were made by one pub chain, but other pub chains and the Association of Licensed Multiple Retailers (ALMR) had also supported this proposal. However, the consultation did highlight that local authorities already have the ability to permit additional machine licenses and that pubs are ambient gambling establishments, without dedicated staff for a gambling function. Government therefore proposed to maintain the status quo for stakes and prizes for Category C machines and automatic allocation entitlement.

Summary of consultation responses

- 3.66. The consultation asked whether respondents supported maintaining the status quo on Category C machine stakes and prizes. In the online public survey, 49% agreed, 29% disagreed, with the remaining 22% answering 'don't know'.
- 3.67. Over half (55%) agreed with the proposals to maintain the status quo on allocations for casinos, arcades and pubs, and under one third did not agree.
- 3.68. In additional submissions, the majority of industry responses were from the pub sector and related trade associations. The sector disagreed with proposals set out at consultation stage to maintain the status quo and reinforced its call for an uplift, suggesting not all Category C machines would offer the higher levels of stake and prize. The British Beer and Pub Association (BBPA) and others highlighted a lack of evidence to suggest Category C machines are associated with harm, but indicated a willingness to engage in discussions to improve the social responsibility requirements around these machines. In responses, the BBPA, ALMR and others from the sector referenced the recently published NatCen research which does not associate pub amusement machines with problem gambling.²⁰ In the absence of a stake uplift, the sector want the Commission's machine technical standards to be revised, which would aim to make existing requirements more flexible to allow for modernisation to the machine category. BACTA state that an uplift in stake and prize is warranted, but will work with stakeholders to allay concerns about the product.
- 3.69. On the allocation of Category C machines the BBPA, ALMR and four other members of the pub sector questioned why notification on the automatic entitlement of two machines had to be applied for and paid to local authorities. They want to see a deregulation of these payments or, if the requirement is retained, the notification should be a one-off cost, removing the need to reapply each time there is a new

²⁰ <http://natcen.ac.uk/media/1464625/gambling-behaviour-in-great-britain-2015.pdf>

tenant/licensee or change in machine category. Three responses from the sector also asked the Government to reconsider its view that the automatic allocation of two should not be increased.

- 3.70. The majority of non-industry responses supported maintaining the status quo on stake, prize and machine allocation. The Local Government Association (LGA) and Citizens Advice (CA) supported proposals to maintain stake and prize limits on Category C machines. Christian faith groups, including Church of England and Quaker Action among others, broadly supported maintaining the status quo, but raised concerns about the level of supervision in non-gambling establishments. The position to maintain the status quo on allocation of machines in pubs was supported in other non-industry responses.

Gambling Commission/Responsible Gambling Strategy Board (RGSB) Advice

- 3.71. The Commission supports Government proposals to maintain the status quo on Category C machines. It states that industry needs to demonstrate that player protection controls in place are adequate to provide a safe environment for gambling, given the potential theoretical loss per hour that can be experienced on Category C machines. Results from its recent 'Young People and Gambling' report also identified 5% of 11-15 year olds claimed to have gambled on a fruit machine in an arcade/pub/club in the past 7 days.²¹ The Commission advises that there should be no change to machine allocation in pubs, recommending it would not be appropriate to consider increasing automatic entitlements until the sector can demonstrate that the controls it has in place are sufficient.
- 3.72. The RGSB advise there is a strong argument on precautionary grounds not to increase stakes on Category C machines due to availability in venues where gambling is not the primary activity, alcohol is served and where there is limited supervision.

Government response

- 3.73. For many people, fruit machines are used occasionally for pleasure, generally as part of a wider social occasion, and are available in a variety of establishments, including pubs, arcades and bingo venues. The Government has considered the case set out by the pub and arcade sector, as part of the rationale for an uplift to stake and prize.
- 3.74. The need for improved player protection measures has been drawn out as a common theme in responses received as part of the consultation

²¹ Extrapolating from the whole population is equivalent to approximately 140,000 children in a week. (Gambling Commission advice)

about Category C machines. In most cases, this is in relation to their availability in venues where gambling is not the primary activity.

- 3.75. Advice from the Commission references the theoretical loss per hour for a Category C machine and access children have to these machines in Family Entertainment Centres (FECs) and pubs, which, when combined with the recent 2017 young people report²², has raised questions about the potential for harm.
- 3.76. On gaming machine allocations, the Gambling Act 2005 currently provides pubs with an automatic allocation of two machines (Category C or D), which involves notification and a fee being paid to the local authority. We have noted in responses industry frustration relating to additional payments for machines and transfer of licences.
- 3.77. We have considered all responses as part of the consultation and decided to maintain our position on stakes and prizes at this time. However, we will continue to monitor impacts, including current consumer demand as outlined by the pub sector alongside player protection measures, and will consider any future regulatory changes to this category of machine outside of the review process. There will not be any changes to machine allocations, as we are content that the option for pubs to apply for a licence permit through the local authority is sufficient.

Category D gaming machines

Summary of consultation options

- 3.78. Category D machines are made up of five subcategories and are available in high street arcades (AGCs), seaside arcades (FECs), bingo venues and pubs. The most common types of machine in this category are fruit machines which are reel-based (complex) and cranes and pushers (non-complex) offering monetary and non-monetary prizes²³. The stake and prize limits for most Category D gaming machines were last changed in 2009, and coin pushers received a stake and prize increase in 2014. The most significant change was a new type, a crane grab machine, with a £1/£50 stake/prize ratio; such machines previously operated at 30p/£8 ratio.
- 3.79. In the consultation, Government recognised the case set out by the arcade and pub sector. However, it also noted concerns about the

²²<http://www.gamblingcommission.gov.uk/news-action-and-statistics/Statistics-and-research/Levels-of-participation-and-problem-gambling/Young-persons-survey.aspx>

²³<http://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/Sector-specific-compliance/Arcades-and-machines/Gaming-machine-categories/D-gaming-machines.aspx>

access and availability of these machines to children and young people and the potential for associated harm. Industry did not propose any strengthening of measures to improve player protection in line with any stake and prize increase. Government on balance was not minded to take forward industry proposals and proposed maintaining the status quo.

Summary of consultation responses

- 3.80. Of those who answered this question in the online survey, 49% of respondents supported maintaining the status quo for stakes and prizes on Category D machines. There were 29% who disagreed, with the remaining 22% answering 'don't know'.
- 3.81. BACTA disagreed with Government proposals to maintain stakes and prizes for Category D non-complex machines and requested an uplift to be reconsidered for pushers and cranes. This position was also supported by British Association of Leisure Parks, Piers and Attractions (BALPPA), the BBPA, ALMR and other arcade sector organisations. It stated increases would provide a boost to the sector, specifically for FECs and seaside entertainment. BACTA's response criticised research referenced in the consultation which linked early gambling with later gambling problems.
- 3.82. All groups in support of an uplift continue to cite a lack of evidence linking Category D machines with the potential to cause harm. In its response BACTA referenced research which identified "*no link between early exposure and later problem gambling.*"²⁴ Additional responses also suggested that: cranes should be removed from the gaming classification; the need to streamline technical standards on Category D machines to support innovation; and there should be a review to simplify sub-classifications. No additional player protection measures were proposed on these machines.
- 3.83. A total of 16 local authorities and Councils responded on the issue of Category D machines. The majority supported Government proposals for maintaining the status quo including the Local Government Association (LGA). Four local authorities raised concerns about the potential impact of the machines on children and vulnerable adults. Age limits and lack of player protection measures were also raised. A number of faith groups supported Government proposals on Category D machines, but highlighted concern about links between early

²⁴ D. Forrest and I. McHale: Gambling and problem Gambling Among Young Adolescents in Great Britain. Journal of Gambling Studies 2011.

gambling, specifically on Category D machines, and later life problem gambling.

Gambling Commission/Responsible Gambling Strategy Board (RGSB) Advice

- 3.84. The Commission recommended no stake or prize increases on Category D machines for precautionary reasons, reflecting a lack of conclusive evidence that these machines do not cause harm. The advice states that Britain is more or less alone internationally in permitting children access to gaming machines, and in principle, this generates a risk that children will become involved in other forms of gambling from an early age.²⁵ For this reason an increase in stake and prize limits would be inappropriate.
- 3.85. The Responsible Gambling Strategy Board (RGSB) advise against any increase to stakes and prizes on these machines. Reference is made to problem gambling rates among children and young people in Britain, which, although not unusually high either historically or compared with other countries, should be a matter of concern. It recommends maintaining the status quo on precautionary grounds, unless those proposing an uplift can demonstrate that no additional harm would be caused.

Government response

- 3.86. We have considered all responses on Category D machines and have reviewed the case and rationale put forward by the arcade and pub sector, specifically in relation to those based in seaside locations, as reason for an uplift to Category D non-complex machines.
- 3.87. We note that the majority of survey responses, the Commission, RGSB, some local authorities and faith groups have raised concerns about Category D machines in relation to children and young people, on both complex and non-complex machines. Recent statistics from the Commission's 2017 study into young people and gambling, highlighted that 6% of 11-16 year olds had participated in gambling in the past week on commercial premises (such as arcades or LBOs). However, a recent GambleAware-commissioned review of academic literature on young people and gambling, which reviewed a range of studies in North America, Australia, New Zealand and the Nordic countries estimates between approximately 3-5% of young people are

²⁵<http://www.gamblingcommission.gov.uk/PDF/Review-of-gaming-machines-and-social-responsibility-measures-%E2%80%93-formal-advice.pdf>

problem gamblers, compared with a lower figure in the UK of between 1 and 2%.²⁶

- 3.88. The potential for harm has been questioned by the arcade sector who suggest that player protection measures would be disproportionate to the potential for harm. However, where young people are involved, it is important that we monitor carefully and ensure suitable protection measures are in place where appropriate.
- 3.89. We have considered all responses that have been submitted as part of the consultation and have decided to maintain the status quo on all Category D machines (including non-complex cranes and pushers) at this time. However, we are aware that there are pressures facing Family Entertainment Centres (FECs) in seaside locations, which formed the basis of the request for an uplift to non-complex Category D (cranes and pushers). For this reason, we requested further information from BACTA relating to the current player protection measures in place for children, including their existing social responsibility code of practice and evidence of how this is monitored and reported. Discussions relating to these points will be conducted outside of the review process.

Prize Gaming

Summary of consultation options

- 3.90. The consultation proposed an uplift for Prize Gaming²⁷ in line with requests by industry sectors during the call for evidence. The change would involve an increase in stake from £1 to £2 and prizes from £70 to £100 (£500 to £1000 aggregate). The stake limit on Prize Gaming was last amended in 2009 with an increase to stake from 50p to £1. The limit on cash prize remained at £70 and where prizes are linked up to £500. The popularity of prize gaming has waned in recent years and a number of venues have removed their prize gaming units in favour of amusement machines. However, there is still a market for the game, particularly at the seaside, and would be aligned with the objectives of this review, with the activities classed as low-risk.

Summary of consultation responses

- 3.91. In the online survey 51% of respondents who answered the question disagreed with consultation proposals to increase the stake and prize,

²⁶<https://about.gambleaware.org/media/1274/1-june-update-children-young-people-literature-review.pdf>

²⁷ Prize gaming is defined in section 288 of the Act, and is gaming in which neither the nature nor the size of a prize is determined by the number of persons playing or the amount paid for or raised by the gaming.

with 31% agreeing with the proposals; the remainder of people responded 'don't know'.

- 3.92. Arcades and Bingo supported proposals for an uplift. Other industry groups either agreed with the position to increase the stake and prize or did not comment. Four local authorities also supported the proposals.
- 3.93. Four local authorities and five faith groups disagreed with increase to stake and prize proposals, referencing in some instances the activity relating to children.

Government response

- 3.94. In the consultation we proposed to increase the maximum participation fee from £1 to £2 and a prize increase from £70 to £100 (and from £500 to £1,000 aggregate) on prize gaming. We have considered all responses and are content that an uplift is in keeping with the objective of this review and that activities associated with prize gaming are low-risk. For this reason Prize Gaming will receive the proposed increases outlined in the consultation. The Commission has been asked to monitor any potential risks that arise as an outcome of these changes.

Other gaming machine issues

- 3.95. We made clear at consultation stage that we had concerns with the introduction of contactless payments on gaming machines. However, there appears to be continued industry wide support for the introduction of contactless payments, especially given the potential for corresponding player protection measures that could be introduced alongside this form of payment.
- 3.96. We note the Commission advice on this issue and will not be taking this proposal forward at this time. We do, however, encourage industry to continue their engagement with the Commission so that industry can keep pace with technological change in regard to payment methods, including potential alignment with work that the Commission will be doing on tracked play.

4. Online Gambling

Key findings and next steps:

- We were clear at consultation stage that more needed to be done to protect consumers who gamble online.
- All online gambling is account-based and therefore operators know who their customers are and their patterns of play. We expect operators to act now and trial a range of measures to strengthen the existing protections in place.
- If operators fail to demonstrate sufficient progress then the Government and the Commission has powers to introduce additional controls or restrictions on the online sector.
- The Minister for Sport and Civil Society will co-chair a roundtable with Margot James, Minister for Digital and the Creative Industries, to bring together stakeholders from the gambling and technology sectors and move towards a wider roll-out of best practice in using technology to improve player protections.
- The Gambling Commission has now set out a clear plan of action to strengthen player protections online: specifically around age verification, improving terms and conditions, identifying risks to players earlier and on customer interaction policies.

Summary of consultation options

- 4.1. The consultation outlined a package of measures to improve protections for those who gamble online. This included the introduction of a new multi-operator self-exclusion scheme for online gambling, new requirements to improve the information available to players to help manage their gambling and a call to industry to increase the pace of change to incorporate behavioural analytics into their responsible gambling systems.

Summary of consultation responses

- 4.2. Of those who responded to the public survey, 81% supported the package of measures to improve player protection measures for the online sector, 12% disagreed, and 7% answered 'don't know'. 29% of those who responded to the public survey did not respond to this question. The majority of written submissions which referred to the online sector came from industry respondents, local authorities and faith groups.
- 4.3. There was widespread support for the proposals for the online sector but several respondents thought that the package of measures could go further. Suggestions for additional protections included preventing

the use of credit cards to gamble online, preventing online gambling between midnight and 6am and prohibiting reverse withdrawals. Some respondents argued that the absence of stakes and prizes limits for the online sector was anomalous in the context of stakes and prizes on gaming machines. Some concerns were also raised about the availability and impact of gambling-style games, and the risks to children and young people of 'skins' gambling.²⁸

- 4.4. The charity GambleAware called for protections equivalent to those for gaming machines, including limits on stakes and prizes, to be applied to online gambling products until such time as the sector has successfully implemented effective player protection measures. The charity also highlighted a number of risks associated with online gambling, such as 24/7 accessibility and products that enable continuous play.
- 4.5. Industry respondents were broadly supportive of the package of measures for the online sector and agreed that the use of data analytics to identify problematic play provided opportunities for operators to identify those at risk of gambling-related harm and make effective interventions. Several made the point that this was a more sophisticated approach towards online player protection than the imposition of stake or prize limits. Some industry respondents explained the work they are already undertaking in this area, which included the use of predictive models and player tracking to identify potential markers of harm. Some academic responses expressed doubt about the precision rates of algorithms used to identify at-risk gamblers.
- 4.6. Industry respondents were unanimous in their support for the implementation of the online multi-operator self-exclusion scheme at the earliest opportunity. It was noted that the scheme should be widely promoted to ensure uptake, and that evaluation would be essential. Other respondents also supported this measure, but noted that the long-term objective should be for a single, integrated multi-operator exclusion scheme covering both online and land-based operators.
- 4.7. The Remote Gambling Association (RGA) welcomed clarity being provided to industry by regulators through guidance on terms and conditions relating to promotional offers and free bets or bonuses.

Gambling Commission/Responsible Gambling Strategy Board (RGSB) Advice

- 4.8. The Commission has been responsible for regulation of the fast-growing online sector since November 2014²⁹. The online market

²⁸ Skins' are in-game items, used within some video games. They provide cosmetic alterations to a player's weapons, avatar or equipment used in the game.

²⁹ Gambling (Licensing and Advertising) Act 2014.

is now worth £4.7bn per annum and the emergence of new products, technology and changing patterns of consumer behaviour has contributed to continued growth. The Health Survey report on Gambling Behaviour in Great Britain³⁰ found that 10% of the adult population had gambled online in the past year.³¹

- 4.9. The Commission recently completed a review of the online gambling sector which was published on 26 March 2018³², which includes, and draws upon, advice from the Responsible Gambling Strategy Board (RGSB). The review has looked at the current status of the market and the action taken to ensure that customers who choose to gamble can do so safely.
- 4.10. The Commission collected data from operators covering net player expenditure, stake size and frequency of gambling by slots and non-slots players over a one month period. The Commission's advice notes that the majority of plays are at relatively small stakes and are in line with comparable products offered in the land-based sector.
- 4.11. The Commission found that 93% of stakes on online slots and 67% of stakes on non-slots products were £2 or less over a one month period.³³ During the same period, 73% of slots players either won money or lost less than £50. For non-slots players, 85% either won money or lost less than £50. The Commission will continue to collect data from industry to inform its work to raise player protection standards in the sector.
- 4.12. The Commission's review found that, although online operators are taking steps to minimise harm, progress in this area has been slower than expected - and is not consistent across the sector.
- 4.13. The review has established four areas where the Commission plans to take robust action to strengthen the protections in place to protect vulnerable people who gamble online. In addition, the Commission has set out a further five areas where it will consider placing further restrictions and requirements on operators to ensure high standards of player protection in the online sector.

Gambling Commission action plan

- 4.14. The Commission will bring forward proposals for consultation in the following areas:

³⁰<http://www.gamblingcommission.gov.uk/PDF/survey-data/Gambling-behaviour-in-Great-Britain-2015.pdf>

³¹ Excludes National Lottery.

³²<http://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2018/Gambling-Commission-makes-online-gambling-safer.aspx>

³³ Where 'slots' are defined as 'reel-based' games and 'non-slots' are all other casino products excluding poker.

i. Age verification

- 4.15. The Commission requires licensees to have policies and procedures designed to prevent underage gambling. Under existing requirements, operators have a period of 72 hours to carry out age verification. The Commission intends to bring forward proposals to remove the current 72 hour window for age verification checks - meaning that age verification must be completed before a customer is able to deposit funds and gamble.
- 4.16. The Commission has also considered the availability of free-to-play gambling-style games. These games are not gambling as they are free to play and offer no prize - but they may encourage young people to gamble. The Commission will strengthen the rules by requiring licensed gambling operators to complete age-verification checks before consumers are able to access free-to-play games.

ii. Customer identification

- 4.17. The review identifies several risks linked to operators holding insufficient information about their customers, which includes their ability to effectively detect problem gambling or criminal activity on their platforms. The Commission will introduce a new customer due diligence requirement meaning that operators will have more information about their customers at an earlier stage.
- 4.18. The Commission will bring forward proposals for mandatory limits on player spending which can only be increased once an operator has verified information about a customer, for example via an affordability check.

iii. Unfair terms and conditions

- 4.19. The Commission has been working closely with the Competition and Markets Authority (CMA) to tackle concerns relating to unfair terms and misleading practices. The CMA has found widespread evidence of unfair terms and misleading practices and has recently taken action against several operators in relation to their promotions that are likely to be breaking consumer protection law. The CMA has set out principles that all gambling operators must adhere to, to demonstrate compliance with consumer protection law and the Commission's licence conditions and codes of practice (LCCP). The Commission will carry out compliance activity to test how remote operators are making changes to ensure promotions are clear and fair to consumers. The Commission published a consultation³⁴ on 25 January 2018 which brings forward changes to the LCCP with the aim of ensuring operators are being fair and open with consumers.

³⁴<http://www.gamblingcommission.gov.uk/news-action-and-statistics/Consultations/Open-consultations/Proposed-changes-to-LCCP-fair-and-open.aspx>

- 4.20. The Commission will also publish guidance for operators and Alternative Dispute Resolution services on unfair terms and provide more information to consumers about the standards they should expect from operators.

iv. Ineffective customer interaction

- 4.21. The Commission has found that although some operators are making progress, there remain concerns about the online sector's approach to customer interaction. The Commission will bring forward proposals to strengthen the requirements to interact with consumers who may be experiencing, or are at risk of developing, problems with their gambling.
- 4.22. Operators must use data more effectively to identify potential indicators of harm at the earliest possible stage and adopt effective methods of intervention to reduce the risk of harm. The Commission has recently published guidance³⁵ to operators which sets out its expectations and shares current good practice and practical ways in which operators can improve their approach. The Commission will consult on changes to the LCCP requirements in relation to customer interaction.

Areas of further work

- 4.23. In addition to taking robust action in the four areas outlined above, the Commission will be taking forward further work and analysis in the following areas before deciding whether further consultation on changes to the LCCP are required:

i. Effectiveness of the current consumer protections

- 4.24. The Commission will review the effectiveness of current gambling management tools and consider whether there is a need to further strengthen and expand the range of tools operators are required to provide to enable consumers to control their gambling in a safe and responsible manner. This may include ways to encourage more players to use the tools available.

ii. Game and product characteristics

- 4.25. The Commission has concerns that game characteristics may be used to encourage and incentivise consumers to play for longer and/or spend more. The Commission will conduct further research into the relationship between in-game features and the potential for this to incentivise players to play for longer and/or spend more.

iii. Requirements on the protection of customers funds and protections around dormant accounts

- 4.26. The Commission will undertake a package of work to assess the risks and options relating to customer funds and dormant accounts. The Commission will support the CMA's investigation into the application of

³⁵<http://www.gamblingcommission.gov.uk/for-gambling-businesses/Compliance/General-compliance/Social-responsibility/Customer-interaction-guidance-for-remote-gambling-operators.aspx>

“dormant account fees”. Following conclusion of this work, the Commission will consider if consultation on amendments to the LCCP is required.

iv. Gambling on credit

- 4.27. The Commission will consider whether gambling using credit cards online should continue to be permitted and will work to develop a more detailed understanding of this issue and the associated risks of gambling on credit online.

v. Withdrawal of funds

- 4.28. The Commission will consult on requiring operators to undertake customer due diligence checks at an earlier stage, which should resolve the practice of operators requesting such information at point of withdrawal - thereby delaying the withdrawal process. The Commission will also consider the practice of “reverse withdrawals”, which enables consumers to cancel their initial withdrawal requests, and will gather evidence on the use, and potential risk of harm, associated with reverse withdrawals.
- 4.29. The CMA continues to tackle concerns of unfair terms and practices in the remote sector. On 1 March 2018, the CMA launched enforcement action against a number of online operators in respect of practices that may place unfair obstacles in the way of customers withdrawing their money (whether as part of a promotion or not). The outcome of the CMA’s enforcement action will inform the Commission’s next steps.
- 4.30. In addition to this programme of work, the Commission will continue to raise standards across the industry, raising awareness of common failings identified in compliance work and taking robust regulatory action where failings are identified.

Government response

- 4.31. Online gambling operators are regulated by the Commission and must adhere to the LCCP set by them. The licence conditions are kept under review to ensure they reflect developments in the industry or emerging evidence on the most effective means of promoting socially responsible gambling.
- 4.32. The Commission has outlined four key areas where it plans to take robust action to strengthen the protections in place to protect vulnerable people who gamble online. The Commission has outlined a further five areas where it will consider placing further restrictions and requirements on operators to ensure high standards of player protection in the online sector.

- 4.33. As set out in the consultation, the Government is clear that the risk of harm should not be affected by whether individuals are gambling online or in land-based venues.
- 4.34. Since the consultation was published, we have seen progress to enhance the measures in place to protect players from harm including:
- the implementation of new rules which require operators to provide customers with more information about their gambling activity to help them manage their time and spend;
 - the initial launch of a new multi-operator self-exclusion scheme allowing customers to self-exclude from all licensed online operators; and
 - the publication of new guidance by the Commission, and by the industry itself, on how operators can do more to interact effectively with customers who may be showing signs of problem gambling.
- 4.35. Effective evaluation of measures to prevent and reduce harm is essential to understanding the impact they have on players - and to inform future measures. The Government expects to see continued evaluation of current and new measures to protect players online.
- 4.36. We welcome the Commission's commitment to obtain further data - including on length of activity, time of play and use of gambling management tools - and to work with the industry to review the effectiveness of existing gambling management tools in order to consider whether they can be improved and to consider new tools to improve the protections available.
- 4.37. In addition to the Commission's plan of action to enhance the player protection measures in place, the industry itself is also taking forward a series of initiatives to address concerns regarding its approach to player protection.
- 4.38. The Government notes the recent publication³⁶ by industry of good practice guidelines to help operators develop or implement systems to recognise indicators of problem gambling behaviour and to interact with customers to reduce the risk of harm occurring.
- 4.39. The Commission plans to consult on the LCCP code of practice for customer interaction, and has published guidance for online operators outlining the key factors which operators must consider when implementing their approaches.
- 4.40. Both the industry guidelines and the Commission's work in this area will be informed by ongoing research³⁷ commissioned by GambleAware into harm minimisation in the remote sector, which is expected to

³⁶ <https://www.rga.eu.com/behavioural-analytics-rga-good-practice-guidelines/>

³⁷ <https://about.gambleaware.org/research/research-publications/>

conclude in 2019 and aims to produce a best practice model for harm minimisation which operators can adopt. The research has already found that the industry could accurately detect problem gamblers using data held by operators today, with a refined set of 22 predictive markers - including time of play and time spent playing - which operators should consider when designing their customer interaction policies.

- 4.41. The Commission's advice notes that while gambling on gaming machines is subject to stake and prize limits, there are no regulatory restrictions on structural characteristics such as stake, prize, and speed of play for online. This reflects the fact that, unlike the land-based sector, all online gambling is account-based and therefore operators know who their customers are. This provides opportunities for operators to use customer data to identify potentially harmful behaviour using algorithms and to target interventions which aim to reduce the risk of harm.³⁸
- 4.42. Despite some progress in this area, the Government is clear that industry must do more to develop and implement more effective approaches to customer interaction and harm minimisation. We expect operators to act now and to trial a range of harm minimisation measures using customer data to strengthen their responsible gambling policies and processes. Interventions should be evaluated to ensure they are effective and outcomes should be shared across industry, to raise standards across the sector. If operators fail to demonstrate sufficient progress then the Government and the Commission has powers to introduce additional controls or restrictions on the online sector.
- 4.43. Our engagement with stakeholders during the Review made clear the importance of technology in developing stronger player protection measures. Through the development of algorithms to identify potential harmful play, gambling operators have been at the forefront of using data and technology to protect players. We recognise this area evolves quickly and, for our understanding to evolve with it, we will need greater collaboration. As the department responsible for the digital and online agenda, we have an important role to play in bringing together work from across Government with industry initiatives. As a result, the Minister for Sport and Civil Society will co-chair a roundtable with Margot James, Minister for Digital and the Creative Industries, to bring together stakeholders from the gambling and technology sectors and try to move towards a wider roll-out of best practice.
- 4.44. Self-exclusion is a valuable tool to support people who have decided that they want to stop gambling. We therefore welcome the initial launch of GAMSTOP - a new multi-operator self-exclusion scheme for

³⁸ <http://www.gamblingcommission.gov.uk/PDF/Online-review-March-2018.pdf>

online gambling - by the largest operators in April 2018.³⁹ Once fully operational, the new scheme will significantly enhance the self-exclusion arrangements available for online gamblers by providing an effective route for consumers to exclude themselves from all licensed online gambling websites. The Government expects to see the full and effective rollout of GAMSTOP to include all online licensed operators at the earliest opportunity.

- 4.45. We note that GAMSTOP does not currently include a facility to remove its customers from direct gambling marketing. It is an existing licence requirement that marketing materials must not be sent to people who choose to self-exclude from individual operators and we strongly support this principle being extended to those who use GAMSTOP to self-exclude. We therefore welcome the industry's commitment to review the scheme's ability to offer a marketing suppression facility and again we would encourage them to deliver this service at the earliest opportunity.
- 4.46. The Government also notes some of the suggestions for additional measures to enhance the protections available for online gambling raised by respondents to the consultation. The Commission is committed to examining proposals to prohibit reverse withdrawals and the use of credit cards for online gambling.
- 4.47. We note that research has found that time of day is a behavioural marker which operators should use to identify at-risk customers and target interventions. The Commission will also collect further data from operators - including on time of play - in order to consider calls raised by respondents to the consultation for prohibitions on gambling online between midnight and 6am. This will inform the Commission's understanding of the sector and any future action.
- 4.48. With regard to unlicensed 'skins' gambling, the Commission has strong powers to tackle this issue and has shown it will take action and prosecute unlicensed gambling with in-game items.⁴⁰
- 4.49. The Government welcomes the Commission's commitment to consult on amending the current requirements so that free-to-play games offered by licensed operators are only accessible to customers who have been age-verified.
- 4.50. We also note concerns that entertainment products, such as some video games, could encourage gambling-like behaviour and we will continue to look closely at any evidence around this issue. The Government's Internet Safety Strategy Green Paper outlines how the Government will work with online platforms, game publishers and game developers, and with agencies such as the Video Standards Council

³⁹ <https://www.gamstop.co.uk/>

⁴⁰ <http://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2017/Two-men-convicted-after-offering-illegal-gambling-parasitic-upon-popular-FIFA-computer-game.aspx>

(VSC) Rating Board, to continue to improve online safety in games. The Government will respond to the Strategy in due course.

Conclusion

- 4.51. The Government is clear that protecting vulnerable people from harm must be at the heart of the industry's approach to offering gambling services online.
- 4.52. As set out in the Government's consultation, the Commission has a broad range of powers to regulate and respond to changes in the market. The Commission has reviewed the online sector and is planning to take robust action to raise standards in four areas - and it has set out a further five areas where it will consider placing further restrictions and requirements on operators to ensure high standards of player protection in the online sector.
- 4.53. The Commission has made clear that it will continue to monitor and respond to emerging risks to the licensing objectives to ensure operators are doing all they can to treat their customers fairly and minimise the risk of gambling-related harm.
- 4.54. We expect the industry to make rapid improvements to the player protection measures currently in place by gaining a better understanding of the impact of existing and new measures through effective evaluation. We will continue to pay close attention to progress in this area. If operators fail to demonstrate sufficient progress, then the Government and the Commission has strong powers to introduce additional controls or restrictions on the online sector to ensure the protection of vulnerable people from gambling-related harm.

5. Advertising

Key findings and next steps:

- We set out at consultation stage a package of measures which will help protect those who are more vulnerable and continue to improve our knowledge about links between advertising and harm.
- There has been good progress on these measures, including new Committees of Advertising Practice (CAP) guidance on tone and content to help protect the most vulnerable and a Gambling Commission consultation on tougher sanctions for breaches of the advertising codes.
- Later this year, a major responsible gambling advertising campaign will be launched, and CAP will publish further guidance on children and young people.
- The Industry Group for Responsible Gambling (IGRG) will amend their codes on gambling advertising to ensure that a responsible gambling message appears for the duration of all TV adverts.
- Further research on the effects of marketing and advertising on children, young people and vulnerable groups has been commissioned by GambleAware.
- The roundtable to be chaired by DCMS ministers (chapter 4) will bring together key players from the gambling and technology sectors to consider online advertising and best practice among other digital issues.

- 5.1. The previous chapter covered online gambling. The growth of online gambling has opened up the market to more competition and has seen a growth in advertising of gambling on TV and in social media. This chapter looks at the issue of gambling advertising in more detail.

Summary of consultation options

- 5.2. The consultation outlined a package of measures and initiatives proposed by regulators, including the Commission and the Advertising Standards Authority (ASA) and Committees of Advertising Practice (CAP), by broadcasters and the gambling industry and by GambleAware, in response to calls from Government to address concerns about gambling advertising. The measures are intended to address concerns about gambling advertising on a number of levels: by addressing the tone and content of adverts to strengthen protections further, by providing counterbalancing messages to raise awareness of risks associated with gambling and by making sure the Commission has the right sanctions available to ensure that operators comply with the advertising codes.

Summary of consultation responses

- 5.3. The consultation asked the question: Do you support this package of measures to address concerns about gambling advertising? Of those who answered the question in the survey, 80% agreed, 15% disagreed and 5% responded 'don't know'.
- 5.4. The supplementary submissions of evidence we received were also supportive of the package of measures. Responses from broadcasters and the remote gambling industry emphasised the controls already in place on gambling advertising, pledged support to the responsible gambling advertising campaign and welcomed the new CAP guidance. Senet reported that it is making its responsible gambling content available to all operators, not just Senet partners. Citizens Advice said the campaign should also make clear the impacts that problem gambling has on others beside the gambler and signpost the support available.
- 5.5. Some respondents said that more should be done to restrict direct marketing, the total volume of gambling advertising, sponsorship and broadcast advertising around sporting events, in particular football before the watershed. Several respondents raised concerns about the targeting and impact of free bets and promotional offers on young and vulnerable people.

Gambling Commission advice

- 5.6. In its advice, the Commission said it shared public concerns that gambling advertising and marketing could lead to harm for children and vulnerable people, but that the evidence is not clear. It is working with partners to improve the evidence and suggests the area continues to require close scrutiny. It will continue to work closely with the Advertising Standards Authority (ASA) to enforce advertising standards and encourage regulators and trade bodies with DCMS leadership to work with social media platforms to help vulnerable people limit their exposure to online advertising.

Government response

- 5.7. There has already been substantial progress against many of the actions in the package outlined in the consultation document, which we welcome.
- 5.8. In January this year, the Commission launched its consultation into raising compliance with the CAP/BCAP advertising codes to a social responsibility condition of its licensing, which means that breaches could be subject to the full range of the Commission's regulatory powers. The Commission is also proposing the introduction of a new

requirement to prevent consumers from receiving 'spam' marketing by email or SMS, as well as making it clear to licensees that they are responsible for the actions of any third party organisations that they use. The consultation closed in April this year and the Commission aims to publish a response by July 2018.

- 5.9. In February 2018, CAP published guidance setting out tougher standards for interpreting the rules on gambling advertising, focusing on protections for those vulnerable to problem gambling and on free bets and bonuses. The new standards on problem gambling:
- Restrict ads that create an inappropriate sense of urgency like those including "Bet Now!" offers during live events;
 - Curb trivialisation of gambling (e.g. encouraging repetitive play);
 - Prevent approaches that give an irresponsible perception of the risk or control (e.g. "Risk Free Deposit Bonus");
 - Provide greater detail on problem gambling behaviours and associated behavioural indicators that should not be portrayed, even indirectly;
 - Prevent undue emphasis on financial motives for gambling; and
 - Provide more detail on vulnerable groups like problem gamblers who need to be protected.
- 5.10. CAP said that the evidence reviewed in developing its guidance suggested that advertising does not play a causal or even significant role in problem gambling or harm in general. As we outlined in our consultation, problem gambling rates have remained relatively stable during a period of considerable growth in advertising volumes. Although the overall impact is small, CAP said that the evidence points to potential risk factors in the form of claims, imagery or approaches that might unduly influence people to behave irresponsibly. Its guidance will inform the ASA's approach to enforcement. Further guidance on protecting children and young people will be published later in the year.
- 5.11. In the consultation, we announced a major responsible gambling advertising campaign, to run for two years with a budget of £5-7m in each year. This will be led by GambleAware, which will approve all content, with airspace and digital media provided by broadcasters and funding by the gambling industry. Work is progressing and we expect the campaign to go live later this year.
- 5.12. The gambling industry has responded to concerns raised during the course of this Review and has agreed to tighten its Code for Socially Responsible Advertising to include the requirement that a responsible gambling message or a reference to begambleaware.org will appear on screen throughout the length of a television advert. Alongside the new socially responsible gambling campaign, this will help raise awareness

of the risks around gambling and improve access to help by signposting people to sources of advice.

- 5.13. As mentioned in the consultation, new research on the effects of marketing and advertising on children, young people and vulnerable groups has been commissioned by GambleAware after being identified as a priority in the RGSB's research strategy. This is a comprehensive piece of work examining which particular features of exposure or content constitute risk to which groups. The research project will run for twelve months, until the beginning of 2019.

Further action for social media/ online advertising

- 5.14. The advertising codes of practice, which ensure gambling advertising is not aimed at children or young people and does not exploit vulnerable people, apply across all advertising platforms, including social media and online.
- 5.15. Online advertising uses a number of techniques to identify its audience and better target adverts at those who are interested, including using information on recent browsing on a particular device (Online Behavioural Advertising), as well as advertising on social media sites. Technology now has an equally important role in protecting children and young people from being exposed to adverts which could potentially be harmful to them.
- 5.16. Social media platforms are already required to make sure that adverts for age-restricted products are not targeted at children. The ASA has made clear that it will take action if the data held by social media platforms on customers' interests, as well as their declared age on sign-up, is not used to form a view of their likely age when targeting adverts for these products. This will help to prevent adverts being seen by children who might have given a false date of birth on sign-up because they were too young to join the platform in question.
- 5.17. Like gambling advertising, alcohol advertising must not be targeted at children. In a recent ruling, the ASA found that insufficient care had been taken to target a Captain Morgan Snapchat lens away from under-18s, because customer interest data had not been used. The ASA questioned the efficacy of Snapchat's age verification policy, which relies on users to self-report their own date of birth, and the reliance on this data when the advertisement was run. Since the campaign ran, Snapchat has introduced more age targeting options, including behavioural and interest-based data.
- 5.18. Through the Internet Safety Strategy, the Government seeks to make Britain the safest place in the world to be online. The green paper committed to exploring how higher expectations of online safety from

advertisers can be translated into a greater focus on safety from platforms. We will look to examine how measures put forward as part of this Strategy could provide extra protections around gambling advertising, particularly on social media. As outlined in chapter 4, the roundtable chaired by DCMS Ministers will also bring together expertise from the gambling and technology sectors to help strengthen protections.

- 5.19. As set out at consultation, the Gambling Industry Code for Socially Responsible Advertising now also requires operators to age-gate gambling content and gambling channels on social media, using the tools provided by platforms to ensure their content is inaccessible to children.
- 5.20. As noted in chapter 4, GAMSTOP does not currently include a facility to remove customers who choose to self-exclude from all direct marketing databases. However, industry has committed to review GAMSTOP and we strongly support the inclusion of a marketing suppression facility.
- 5.21. The Commission will also continue its work to encourage social media platforms to develop user-friendly guides on how a person wishing to limit their exposure to gambling advertising can do so, using settings and preferences.

Conclusion

- 5.22. The Government understands that in order for concerns about gambling advertising to be addressed, the tone and content of adverts must be improved and responsible gambling messaging strengthened. This approach needs support from the gambling industry, the platforms they advertise on, the Commission and the ASA.
- 5.23. We are pleased with the response to our call for more to be done by operators and others who benefit from gambling to minimise the risks to vulnerable people. This includes the commitment to the responsible gambling advertising campaign, and the enhancement of the messaging requirements in the Industry Code for Socially Responsible Gambling Advertising.
- 5.24. We also recognise that the way consumers experience gambling advertising is changing, with a shift towards online, and our intention is to support regulators as they strengthen protections and equip consumers with the necessary knowledge in this space. A crucial aspect of protecting people is improving the available evidence around gambling advertising, and we will continue to monitor the situation closely.

6. Research, Education and Treatment

Key findings and next steps:

- Public Health England (PHE) will conduct an evidence review of health aspects of gambling-related harm to inform action on prevention and treatment.
- The National Institute for Health Research (NIHR) has launched a call for evidence on which interventions are most effective and the National Institute for Health and Care and Excellence (NICE) is considering treatment guidelines.
- The Gambling Commission is taking steps to strengthen the current arrangements that support research, education and treatment for those that experience harm.
- Industry is currently supporting a range of initiatives alongside publicly funded services, but this needs better coordination and improved understanding of what measures are most effective to ensure future funding increases will be spent in the most effective way. The Government does not consider introducing a statutory levy is necessary or appropriate at this stage.
- GambleAware is expanding access to existing services and reviewing their effectiveness. It is also providing tools for frontline staff in other services to help identify people at risk of harm and signpost to appropriate services.

- 6.1. So far we have focused largely on ‘upstream’ arrangements for protecting vulnerable people and the population as a whole from gambling-related harm. These include the limits on stakes and prizes set out in the Gambling Act 2005 and the activities of the Gambling Commission, the regulator which the Act created. The Commission regulates the gambling industry in accordance with the licensing objectives, to keep gambling free from crime, ensure it is fair and open and protect children and vulnerable people from harm and exploitation.
- 6.2. In this chapter, we look at support for those who experience harm, including the arrangements for funding and delivering treatment, as well as education about risks and the research that underpins both treatment and regulation. This is particularly key in the light of other activities outlined in this document, including the responsible gambling advertising campaign, which in raising awareness of risks associated with gambling is also likely to increase the numbers of people seeking support.

Summary of consultation options

- 6.3. The consultation outlined a number of initiatives on research, education and treatment, including action by the Department of Health (now

Department of Health and Social Care, DHSC), GambleAware and local authorities. It called for industry support to ensure appropriate and effective player protection systems that minimise the risk of harm, as well as the provision of funding for third parties to support their work on tackling gambling-related harm. We made clear that Government expects the gambling industry to maintain and increase its funding in line with the targets identified in the Responsible Gambling Strategy Board (RGSB) and GambleAware strategies.

Summary of consultation responses

- 6.4. The consultation asked the question: Do you agree that the Government should consider alternative options, including a mandatory levy, if industry does not provide adequate funding for research, education and treatment? Of those who answered the question in the survey, 80% agreed, 14% disagreed and 6% answered 'don't know'.
- 6.5. Supplementary submissions of evidence generally supported more money for these purposes, in particular for treatment. Many respondents, including local authorities, campaign groups and members of the public, called for a statutory levy. Some industry bodies also support a statutory levy now, while others want to see current arrangements improved, with more transparency and accountability about how money is spent and more recognition of the donations that operators make to bodies outside GambleAware.
- 6.6. Several respondents expressed concern about the hidden nature of gambling-related harm and the particular impact on groups which are vulnerable for other reasons. A number highlighted the importance of recognising gambling as a public health issue, calling for more direct involvement by frontline health workers, DHSC and local authorities. Some, including the Respublica think tank, suggested that funding should be provided to expand the current infrastructure of alcohol and drug services to provide gambling help as well. Citizens Advice said that existing support services needed to be improved, expanded and better advertised.
- 6.7. Some made links to wider player protection measures examined in previous chapters of this response. For example, the Gordon Moody clinic, which provides inpatient treatment, said that: "Any measures which reduce the amount that can be played at any time, reduce the impact that advertising has on negative/compulsive behaviours and ensure that player protection measures are as stringent as possible, will help to reduce the number of people who require treatment."

Gambling Commission review

- 6.8. The Commission recently carried out a review of the current arrangements for commissioning research, education and treatment, which are funded by voluntary contributions from the gambling industry to the charity GambleAware. A summary of its findings was included in its advice on the Review, which was published on 19 March 2018.⁴¹
- 6.9. The Commission noted that the industry's voluntary arrangements are a focal point for efforts to minimise gambling-related harm rather than the only source of them. Action by individual operators, Government, public health bodies and others is also needed.
- 6.10. It identified a number of areas for improving the current arrangements, working in collaboration with its specialist advisers on gambling-related harm, the RGSB and GambleAware. It recognised important progress has been made over the past two years, and there is the potential to do more. However, it also argued that demands for funding were likely to increase substantially in future and was sceptical that the current voluntary system would be able to meet them.

Actions to improve the voluntary system

- 6.11. The Commission has identified and committed to take action to:
- Improve voluntary funding levels, for example through increased transparency;
 - Bring more clarity to the arrangements, especially over its own role and that of the RGSB and GambleAware, and monitor their capability;
 - Strengthen governance arrangements and assess the pros and cons of different commissioning models, especially for research; and
 - Improve industry participation in delivery of the National Responsible Gambling Strategy
- 6.12. As part of this work, the Commission will consult on changing licence conditions to make clear that operators must contribute to organisations signed up to delivering the National Responsible Gambling Strategy (there is an existing requirement to contribute to research, education and treatment; see paragraph 6.17 below). This might mean that contributions to other organisations as well as those to GambleAware could officially support work on the strategy if those organisations are signed up to delivering it.

⁴¹<http://www.gamblingcommission.gov.uk/PDF/Review-of-gaming-machines-and-social-responsibility-measures-%E2%80%93-formal-advice.pdf>

Government response

- 6.13. The overarching focus of this Review is to ensure the right balance between a sector that can grow and contribute to the economy, and one that is socially responsible and doing all it should to protect consumers and communities. Underlying this objective is our focus on reducing gambling-related harm, protecting the vulnerable and making sure that those experiencing problems are getting the help they need. As well as stimulating action in a number of areas, the Review, in conjunction with work by health bodies and those within the voluntary system, has also identified areas where further research and evidence is required.

Problem gambling figures and treatment options

- 6.14. The latest problem gambling statistics for Great Britain (based on the 2015 Health Survey) indicate that 0.8% of the population are problem gamblers, with 3.9% 'at risk' (2.8% counted as low-risk, 1.1% as at moderate risk).⁴²
- 6.15. Problem gambling rates have remained stable for many years at below 1% of the population (although some groups within the population have higher rates) but only a small proportion of problem gamblers seek help or receive dedicated treatment. Most dedicated treatment is funded by donations from industry to the voluntary sector rather than from public funds.
- 6.16. The charity GamCare, commissioned by GambleAware, provides a telephone helpline, online advice and (with partners) face to face counselling. 8,000 people accessed counselling last year, with 30,000 contacting the helpline. GambleAware also funds a specialist NHS clinic, which treats a smaller number of people with more complex needs, and the charity Gordon Moody, which provides some intensive inpatient care.

Funding for research, education and specialist treatment through the voluntary system

- 6.17. As part of its social responsibility licensing code, the Commission requires operators licensed under the Gambling Act 2005 (i.e. excluding the National Lottery operator) to contribute financially to one or more organisation(s) which provide research, education and treatment for gambling-related harm. It does not specify how much or to which organisation.

⁴² <http://natcen.ac.uk/media/1464625/gambling-behaviour-in-great-britain-2015.pdf>

- 6.18. GambleAware commissions dedicated support for problem gamblers, as well as research and awareness-raising on gambling-related harm, mainly with funding from gambling industry donations. This commissioning is according to priorities set in the National Responsible Gambling Strategy, which is published by RGSB, who are expert advisers to the Gambling Commission.
- 6.19. RGSB has also estimated the funding needed to deliver the identified priorities. In January 2017 it estimated that GambleAware in 2017/18 would need £9.3m plus its running costs to deliver its part of the strategy, increasing to £9.5m in 2018/19. It has since said that funding requirements are likely to increase substantially in future, although on treatment in particular the evidence to determine appropriate levels of funding is not yet available. GambleAware currently asks operators to give it 0.1% of their Gross Gambling Yield (GGY), which roughly matches the 2017 RGSB estimates.
- 6.20. Some operators do not give to GambleAware at all, while others, including the largest, give large sums. Industry contributions to GambleAware in 2017/18 totalled £9.4m, up 16% on 2016/17. This is a welcome development and we encourage industry to continue working with GambleAware to provide security of funding.
- 6.21. Industry also made donations to other bodies supporting RET in 2017/18 and the previous year. These direct donations include funding for GamCare and Gordon Moody, which GambleAware also funds, Young Gamblers Education Trust (YGAM), which works with children in schools, and responsible gambling campaigns such as that run by Senet. While they do not contribute to meeting RGSB's target for GambleAware funding, they do go to supporting problem gamblers and bring industry's collective support for RET to above 0.1% of its Gross Gambling Yield (GGY, which for operators licensed under the 2005 Act (i.e. excluding National Lottery) was £10.8bn in 2016/17).
- 6.22. In addition to voluntary donations from industry, GambleAware has also received large sums of money from 'voluntary settlement' payments made by operators following Gambling Commission enforcement action; for example, where there has been a failure in applying responsible gambling or anti-money laundering protections. These payments are made to good causes agreed with the Commission. Such failures are unacceptable and these voluntary settlements cannot be considered a sustainable source of funding. However, while it does not absolve operators from their social and licence condition obligation to provide support for problem gamblers on a regular and ongoing basis, this represents a significant uplift in GambleAware's budget from fundraising and they are developing plans to use this in 2018/19. GambleAware is also leading the responsible

gambling awareness campaign, with additional dedicated funding from the gambling industry.

- 6.23. The consultation asked whether Government should consider alternative options, including a mandatory levy, if industry does not provide adequate funding for research, education and treatment. As this indicates, a mandatory levy would be one option, but is not the only one open to Government. Actions identified by the Commission will help to make the voluntary system stronger and more resilient and pave the way to increase funding and make sure it is spent in the most effective way. We encourage it in the meantime to continue the work it has begun with industry and operators to develop a clear picture of how much funding is being contributed to organisations outside GambleAware, and how it provides support to problem gamblers.

Education and improving signposting

- 6.24. As outlined in the section on advertising above, a major responsible gambling advertising campaign will help raise awareness of risks and practical actions to take to reduce them. In response to concerns raised in the course of this Review, the Industry Group for Responsible Gambling (IGRG) has also changed its code to ensure that responsible gambling messaging and/or begambleaware.org will be on screen for the whole length of TV gambling adverts.
- 6.25. These measures could drive an increase in demand for advice and treatment, which we address in the next section. GambleAware services such as the helpline and counselling services will need to be prepared to respond to larger numbers of people coming forward for help, and we expect industry to step up funding as needed to support that.
- 6.26. GambleAware has published a 'Brief Intervention Guide' as a resource for professionals who do not specialise in the treatment of gambling problems. This is recommended to those working in social and criminal justice settings, social workers, employment advisers, probation officers, community workers, counsellors, GPs, nurses, psychologists and others working in primary care and other health settings.
- 6.27. GambleAware is in discussion with Citizens Advice about extending the reach of the training, screening and early intervention pilot project it funded Newport CAB to deliver from 2016 to 2018, with the expectation that the work will be delivered via a number of regional hubs covering England and Wales. The Local Government Association (LGA), together with PHE, will also publish a briefing for councillors on the impacts of gambling-related harm in local areas and how to develop a strategic response at a local level.

- 6.28. Gambling operators are required by Gambling Commission licence conditions to train staff to intervene where they think a person is having difficulty with gambling and make information readily available to all customers about how they can access help and advice relating to problem gambling if needed.

Improving understanding of gambling-related harm and treatment needs

- 6.29. The following section outlines a package of initiatives, including several led by the DHSC and PHE, to develop understanding of gambling-related harm, including research and development of treatment guidelines. The Government will reflect carefully on the outcome from this work in developing our policy on prevention and treatment.
- 6.30. Gambling-related harm and its impact on society as a whole is increasingly being recognised as a health issue. As such, Government's interest is broad. It is not just in the upstream measures mentioned at the beginning of this chapter, with protections built in at the level of product, environment and operator through a comprehensive system of regulation. DHSC and the devolved administrations, who have responsibility for health and public health more broadly, share with DCMS an interest in and responsibility for preventing and reducing harms associated with gambling.
- 6.31. Each year, the Minister for Public Health writes to PHE setting out the organisation's strategic remit and priorities for the next year. For 2018/19, PHE is explicitly committed for the first time to action on gambling-related harm. As a first step, Government has asked PHE to carry out a review of the evidence relating to the public health harms of gambling.
- 6.32. In Wales, the Chief Medical Officer, Dr Frank Atherton, highlighted the health aspects of gambling in his annual report for the first time this year, with a number of recommendations including for the Welsh Government to develop a plan to reduce gambling-related harm. Public Health Wales has also recently commissioned work on gambling from Bangor University and Swansea University. In 2016 the Scottish Public Health Network published a scoping document towards a public health approach to gambling-related harm.
- 6.33. The NHS's National Institute for Health Research (NIHR)'s Public Health Research programme has launched a call for further research on which interventions are effective and cost-effective in preventing or reducing gambling-related harm. It is recognised that the evidence base on problem gambling is restricted and the NIHR call should help stimulate interest in this field and help build research expertise for the future.

- 6.34. While wider Health-led research is being set in train, GambleAware is commissioning a treatment-related needs assessment and gap analysis as well as a systematic review of evidence on effective gambling treatment and support. Preliminary findings from both studies are expected by early 2019. This work will inform its commissioning strategy in relation to funding treatment, support and after-care services in the future. Findings from this research will also help inform the Health-led research outlined above.
- 6.35. GambleAware has also established an expert steering group to help build a better shared understanding of what is meant by gambling-related harms, chaired by the deputy chair of the Responsible Gambling Strategy Board (RGSB). The group includes health economists and others experienced in methodologies for measuring harm in different areas of public health. It will shortly publish an initial paper for wider consultation.
- 6.36. DCMS's Chief Scientific Adviser is coordinating research requirements across the department and will be liaising closely with UK Research and Innovation (UKRI) and the research councils to communicate the needs of DCMS and its sectors as part of the next round of UKRI challenge funding.

National Lottery

- 6.37. Unlike commercial gambling products, National Lottery games can be played from 16. We intend to consider this issue as part of the next licence competition for the National Lottery. We will aim to gather evidence on this issue in order to consider it fully in time for the next licence competition. The current licence expires in 2023.

Improvement of treatment and provision of services

The voluntary sector

- 6.38. GambleAware has an existing goal of tripling the number of people accessing its commissioned services, including via more early intervention and tailoring interventions according to need. This work will also be informed by its new commissioning strategy.
- 6.39. GambleAware is collaborating with a wide range of local organisations in Leeds to pilot a partnership approach, the Leeds Problem Gambling Support Hub. This would include supporting GPs to identify people at risk, training outreach and community champions and developing capacity in the local NHS to treat those people with more complex needs. The intention is that this specialist support would be available to

the people living in the area around Leeds and beyond.

- 6.40. The effectiveness and sustainability of the initiative will be evaluated to inform decisions about expanding access to treatment elsewhere in Great Britain. It is planned to have the Leeds Hub underway by the summer of 2018.

Other treatment providers

- 6.41. Mental health services commissioned by the NHS and specialist substance misuse provision commissioned by local authorities are likely to be in contact with and treating individuals for whom gambling is an associated problem. In some cases, this treatment for associated conditions may also help address the gambling problem and services may also screen and refer to specialised gambling treatment. The current provision of treatment will also be examined in the upcoming PHE evidence review.
- 6.42. GambleAware has commissioned the Royal Society for Public Health to develop an eLearning programme to promote awareness among health professionals on the advice they can give to someone who presents with a gambling problem. This builds on work previously undertaken in relation to the Brief Intervention Guide, and learns from a pilot programme of eLearning delivered in conjunction with the Royal College of General Practitioners.
- 6.43. GambleAware has also sponsored the development of a Common Screening Tool for providers to use in assessing individuals' gambling problems and this is in the process of being rolled out across the provider network.
- 6.44. In May 2018, gambling and other non-chemical addictions were officially referred by NHS England to the National Institute for Health and Care Excellence (NICE) for development of treatment guidance. Having treatment guidelines would promote the earlier identification of problem gamblers and improve access to help.

Conclusion

- 6.45. As outlined above, Government, health and local authority partners and the bodies in the voluntary system are taking steps to improve understanding of gambling-related harm, how to prevent and reduce it, the need for treatment and the most effective means of delivering it. The aim is to achieve a joined-up system which addresses gambling-related harm as a public health issue. The Commission has identified a number of practical actions to take, working with RGSB, industry, public health bodies, GambleAware and a wider range of

charities to strengthen the voluntary system.

- 6.46. The voluntary system for funding RET provides vital support to help those suffering from gambling-related harm and to help prevent further harm. We call on industry to continue to give full support to this system, providing the funding needed to meet current and future priorities in the National Responsible Gambling Strategy, and working with the Commission and GambleAware to help strengthen the current system.
- 6.47. We will continue to monitor and assess the situation. As our understanding of funding needs and of gambling-related harm develops, and as efforts to strengthen the voluntary system have an opportunity to show results, we will consider what further steps might need to be taken to reduce gambling-related harm. Gambling-related harm is a health issue and the Department of Health and Social Care and Public Health England will be closely involved with DCMS on follow up to this review.

7. Local Authorities

Key findings and next steps:

- We are reducing the maximum stake on B2 gaming machines from £100 to £2 which we believe will support local authorities in their pursuit of protecting wider communities.
- We encourage local authorities to continue to utilise powers available to them to manage gambling at a local level.

Summary of consultation options

- 7.1. At consultation stage, we noted concerns raised by local authorities about the need for further powers to control gambling at a local level, specifically the request to introduce cumulative impact assessments. We said at consultation phase that local authorities should continue to work closely with the Commission to ensure the effective deployment of the existing tools at their disposal. We also indicated that where an increase in the number of LBOs is considered to be a local issue, having an up-to-date, relevant local plan in place will support the local planning authority in the determination of any applications for planning permission.

Summary of consultation responses

- 7.2. We had 95 survey responses from local authority employees and 40 submissions from local authorities.⁴³ Local authorities were broadly in favour of reducing the stakes on B2 machines to £2 and maintaining the status quo on other categories of gaming machine, and supported the social responsibility measures outlined in the consultation. They also welcomed raising the profile of problem gambling as a public health concern, supporting more public health funding for RET.
- 7.3. Some remained of the view that they do not have the powers they need to restrict the clustering of betting shop premises in certain areas and believe that cumulative impact assessments are necessary to achieve this. This appeared to be of particular concern to authorities in the more economically deprived areas of the country. In contrast, Westminster Council, which is the council with the most gambling premises, felt it already had sufficient powers available to manage this issue.

⁴³ We had a variety of responses from representatives of local authorities which we have captured here as local authorities. This included responses from: individual councillors, Mayors, specific directorates of local authorities, including licensing boards and other relevant parties.

Government response

- 7.4. We acknowledge concerns about the impacts of gambling at a local level, but remain convinced that local authorities can address substantive concerns using existing powers. As set out at consultation stage, local authorities can already set out the same assessment of the risk in a given location under their licensing statement of policy. The Commission advises that the implementation of this tool varies from one local authority to another, but where it is used effectively and updated regularly, for example in Westminster Council, it can be an effective tool at rejecting licence applications or imposing conditions on new licences, as would be the case with the introduction of CIAs. We encourage local authorities to continue to work closely with the Commission to ensure the effective deployment of the existing tools at their disposal.

8. List of Unique Respondents

Where permission has been granted, a copy of non-public responses to the consultation will be made available on the gov.uk website. This list does not include names of respondents who have not granted permission for their response to be published.

Gambling/Pub/Leisure Industry - individual company, manufacturer or supplier

Arena Racing
Bet Bet Bet 24/7
Bet Extra
BetFred
Gala Bingo
Greene King
Hippodrome Casino
International Game Technology (IGT)
Ladbrokes Coral Group
Novomatic UK
Rank Group
Regal Amusement Machine Sales Limited
Regency Amusements
Shipleys Leisure Limited
Stonegate Pub Company
William Hill

Gambling/Pub/Leisure industry - trade associations

Association of British Bookmakers (ABB)
Association of Licensed Multiple Retailers (ALMR)
British Amusement Catering Trade Association (BACTA)
British Association of Leisure Parks, Piers and Attractions (BALPPA)

Bingo Association
British Beer & Pub Association (BBPA)
British Horseracing Authority (BHA)
Gambling Business Group (GBG)
National Casino Forum (NCF)
Racecourse Promoters Association Ltd
Remote Gambling Association (RGA)

Faith and Community Groups

CARE
Christian Institute
Church of England
Diocese of London Synod
Diocese of Lichfield
Diocese of Rochester
Evangelical Alliance
King's Community Church - Southampton
Ladder Community Safety Partnership
Methodist Church, the United Reformed Church, the Baptist Union and the Church of Scotland (joint submission)
Muslim faith groups
Presbyterian Church of Wales
Quaker Action on Alcohol and Drugs
Salvation Army
Scotland's Towns Partnerships
Sikh faith groups

Academics/Think-tanks

Institute of Economic Affairs
Jim Orford, University of Birmingham/Gambling Watch UK
Kate Bedford, Birmingham Law School
Professor Peter Collins
ResPublica
Social Care Workforce Research Unit, King's College London
Dr Steve Sharman, University of East London

Local Authorities / Public Sector

Aberdeenshire Council
Aberdeenshire Council [community planning partnership]
Babergh & Mid Suffolk District Councils
Basildon Council
Bournemouth Borough Council
Bradford Metropolitan District Council
Brent Council
Chief Medical Officer/Medical Director NHS Wales
Crawley Council
Dartford Labour Party
East Riding of Yorkshire Council
Glasgow City Council
Hackney Council
Havering Council
Knowsley Council
Lambeth Council
Leeds City Council

Leicester City Council
Local Government Association (LGA)
Medway Council (Labour Group)
Newham Council
North East Lincolnshire Council
Norwich City Council
Royal Borough of Greenwich
Sefton Council
Sheffield City Council
South Kesteven (Labour Group)
South Staffordshire Council
Southampton Council
Sutton Council
Swale Borough Council
Tower Hamlets Council
Waltham Forest Council
Wandsworth Council
Warrington Borough Council
West Lancashire Borough Council
Westminster City Council

Charities

Charities Aid Foundation
Citizens Advice
GamCare
GambleAware
Gordon Moody Association

Interest groups

38 Degrees
Advertising Association
Advertising Standards Authority
Association of Directors of Public Health
Campaign For Fairer Gambling
English Football League (EFL)
GamblingHurts
ISBA
ITV
Justice4Punters
Law Society of Scotland
LM Consultants Limited
Machine Zone Community Interest Company
Money and Mental Health Policy Institute
Royal Society for Public Health
Senet Group
Sky
Viacom
Working Mens Clubs and Institute Union

Parliamentarians

APPG on Fixed Odds Betting Terminals ⁴⁴
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⁴⁴ This includes the following Parliamentarians as members: Carolyn Harris MP, Bishop of St Albans, Lord Beecham, Lord Foster, Lord Clement-Jones, Hannah Bardell MP, Ian Blackford MP, Kirsty Blackman MP, Sir Peter Bottomley MP, Fiona Bruce MP, Ruth Cadbury MP, Dr Lisa Cameron MP, Ronnie Cowan MP, Wayne David MP, Louise Haigh MP, Lady Hermon, Gerald Jones MP, Graham Jones MP, David Lammy MP, Jeremy Lefroy MP, David Linden MP, Jonathan Lord MP, Stuart McDonald MP, Liz McInnes MP, Jim McMahon MP, Jim Shannon MP, Jeff Smith MP, Alison Thewliss MP, Stephen Timms MP, Charles Walker MP, Sammy Wilson MP, Judith Cummins MP

Chris Philp MP
Laurence Robertson MP
Lord Browne of Belmont
Richard Graham MP
Stephen Timms MP
Stuart McDonald MP
Susan Jones MP

Members of the public

Responses were received from members of the public. In order to maintain anonymity, these respondents are not listed here. In addition, a large number of identical responses were received as part of campaigns run by particular organisations.

Annex A - Supporting analysis on B2 gaming machines

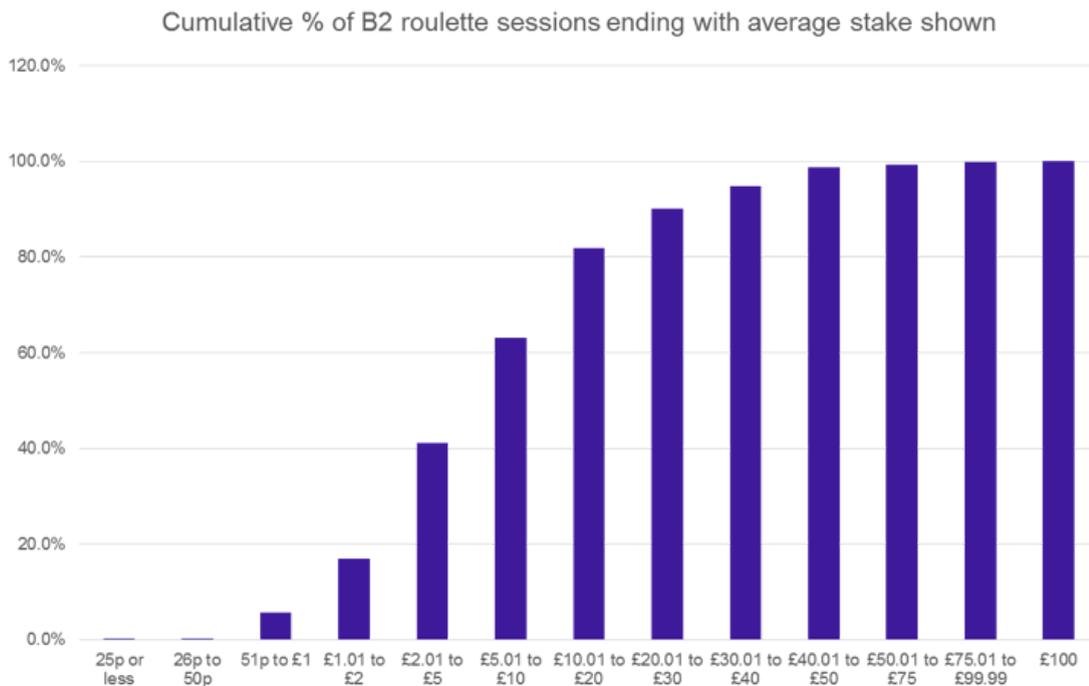
Category B2 gaming machines

- 8.1. The Commission and RGSB have been clear in their submissions that while the case has been made to reduce the maximum stake on a precautionary basis, it must be a matter of judgement as to what that level should be. Having carefully considered all the information and evidence we received in response to the consultation, we have concluded that the maximum stake should be cut to £2, the lowest end of the range suggested by the Gambling Commission. In coming to our conclusion, we have placed greater weight protecting those most vulnerable to harm and reducing the prevalence of high level session losses as a proxy for harm.
- 8.2. Reducing the maximum stake to £2 will reduce harm by targeting the volume and proportion of high session losses, capturing the greatest proportion of problem gamblers, and mitigating risk for the most vulnerable players for whom even moderate losses might be harmful.
- 8.3. In arriving at this conclusion we have looked in detail at the following factors, placing greater weight on some of these over others:
 - a. Staking patterns as proxy for the impact on consumer choice and potential displacement
 - b. Comparisons with other gaming machines in terms of average theoretical and potential maximum losses
 - c. The relationship between data for actual session losses and stake size
 - d. Spread of problem gamblers at each staking level
 - e. Impact on more vulnerable players
 - f. Economic impact
- a. *Staking patterns as proxy for the impact on consumer choice and potential displacement*
- 8.4. We have used industry data around staking patterns to illustrate the potential impact that a stake reduction may have on consumer choice and potential displacement. The Commission note that the lower the limit, the more restricted consumers are in their choices - e.g. 17% of B2 non-slots sessions ended with an average stake up to £2 (see figure 1) - and the greater the potential for displacement to other forms of gambling.
- 8.5. Based partly on this data, the Commission conclude that a stake limit lower in its recommended range may be more likely to encourage players to switch to other forms of gambling. While we acknowledge

the potential risk of displacement to other forms of gambling as a result of any stake reduction, as well as the potential detrimental impact on consumer choice, we note the following points in regards to this information:

- There is significant uncertainty about what players will do in response to a stake reduction and consequences of displacement are unknown.
- The potential for displacement should not prevent Government taking action in regard to specific gambling products if there is a body of evidence to suggest they are associated with unacceptable levels of risk of harm. We are clear that if other forms of gambling are harmful to an unacceptable extent, then action should be taken on them as well.
- If some players do respond to a stake reduction by shifting to other forms of gambling, it does not necessarily follow that they will be exposed to the same or higher levels of harm.
- However, noting both Commission and RGSB advice, we will carefully monitor the impact on player behaviour resulting from changes to the maximum stake so that we can better understand displacement and the potential risks around this.

Figure 1.



b. Comparisons with other gaming machines in terms of average theoretical and maximum potential losses

- 8.6. A number of respondents, including the ABB, highlighted the potential anomaly that a stake reduction on B2 gaming machines may cause in terms of the regulatory regime on gaming machines which permits different categories of gaming machines to offer different levels of stakes, prizes and speeds of play. Acknowledging that stake size is only one comparator, both the Commission and the RGSB highlight that one way of combining some of these characteristics is to calculate Expected Average Theoretical Cost per hour (EATC/h) for different categories of machines. This is the statistical expectation of the loss a player would experience if they were playing a machine for an hour, assuming play takes place at a maximum speed and with the highest stake possible. Table 1 sets out the EATC/h under the status quo for existing gaming machines, and for each of the illustrative options we set out in the consultation document on B2 gaming machines. It shows that the current EATC/h for B2 (roulette) is £486, at £50 it is £243 and at £2 it is £9.72. The current EATC/h for B3 gaming machines is £302.
- 8.7. The ABB suggests that if stake were to be reduced, it should be to no lower than £50 in order to ensure the maintenance of this hierarchy, but also concedes it could be reduced further to £25, subject to allowing players to stake up to £50 on the condition that their play is tracked through an account card. While we acknowledge this data as potentially useful in informing a debate about stake level, we remain unconvinced about relying on this factor alone and note the following points:
- B2 gaming machines at £100 maximum stake did not adhere to this hierarchy upon the implementation of the Gambling Act 2005 under this particular proxy.
 - Averages can conceal a wide range of outcomes, including large losses or gains at the extreme and B2 machines offer the potential for higher losses in shorter periods.
 - EATC/h is theoretical at a player level. The actual loss or gain experienced by a player may be very different from another player using an identical machine or from session to session.
 - Changes in the return to player ratio (RTP), which are not currently controlled by regulation, can make a significant impact on EATC/h.
 - Gaming machine data of session outcomes linked to stakes illustrate how difficult it is to generate very high losses with average stakes at £2 or below. Analysis of gaming machine data is set out below.
- 8.8. We note from the Commission's advice that in order to account for some of these concerns with this particular proxy, we must also take into account shorter session lengths that more accurately reflect how

the machines are played, as well as the maximum potential loss rates possible on these machines, which provide a better insight into larger losses at the extremes.

- 8.9. Table 2 shows expected average theoretical loss rates and maximum possible loss rates over a 9-minute session (the average session duration observed from industry data). Looking at maximum possible loss rates provides us with the potential losses that a player could lose in a session if every bet were lost. This shows that the maximum possible loss with a maximum stake of £16 on a B2 gaming machine is £432, which is the same as the current maximum possible loss on a B3 gaming machine.
- 8.10. If the objective of a stake reduction were to achieve broad equivalence between B2 and B3 overall, taking account of both of these proxies, maximum stake might fall between £16 and £50. We acknowledge this data as useful in helping to understand potential outcomes of a stake reduction, but we think the other factors below carry greater weight.

Table 1. EATC/h for gaming machines B1 - D

Category & type/location	Max stake (£)	Return to player ratio (RTP) ⁴⁵ (percent)	EATC/h (£)	Time to complete each game (seconds)
B1	5	92.5	540	2.5
B2 (roulette)	100	97.3	486	20
	50	97.3	243	20
	30	97.3	145.80	20
	20	97.3	97.20	20
	2	97.3	9.72	20
B3	2	89.5	302	2.5
B4	2	80	576	2.5
C (AGCs)	1	88	173	2.5
C (pubs)	1	78	316	2.5
D ⁴⁶	10p	70	43	2.5

⁴⁵ RTP taken as the midpoint in the range of typical RTP values provided by the Gambling Commission

⁴⁶ Category D money prize gaming machine. Meaningful figures cannot be provided for those Category D machines that have a non-monetary prize element.

Table 2: B2 roulette loss rates in a 9 minute session, with 20 second spin cycle

Stake limit	£2	£16	£20	£30	£50	£100	B3 loss
Expected average loss	£1.46	£11.66	£14.58	£21.87	£36.45	£72.90	£35
Maximum possible loss	£54	£432	£540	£810	£1350	£2700	£432
Probability of maximum loss	47.7%	22.3%	22.3%	10.2%	4.6%	0.1%	N/A

c. The relationship between data for actual session losses and stake size

8.11. To inform its advice to DCMS, the Commission obtained detailed data from operators about how consumers use Category B2 and B3 gaming machines.⁴⁷ The data covers nearly 20 billion plays on machines in licensed betting offices (LBOs), and over 2 billion plays on machines in Adult Gaming Centres (AGCs) and bingo venues (see tables 3 and 4). We note the following points about this data:

- We highlighted in the consultation document the higher losses associated with B2 slots and mixed sessions on B2/B3s in LBOs on what we call slot games. We also note that the Commission cite this as signalling a potentially higher risk associated with slots, recommending a reduction to £2 on this content (see figure 2).
- We also highlighted the broad similarities between the profiles of session losses on B3 play in Adult Gaming Centres (AGCs) and bingo premises with B2 play on roulette in LBOs. We cover B3 machines in more detail in chapter 3.
- We highlighted that it was very hard for a player to lose more than £500 in a session using average stakes up to £2. However, we also note that under the status quo on other machines on the high street, notably B3 gaming machines, on which the current stake is £2, there are still a large number of sessions with losses greater than £500. This remains a concern to us and is covered in more detail in chapter 3.
- In addition, we note that session losses greater than £5000 were only observable on B2 content and there was a greater volume and proportion of the total of session losses between £1000.01

⁴⁷<http://www.gamblingcommission.gov.uk/news-action-and-statistics/news/2017/New-data-to-inform-government-gambling-review.aspx>

and £5000 on B2 content than B3 content in any venue (almost 40 times as many £1000.01-5000 losses on B2 sessions than for B3 sessions). However, it is clearly still possible for players to lose these amounts in a single session on B3 gaming machines in other venues, albeit on far fewer occasions.

- Where B2 and B3 session data differ dramatically is on the volume and proportion of the total of session losses between £1000.01 and £5000. In particular, we note that over 170,000 sessions on B2 roulette ended with losses between £1,000.01 and £5,000. These sessions persist at average stakes of £5 and £10, but by contrast, none involved average stakes of £2 or below (see tables 3 and 4).

8.12. It is uncertain how players would respond to a stake reduction, but under the status quo, these figures suggest that larger volumes of session losses above £1000 occur much more frequently when players stake upwards of £2.

Figure 2.

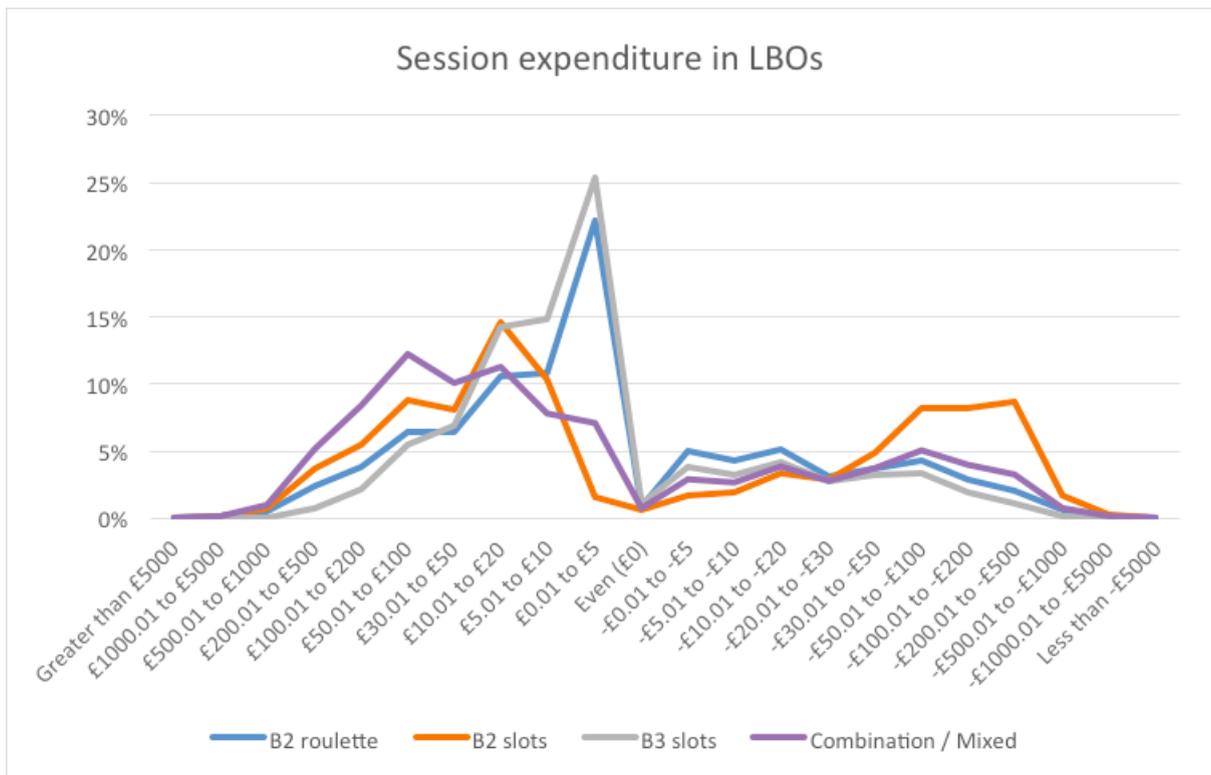


Table 3. Session outcome by venue and category of machines play (number and % of total) - sessions recorded between July 15-July 16

Session outcome	B3 (bingo)	B3 (Arcade)	B3 (betting shop)	B2 roulette (betting shop)	B2 (slots) (betting shop)	Mixed B2/B3 sessions (betting shop)
Greater than £5000	0	0	0	543 (0.0%)	0	118 (0.0%)
£1000.01 to £5000	415 (0.0%)	655 (0.0%)	1733 (0.0%)	170,217 (0.132%)	1522 (0.15%)	60,671 (0.2%)
£500.01 to £1000	6589 (0.1%)	10,329 (0.3%)	27,643 (0.1%)	626,897 (0.5%)	7695 (0.76%)	267,114 (1%)
£200.01 to £500	74,240 (1.2%)	95,343 (2.3%)	362,210 (0.7%)	3,008,317 (2.3%)	36,811 (3.7%)	1,352,290 (5.2%)
£100.01 to £200	206,237 (3.3%)	198,765 (4.9%)	1,136,169 (2.2%)	4,939,356 (3.9%)	54,995 (5.5%)	2,180,991 (8.4%)
£50.01 to £100	454,439 (7.3%)	353,425 (8.6%)	2,839,770 (5.5%)	8,230,583 (6.4%)	87,450 (8.7%)	3,163,451 (12.1%)
Base - Total number of sessions (millions)	6.3m	4.1m	51.7m	128.2m	999,521	26.1m

Table 4. Session outcome by average staking level (volume and % of total) on B2 roulette - sessions recorded between July 15 - July 16

Session outcome (loss to the player)	Total number of sessions by outcome	Involving average stakes at £2 or below	Involving average stakes at £10 or below	Involving average stakes at £20 or below	Involving average stakes at £30 or below	Involving average stakes at £50 or below
Greater than £5000	543	0	0	0	4 (0.7%)	99 (18.2%)
£1000.01 to £5000	170,217	0	373 (0.2%)	3842 (2.2%)	13,744 (8.1%)	99,933 (58.7%)
£500.01 to £1000	626,897	14 (0.0%)	5794 (0.9%)	43,251 (6.9%)	122,813 (19.6%)	481,646 (76.8%)
£200.01 to £500	3,008,317	882 (0.03%)	110,962 (3.7%)	572,859 (19%)	1,231,500 (40.9%)	2,690,922 (89.4%)
£100.01 to £200	4,939,356	8473 (0.17%)	516,494 (10.45%)	1,885,742 (38.2%)	3,129,644 (63.4%)	4,701,342 (95.2%)
Illustrative example: Out of the total number of sessions which ended with a loss to the player of more than £1000 (170,217), none involved average stakes at £2 or below.						

d. Spread of problem gamblers at each staking level

- 8.13. We highlighted in the consultation that evidence from research into loyalty card holders in LBOs allowed us to identify - albeit with an imperfect sample of gaming machine players - that the proportion of problem and at-risk gamblers was smaller at lower staking levels for this sample of gaming machine players. While this doesn't necessarily indicate that higher stakes cause problem gambling, we are concerned that this indicates a correlation between high stakes and problem gambling and further supports a stake reduction.
- 8.14. The ABB highlighted the small and potentially skewed sample size involved in this research, suggesting that this data could not be relied upon. Nevertheless, what data there is shows that a smaller proportion of problem gamblers are found at staking levels £2 and below (19% at £2 or less compared with 42% at £20 or more). Table 5, taken from the RGSB's advice, sets this out in more detail.

Table 5.

Table 1: Problem gambling status by average staking level (Loyalty card holders who played machines in bookmakers – includes B3)					
PGSI status	Average staking level				
	£2 or less	£2.01 to £10	£10 or more	£20 or more	£30 or more
	%				
Non problem gambler	32	29	19	13	16
Low risk gambler	25	25	22	21	19
Moderate risk gambler	24	23	28	23	23
Problem gambler	19	24	31	42	42
Base					
<i>Weighted</i>	1669	1704	612	230	88
<i>Unweighted</i>	1611	1708	668	239	96

**Caution advised because of very small base values*

e. Impact on more vulnerable players

- 8.15. A number of respondents highlighted the links between gaming machine players and areas of deprivation. As we said in the consultation, we are particularly concerned that potential harm is being amplified further by the concentration of LBOs (and therefore B2 machines) in areas of high deprivation. GambleAware research found that areas containing a high density of machines tend to have greater levels of income deprivation and more economically inactive residents; that players of B2 machines also tend to live in areas with greater levels of income deprivation than the population average; and alongside problem gamblers, those who are unemployed are more

likely to use the maximum stake more often than any other socio-economic group.

- 8.16. Based on the assumption that some of those who are most vulnerable to harm are likely to be those who can least afford to lose large sums of money, we think that these factors also point to reducing the maximum B2 stake to a lower level.

f. Economic impact

- 8.17. We have published a final impact assessment covering the costs and benefits associated with this policy. The impact assessment sets out a central estimate impact on the gambling industry of £540m per annum, which will primarily affect the bookmaking sector. In addition, industry estimates suggest that a stake cut to £2 could lead to significant shop closures and related job losses. We have acknowledged in our impact assessment that these estimates are very sensitive to assumptions we have made about how players will respond.
- 8.18. In addition, estimates from the British Horseracing Authority (BHA) as well as some racing participants highlight the potential secondary impact of shop closures on the payments racing receives from the betting sector via media rights and Horserace Betting Levy payments.
- 8.19. With regard to media rights, we note that although media rights deals have historically been based, primarily, on shop numbers, a recent deal in July 2017 was agreed based purely on a profit share basis - and so is less reliant on overall shop numbers.⁴⁸ This may provide a model for future commercial deals to adapt to the changing retail landscape (betting shop numbers have declined steadily in recent years, -3% between 2008/09 and 2016/17). We also note that racing has successfully monetised commercial opportunities to sell data and streaming rights to online gambling operators in recent years, providing an estimated £17m in 2014.⁴⁹
- 8.20. Acknowledging trends around the growth of online betting on horseracing, alongside the continued decline of bets placed in LBOs, we introduced reforms to the Horserace Betting Levy in April 2017 designed to future proof the Levy.⁵⁰ The reforms extended the Levy to online operators for the first time - reversing a period of steady decline in the Levy yield - and are expected to provide a £34m uplift in the statutory Levy yield in 2017/18. This represents a £20m total uplift in

⁴⁸ <https://www.ladbrokescoralplc.com/media/press-releases/ladbrokes-coral-group/2017/>
<https://www.telegraph.co.uk/business/2017/07/21/ladbrokes-coral-ends-spat-right-show-races-betting-shops/>

⁴⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586305/Frontier_Economics- An economic analysis of the funding of horseracing.pdf p.91

⁵⁰ <https://www.legislation.gov.uk/ukdsi/2017/9780111155530/contents>

Levy income from bookmakers compared to 2016/17 receipts (including voluntary contributions).⁵¹

- 8.21. The Government has also committed to further administrative reforms⁵² to the Levy which we estimate will result in savings of £0.6m per annum from 2019/20 - meaning more Levy funds are available to the horseracing industry.
- 8.22. The reforms to the Levy were introduced following State aid approval⁵³ from the European Commission and included a commitment to review the rate of the Levy within 7 years. This was designed to provide a mechanism to respond to any market changes. Noting the special and long-standing relationship between the betting and horseracing industries, we will keep under review how the changes set out in this document impact on the horseracing sector as part of our wider work to monitor the impact of these reforms.

Conclusion

- 8.23. In coming to our conclusion, we have placed greater weight on reducing high level session losses as a proxy for harm and protecting those most vulnerable to harm. Our conclusion from the analysis set out above is that a reduction to £2 would therefore:
- Reduce harm because of the effect on a player's ability to place very large stakes quickly. This is something that might be important not only to problem gamblers, but also those who might not be categorised as problem gamblers.
 - Target the volume and proportion of high session losses, one of the best proxies for harm.
 - Capture the greatest proportion of problem gamblers, noting that only at very low levels would a stake reduction have an impact on the large proportion of problem gamblers who typically place stakes at relatively modest levels.
 - Mitigate the impact on those most vulnerable to harm, primarily players in more deprived locations, in which even moderate losses might be harmful.
- 8.24. While we acknowledge the risks of potential displacement, the nature of this, and the effect on overall harm, are impossible to predict. We are therefore asking the Commission and the RGSB to monitor closely the impact of all the changes we have set out here to ensure we understand their effects and can respond accordingly. In addition, the change to B2 stakes will be accompanied by changes to the wider

⁵¹<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2018-02-27/130003/>

⁵²<https://www.gov.uk/government/consultations/consultation-on-the-use-of-a-legislative-reform-order-to-reform-the-administration-of-the-horserace-betting-levy>

⁵³ http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_46216

landscape, with the Commission also taking forward a package of player protection measures on Category B2 and other Category B machines across all premises, and developments in regards to advertising and online.