



HARINGEY OVERVIEW & SCRUTINY COMMITTEE

SCRUTINY OF BETTING SHOPS IN HARINGEY

A SUBMISSION BY THE

ASSOCIATION OF BRITISH BOOKMAKERS LTD

Background

The London Borough of Haringey Overview and Scrutiny Committee has “commissioned an overview of betting offices in the Borough, in particular, the way in which they appear to be clustered in some local communities.”

The stated aim of the review is to “find out what impact this clustering effect may be having on local communities and, if there are any negative effects, to identify how these can be resolved locally”.

The Council has invited submissions from various stakeholders. This submission is made on behalf of the Association of British Bookmakers (ABB).

Introduction to the ABB

The ABB is the principal trade association for high street bookmakers in the mainland UK. It includes amongst its members, four of the five major national bookmaking chains (Coral Racing, Ladbrokes, the Tote and William Hill) as well as Paddy Power and about 150 other independent small and medium sized enterprises.

Coral Racing is part of the Gala Coral Group, which is one of the UK’s largest private companies. Ladbrokes, Paddy Power and William Hill are public companies listed on the London Stock Exchange. The Tote is in public ownership. There around 8,500 betting shops in the UK and the five major companies (including Betfred - a private operator with 850 shops) operate around 85% of all Licensed Betting Offices (LBOs).

Background History of the Betting Industry

Off course betting in Licensed Betting Offices (LBOs) was legalised in 1961 and, over time, there has been further liberalisation of the products and facilities that betting shops are allowed to provide.

LBOs were traditionally places where customers went to bet on horse and greyhound racing but, over time, they have developed into places which offer a variety of different entertainment channels, including overseas racing from places like France, Ireland and South Africa; “virtual” motor racing and football as well as horse and greyhound racing; betting on other sports, mainly football; numbers betting and machine-based games.

In 1961 the legislation governing the operation of LBOs and the process whereby licences were granted, was the Betting, Gaming and Lotteries Act 1963 (BGLA 63). Applications for new licences (or re-locations) were made to the local Magistrates Court who applied a “fit and proper” test to applicants.

Furthermore, up until the 1st September 2007 when the Gambling Act 2005 (GA05) came in to force, any operator who wanted to apply for a premises licence had to prove “unstimulated demand” for gambling in that particular area. Whilst this may have seemed superficially attractive, in reality operators frequently objected to applications made by their commercial rivals and provided evidence to the Magistrates to defeat those applications, in effect limiting competition and choice.

In its application, therefore, the process was anti-competitive, discriminated against small and medium enterprises and favoured those already licensed in a particular area.

LBOs do not sell National Lottery tickets, which are readily available in the unregulated environment of newspaper shops/convenience stores etc. LBOs are also not permitted to offer bets on the outcome of the National Lottery.

On the 1st September 2007, when the GA05 came in to force, a number of changes in the way that LBO’s were regulated occurred. Of greatest significance was the fact that, under the GA05 and unlike the BGLA63, there were 3 licensing objectives, which all operators of licensed premises were required to uphold.

Set out in s1 of the Act, these objectives are as follows:

- (a) preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime,*
- (b) ensuring that gambling is conducted in a fair and open way, and*
- (c) protecting children and other vulnerable persons from being harmed or exploited by gambling.*

Furthermore, consequent upon GA05, the betting industry saw a number of additional changes:

- Dual regulation was introduced. Organisations that wished to operate LBOs post-1st September 2007 were required to apply to the Gambling Commission, not only for operating licences but also for personal licences for their key personnel. The granting and ongoing regulation of Operating Licences and Personal Licences is retained by the Gambling Commission. In the same way that a local authority has the power to review a premises licence, so the Commission has the power to review operators' and personal licences;
- In granting an Operating Licence, the Commission needs to be satisfied, amongst other things, that the operator in question has sufficiently robust policies and procedures in place to uphold the three licensing objectives of GA05.
- The responsibility for the administration of premises licensing was transferred to local authorities from Magistrates Courts.
- The requirement for applicants for new licences to prove demand for a new or re-located LBO was removed, notwithstanding representations by the ABB to the DCMS during the consultation and scrutiny phase of the Bill that the demand test should be retained.

Thus the introduction of GA05 saw a significant increase in the levels of regulation to which the betting industry became subject. The quid pro quo for increased levels of regulation was the move to a more free market approach to betting and relaxations around advertising

Since that time LBO operators have simply engaged in normal market behavior in exactly the same way as any other retail business. They have not sought to exploit what has been categorised as a loophole in the law – no such loophole exists; rather they have been seeking to locate their LBO's where they believe the demand exists.

Key industry Features

When assessing the nature of the betting shops in the Borough, the Overview & Scrutiny Committee will wish to take account of the following general points about the betting industry as a whole.

- Betting shops are high turnover low margin businesses.
- Because of the tax structure, betting operators always pay significantly more in tax than they make in profit e.g. William Hill pays £227 million in tax and makes £142 million in after tax profit

- Betting operators pay around £400 million a year more in taxes than an equivalent sized non-gambling sector.
- Betting operators also pay around 10% of their gross profits to support British horseracing (prize money and integrity services) and make voluntary payments from their profits to support greyhound racing.
- Betting operators make voluntary payments to support research education and treatment of problem gambling. This year betting operators contributed £5 million (£6 million next year) to be distributed by the Responsible Gambling fund.
- The betting industry supports around 40,000 full-time equivalent jobs with a further 60,000 in related activities. About 14,000 of these are located within Greater London and just under 500 in Haringey, including 170 in William Hill's London headquarters.
- The level of problem gambling in the UK is low by international standards (0.6% of those who bet across multiple gambling channels) – (source BGPS 2007).
- Since B2 gaming machines were introduced into betting shops in 2002 there has been no rise in the level of problem gambling (Source BGPS 1999-2007).
- Betting operators are obliged to comply with a social responsibility code which includes operating a self-exclusion scheme.
- Gaming machines are subject to strict technical standards with high percentage returns to player. Roulette returns over 97% of stakes, retaining approximately 2.8% in profit before tax and other costs.

All LBO operators employ effective practices to prevent underage gambling such as the “Think 21” policy. The latest Gambling Commission report on this issue stated that bookmakers had made “considerable progress” in improving the level of age verification testing.

Whatever the public perceptions are of the betting industry, and more widely the gambling industry as a whole, the reality is that bookmakers operate in a highly regulated environment (more regulated than any other sector of the leisure industry) and is a well ordered part of the overall leisure and entertainment sector in the UK.

Sustainable Communities

There is no evidence that LBOs undermine sustainable communities.

The latest household expenditure survey shows that average household spend on gambling (as a percentage of total spend) varies regionally between 0.4% (London) and 1.2% (North East).

We acknowledge that, in this context, the Borough of Haringey may not be typical of London as a whole and that the trend locally may therefore be higher than 0.4%. Nevertheless even if expenditure on gambling were as high as 1.2% (for which there is no evidence), the proportion of household income is still very low.

Gambling prevalence statistics issued in in October 2010¹ show that, in the year ending 30th September 2010, 54.3% of the adult population had gambled within the last four weeks (55.2% over the same period last year). Within that figure, only 6.2% had placed an over-the-counter bet in a LBO (horses, dog and football) (6.5% last year) and 1.9% had played roulette or other B2 gaming machine content in a betting shop (2.5% last year).

By far the most prevalent gambling activity was the purchase of National Lottery tickets at 45% (45.7%) or National Lottery scratch cards at 10.1% (10.8%), neither of which are available in LBOs.

It is our view that, rather than LBOs undermining communities, they provide clean, regulated areas of leisure activity and flexible local employment. As an example there are 63 LBOs in the Borough providing between 300 – 320 jobs to part time and full time staff, together with a further 170 or so at William Hill's London Headquarters at Greenside House.

The proposition that betting shops or groups of betting shops are automatically bad for local communities is not supported by any evidence we have seen. Instead it appears to be based on a moral disapproval of betting per se and a wish to prevent people from spending their money in betting shops. It fails to take into account personal freedom and ignores the high probability that restricting the operations of legal and well-run betting shops will merely encourage illegal gambling activities.

Whilst it is true that Haringey is the eighteenth most deprived authority area in the country and the fifth in London, the ABB is not aware of any evidence that increasing the number of betting shops in an area increases levels of deprivation or, conversely, that reducing the number of betting shops would impact positively on social deprivation. If such evidence exists then the ABB would welcome the opportunity of having the chance to consider it.

Licensing

Since the 1st September 2007 the responsibility for the granting and onward regulation of gambling premises licences has rested with Local Authorities.

¹ UK Gambling Commission Participation Survey – October 2010

In considering applications for gaming premises licences, Authorities are obliged to take the following principles, as set out in s153 of GA05, into account:

Principles to be applied

- (1) *In exercising their functions under this Part a licensing authority shall aim to permit the use of gambling in so far as the authority think it –*
 - (a) *In accordance with any relevant code of practice under section 24²,*
 - (b) *In accordance with any relevant guidance issued by the Commission under section 25³,*
 - (c) *Reasonably consistent with the licensing objectives (subject to paragraphs (a) and (b), and*
 - (d) *In accordance with the statement published by the authority under section 349 (subject to paragraphs (a) to (c).*
- (2) *In determining whether to grant a premises licence a licensing authority may not have regard to the expected demand for the facilities which it is proposed to provide.*
- (3) *This section is subject to section 166⁴.*

In addition to this the GA05 indicates that Licensing Authorities should not take into account moral issues surrounding gambling. This latter point is contained within Part 5 of the Commission's Guidance to Licensing Authorities at para 28; the same document contains a wide range of additional guidance covering all aspects to be taken into account by licensing authorities when considering licence applications.

We note that your Statement of Gambling Policy reflects both s153 and the Commission's Guidance to Licensing Authorities and we acknowledge the approach you have taken. We note also the caveat you have included which says that:

"Should any specific policy be decided upon as regards areas where gambling premises should not be located, this statement will be updated"

while naturally confirming that each application will be considered on its own merits.

² Conditions relating to Codes of Practice

³ Guidance to Local Authorities

⁴ GA05 s166 refers exclusively to casino licences

We are confident that any such change of policy you might adopt would be solely evidence-based and that the resultant Statement would remain fully consistent with s153 and the Guidance to Licensing Authorities.

We make this point because, as Councillors will be aware, licensing case law makes it clear that a local authority may not take into account general concerns or overarching generalisations, but must rely on specific evidence that is relevant to the application or immediate locality.

The Council may be more familiar with the licensing of premises under the Licensing Act 2003, which they have had responsibility for since 2005. However, it is important to note that one significant difference between the GA05 and the Licensing Act 2003 is the fact that nuisance is not a matter for consideration under the Gambling Act (see Guidance to Licensing Authorities Part 5, paragraph 16).

Some campaigners have characterised this situation as leaving Local Authorities without power to refuse premises licences. This is not correct. Where there is clear and cogent evidence to refuse an application in line with the statutory framework and guidance from the Commission and the authority's own policy, then an authority would be perfectly entitled to refuse an application for a new licence (or relocation of an existing licence).

The law is specifically constructed to ensure that the local decision is not politicised, but made on the basis of objective evidence.

In addition there are powers given to local authorities to begin a review of a licence where appropriate.

We are not aware that Haringey has conducted any licensing reviews of betting premises resulting in a licence being withdrawn.

Planning

Betting shops have for many years been classified under the Town and Country Planning (Use Classes) Order 1987 as A2 use (Financial and professional services - banks and building societies, professional services (other than health and medical services) including estate and employment agencies and betting offices).

Section 210 of the GA05 makes clear that the Authority shall not have regard to whether or not a proposal by the applicant is likely to be permitted in accordance with the law relating to planning or building. The intention of Parliament was not to overcomplicate the process and to keep licensing and planning considerations separate.

LBOs appear to have been held up as an example of how local authorities have been powerless to control the mix on the high street. However, it has always

been open to local authorities to issue what is known as an Article 4 Direction which restricts permitted development rights. This has, in the main, required the approval of the Secretary of State.

However, since the new Town and Country Planning (General Permitted Development) (Amendment) (England) (Order) 2010 came into effect on 6th April 2010, local authorities may now withdraw permission within a local area by way of an Article 4 Direction, without the approval of the Secretary of State. The Order makes provision for the giving of notice, representations to be taken into account and the date the direction comes into effect.

In our view, legislation already exists to control the mix on the high street and there is no compelling reason, other than from a judgmental moral standpoint, to move betting shops to a *sui generis* use class, as has been mooted by some.

Betting Shops in Haringey

Since the Gambling Act 2005 came into force in September 2007, there has been no increase in the number of betting shops in Haringey. The idea that “liberalisation” under the Gambling Act has led to an increase in betting shop numbers is not supported by the evidence.

According to Haringey’s own figures, the number of extant betting premises licences at the commencement of the financial year 2008/9 was 64. During the financial year 2008/9, 7 betting licences were surrendered and 6 were issued; resulting in a net loss of one betting shop. As the figures above demonstrate, this is something of a moving target but, as of today, we think that there are 63 LBOs trading in the Borough.

During this time, Haringey’s licensing officers conducted only one visit to a betting shop and there were no regulatory enforcement action or prosecutions against that betting shop operator or any others.

In the same period, Haringey derived total income from betting shop licence application fees and annual fees of £50,760. It spent £60,000 in costs dealing with betting premises applications which it had refused, but where appeals were brought against those refusals. Haringey also spent over £7000 on “policy work” related to betting shops, which can be contrasted with little or no resource being spent on compliance and enforcement in this area (presumably because none was thought necessary).

It appears to the ABB and its members that instead of pursuing an evidence-based approach to each betting premises application, there appears to have been a policy in relation to applications for new betting offices which resulted in unsustainable but costly appeals being pursued by the Authority.

It is understood that certain Councillors would see the rate of successful appeals against refusals to grant as undermining local democracy. However, the reality is that the legislation has operated entirely as was intended because

there have been no sustainable grounds (under a proper application of s153 of the Act as set out above) to uphold objections to applications.

In the particular case of Haringey there is clear evidence that, with betting shops closing and new licences being applied for, the market is functioning effectively and as it was intended to do

Crime in Haringey

It has been suggested that clusters of LBOs lead to additional crime and disorder. However, when examining crime and disorder in Haringey's betting shops, it is necessary to place this suggestion in the context of the general crime statistics in Haringey as a whole.

Haringey has average levels of crime when compared with other London Boroughs (although above average levels of crime compared to the national average). The exception is business robbery (993 incidents) where there is an above average level of crime.

The table below sets out the relevant Metropolitan Police crime statistics for the financial year 2008/2009 for Haringey:

Crime Category	Amount
Gun crime	158
Violence against the Person	5312 (includes 1144 incidents of harassment)
Robbery	1138
Criminal Damage	3362
Fraud or Forgery	1491
Drugs	2608
Total notifiable Offences in Haringey	27385

Crime and Disorder in Haringey's Betting Shops

Betting operators are obliged by the conditions of their operating licences to report all incidents in the betting shop where police are called. However, it should be noted that although the police may be called, they do not always attend at all or may not attend until well after the incident has taken place.

A significant majority of such calls stem from betting shop staff responding to their regulatory or civic responsibilities, including carrying out age verification procedures, reporting criminal offences and keeping good order in the betting shop.

All operators have policies in place to prevent underage gambling and a significant number of incidents relate to young adults who appear to be below the legal age for entry into an LBO and who cannot, or will not, produce ID; or to youths who are suspected of being under 18.

Generally this group gravitates towards the gaming machine area and staff can disable machines remotely to prevent gambling. All operators take their responsibilities to protect young people seriously and have made great strides in this area to ensure that young persons are prevented from entering, and remaining on LBO premises.

The figures demonstrate how this is now becoming less of a problem as young people realise that they cannot engage in gambling in betting shops.

Notwithstanding this, many of those challenged refuse to produce ID or become disruptive, abusive or violent and may refuse to leave the shop without the threat of police intervention. Many of these individuals are known to police and engage more generally in anti-social behaviour on a wider basis across the Borough.

Due to the general layout of LBOs and the security measures in place to protect staff, sometimes the only available target for those engaged in anti-social behaviour is to attack the gaming machines. The touch screen technology makes the machines vulnerable to physical damage and in certain case machines can be thrown over.

This accounts for much of the criminal damage reported in respect of gaming machines and a new criminal damage reporting protocol has now been agreed with the Metropolitan Police.

Robbery

Betting shop robbery is an issue that is taken very seriously by operators, not least because of concerns and responsibilities for the safety of their customers and staff. Each of the major operators has dedicated security staff and expends significant sums on safety and security issues. Betting operators hold regular meetings with the Metropolitan Police Flying Squad and share intelligence.

The table below sets out details of the LBO robberies in Haringey experienced by the three major operators.

Operator	2008	2009	2010
William Hill (19 shops)	13 (including 2 attempts and 3 CIT)	3 (including 1 attempt and 1 CIT)	5 (including two attempts and 2 CIT)
Coral (4 shops)	3	4 (including 1 attempt)	1 attempt
Ladbrokes (23 shops)	7	10	6
Total Incidents (46/63 shops)	23	17	12

The ABB and its members have also recently collaborated with a number of industry stakeholders (including LACORS and the HSE) and have published a set of voluntary safety and security standards for Betting Operators which is called “The Safe Bet Alliance: Voluntary Code of Safety and Security National Standards for Bookmakers”. These Standards, which have been issued to every LBO and a copy of which is attached for the information of Councillors, are designed provide practical advice and support to staff and to reduce the levels of betting shop robbery and violence in the workplace.

One of the cornerstones of reducing betting shop robbery is robust cash and security procedures. Reducing the cash available in shops also reduces the incentive to commit this serious offence.

Increased levels of CCTV installation in London have also helped provide evidence for police with clear-up rates rising. The ABB and many of its members support Crimestoppers, both financially and by using the service proactively to identify betting shop robbers.

Betting shop are generally safe places for customers and are small communities in themselves. They also reflect the communities in which they are located and the individuals who commit offences or engage in disorder in betting shops often also engage in the same type of behaviour throughout their communities.

Given that betting shops are open for long hours, seven days a week and 364 days a year, the level of crime and disorder in LBOs is generally low relative to the area in which they are located.

There is no evidence that the presence of betting shops in an area increases crime and disorder. On the contrary, there is strong evidence that properly run and regulated betting shops reduce levels of crime and disorder (see below).

Illegal Gambling

Much of the discussion around the issues raised by this Inquiry has centred on the Green Lanes area of Haringey and the question has been raised by leading local and national politicians as to why there are eight betting shops in this immediate location (we are aware of a ninth by Manor House Station about half a mile away).

As Councillors will know, Green Lanes is home to a number of social clubs as well as a wide variety of shops, grills and cafes. Green Lanes also has a troubled history, with Haringey’s own Enforcement Team recently engaged in activity to tackle protection rackets, illegal gambling and money laundering centred on social clubs and other premises.

In July 2009, despite the ready availability of properly regulated gaming machines in local LBOs, a joint operation by the Gambling Commission and the Metropolitan Police Clubs and Vice team seized 13 illegal gaming machines in the Green Lanes area.

Illegal gambling and particularly illegal machines are there to defraud customers and to avoid both regulatory supervision and taxation.

In a market which provides employment to nearly 500 people in the Borough, the betting industry contributes to the Borough's finances through its business rates and licence fees and provides clean and properly regulated places of legal entertainment in area which offers no other leisure facilities apart from two pool halls, it appears to the ABB that the presence of legal and regulated gambling mitigates against the demand for illegal gambling in the area. If the legal betting opportunities were reduced or removed, the illegal alternative would be likely to become more widespread than it is already.

Premises operated by major national chains and medium sized independents are not targets for or susceptible to racketeering. It seems self-evident that, whilst it may be more challenging, the Borough's limited resources would be more usefully directed at addressing the problems caused by illegal gambling activities than being spent on opposing licensing applications from legitimate operators, already assessed as suitable to run betting businesses by virtue of having been granted operating licences by the Gambling Commission.

Targeting Deprived Communities

It has been suggested by some both in the broadcast and print media that bookmakers deliberately target people in deprived communities. Such claims have been made unsupported by any evidence.

The ABB and its members categorically deny any such suggestion and wish to make it clear that bookmakers do not "target" such people. Decisions over the location of betting premises are taken having assessed the market in any given location, taking, for example, such factors as population density, competition and the cost and availability of retail space into account.

Conclusions

Haringey has already spent considerable resources on policy issues surrounding betting shops and has incurred high costs in pursuing what have turned out to be failed appeals to licensing applications. Yet there is no firm evidence on which to base a case for a more restrictive planning and licensing policy in this area.

The lack of compliance activity by the authority implies that, in reality, betting shops are somewhat down the risk scale. The betting industry is subject to some negative perceptions, often held by people who do not gamble and do not use betting shops but feel morally justified in exercising judgments about the motives and means of those who do.

It is evident that, in Haringey, this issue has become highly politicised, and that this has regrettably resulted in an institutionalised opposition to betting shops

and a refusal to accept the liberalisation of the regulated market which the law intended.

There is no proliferation of betting shops in Haringey and no exploitation of either loopholes in the law or of the population. There is some market liberalisation which has led to clustering (as with other groups of retail outlets), but, in the case of LBOs, that was an entirely foreseeable consequence of the way the legislation has been framed by Parliament.

Most of Haringey's betting shops have been in the Borough for many years, but the removal of a demand test has allowed some new operators, mainly from the Independent SME sector, to enter the market. That has increased competition and choice.

There are opportunities for legitimate, properly evidenced representation during the application process and we have indicated how existing planning legislation in the form of Article 4 Orders could be used by authorities to deal with mix on the high street.

The Planning and Licensing processes should remain separate and the ability of operators to relocate marginally profitable shops to an alternative location within the Borough should not be overly restricted. That is surely better than complete closure with the concomitant loss of jobs and the creation of incentives for illegal betting.

While public perception is important, it must be tested against the evidence; and, while it is right that the betting industry should be challenged, it is equally right that those with negative views on the betting industry are also challenged to back up their allegations with hard evidence.

We hope that the evidence we have submitted will help to inform that process.

Association of British Bookmakers Ltd

1st November 2010

Attachment:

Safe Bet Alliance – Voluntary Code of Safety & Security – National Standards for Bookmakers