

<b>Title:</b> Gaming machine allocation in casinos Impact Assessment <b>RPC Reference No:</b> RPC-DCMS-5344(1) <b>Lead department or agency:</b> Department for Culture, Media and Sport <b>Other departments or agencies:</b> N/A	<b>Impact Assessment (IA)</b>
	<b>Date:</b> 12/05/2024
	<b>Stage:</b> Final
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Secondary
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<b>Summary: Intervention and Options</b>	<b>RPC Opinion: Fit for purpose</b>

Cost of Preferred (or more likely) Option, 10 Year Appraisal Period (in 2025 prices)				
Total Net Present Social Value	Business Net Present Value	Net direct cost to business per year	Net direct cost to households per year	Business Impact Target Status
270.9	270.9	-31.5	0.0	Qualifying provision

**What is the problem under consideration? Why is government action or intervention necessary?**

The existing regime regulating gaming machine entitlements in casinos is subject to a number of key problems:

1. Regulatory complexities and failure - there are multiple licensing regimes governing different casinos, meaning that casinos of the same size are subject to different requirements and entitled to different numbers of gaming machines.
2. Impact of limited machine numbers on gambling behaviour - a lack of gaming machines in casinos currently leaves consumers with reduced access to machines and limits their choice. In some cases, this may lead to participation in other products with fewer player protections instead, such as online slots, or spending more time on machines once they do get access.
3. Imbalance with online gaming and international jurisdictions - online casino gaming is not subject to the same regulatory requirements as land-based casinos, and many international jurisdictions do not have such restrictive regulations. This imbalance is putting land-based GB casinos at a competitive disadvantage.

The gambling white paper set out the government's intention to bring the multiple licensing regimes governing casinos closer together, with similar requirements on machine numbers proportionate to size, non-gambling area and gaming tables. This requires government legislation, since the current regulatory requirements are contained in existing legislation. The proposed measures will be permissive legislation, so casino operators will not be forced to comply if they choose to remain under the existing regulatory regime.

**What are the policy objectives of the action or intervention and the intended effects?**

Any intervention to address the problem under consideration should meet four key policy objectives:

- Enable an equitable approach to gaming machine entitlements across casinos, such that casinos of the same size can site the same number of gaming machines.
- Enable a more equitable approach to casino game provision between land-based and online sectors.
- Support casinos in meeting consumer demand.
- Ensure that gaming machine regulations offer reasonable protection from gambling harms for those playing on machines in casinos.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option**

The following options were considered and taken to the public during a consultation period:

- **Option 0 (Do nothing):** Keep existing regulations governing gaming machine entitlements. This is not considered to be an appropriate or effective option as it will enforce the status quo and would be ineffective in achieving the desired policy outcomes.
- **Option 1 (Preferred):** Introduce new, optional entitlements relating to gaming machines for casinos originally licensed under the Gaming Act 1968 (converted casinos). These new entitlements will allow:
  - An increase in the maximum number of Category B gaming machines permitted from 20 to 80 per premises licence
  - A sliding scale to apply for gaming machine allowances, commensurate with factors including the size of the gambling and non-gambling areas
  - A limit of 80 Category B gaming machines per location regardless of the number of premises licences held
  - A maximum machine-to-table ratio of 5:1
  - A minimum table gaming area requirement

Option 1 will also make two adjustments to requirements for Small 2005 Act casinos:

- Change in the maximum permitted machine-to-table ratio - from 2:1 to 5:1
- Reduction in the minimum required table gaming area - from 500sqm to 250sqm.

DCMS considers that Option 1 is likely to best achieve the critical success criteria. We consider that Option 1 strikes the right balance between removing regulatory inconsistencies to support the casino sector and meet consumer demand, while limiting the overall customer access to gaming machines in casinos. The increased risk of gambling-related harm should be counteracted by the highly regulated environment that casinos offer, including player supervision and protection measures on machines, and will be monitored once implemented.

A long list of options were also considered, detailed in the main text.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** N/A

Is this measure likely to impact on international trade and investment?		No		
Are any of these organisations in scope?	<b>Micro</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)		<b>Traded:</b>		<b>Non-traded:</b>

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister :

*Maggie*

Date:

8 May 2025

# Summary: Analysis & Evidence

Policy Option 1 (Preferred)

Description:

## FULL ECONOMIC ASSESSMENT

Price Base Year 2025	PV Base Year 2025	Time period 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 223.5	High: 359.1	Best Estimate: 270.9

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	46.3	13.9	163.0
High	55.5	16.6	195.5
Best Estimate	50.9	15.2	179.0

### Description and scale of key monetised costs by 'main affected groups'

- Familiarisation costs: One-off costs for casinos to understand and disseminate the new measures. Since there are relatively few casino operators in the UK, this is estimated to be minimal at £39,000 for the entire sector.
- Implementation costs: Optional one-off costs for casinos to purchase new gaming machines. These are estimated to be £46m - £55m, incurred in the first two years of implementation.
- Application fee to vary licence: Optional one-off costs for casinos to apply to their licensing authority to move to the new regime. These are estimated to be £86,000, incurred in the first two years of implementation.
- Ongoing operating costs: Annual operational costs to run, maintain, repair and licence the machines are estimated to be £15m - £19m annually.

### Other key non-monetised costs by 'main affected groups'

- Consumers are expected to increase their expenditure on gaming machines as a result of this measure. This comes with an opportunity cost in terms of the products and services they would otherwise have spent this money on.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	49.4	419.0
High	0.0	61.3	522.0
Best Estimate	0.0	53.3	449.2

**Description and scale of key monetised benefits by ‘main affected groups’**

- Increased Gross Gambling Yield (GGY) for casinos, supporting a sector that has been hit hard by the Covid-19 pandemic and a general move to online gambling.
- These are ongoing benefits and are estimated to be £52m - £63m annually. They are assumed to accrue fully from Year 3 onwards.

**Other key non-monetised benefits by ‘main affected groups’**

- Increased utility for casino customers who have increased access to Category B machines when in casinos.
- Increased fairness and consistency between casinos of similar sizes.
- Increased revenue for gaming machine manufacturers and suppliers.

**Key assumptions/sensitivities/risks**  
**Discount rate (%)**

3.5

- There is a risk that this measure increases the prevalence of gambling-related harm in the UK. This should be mitigated by careful consideration of required player protections, limitations on total number of Cat B machines and continuous monitoring of gambling behaviour. However, the impact on harm is difficult to predict and remains a risk. If gambling-related harm increases, possible societal costs incurred include treatment costs, lost income and productivity, costs incurred by affected others and costs associated with gambling-related crime.
- It is assumed that there is sufficient demand for gaming machines that the GGY benefits will exceed the fixed costs of familiarisation. This is tested through sensitivity analysis.

**BUSINESS ASSESSMENT (Option 1)**

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>Score for Business Impact Target £m:</b>
<b>Costs: 20.8</b>	<b>Benefits: 52.3</b>	<b>Net: -31.5</b>	
			n/a

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# 1. Policy Rationale

## Policy background

- 1.1. In December 2020, the previous government launched the Review of the Gambling Act 2005 with the publication of the Terms of Reference and Call for Evidence.<sup>1</sup> The Review was set up to ensure our gambling laws are fit for the digital age and is the broadest examination of the regulatory framework for gambling since the introduction of the Gambling Act 2005.
- 1.2. The Terms of Reference said that the government's three objectives for the Act Review were to:
  - a. Examine whether changes are needed to the system of gambling regulation in Great Britain to reflect changes to the gambling landscape since 2005, particularly due to technological advances
  - b. Ensure there is an appropriate balance between consumer freedoms and choice on the one hand, and prevention of harm to vulnerable groups and wider communities on the other
  - c. Make sure customers are suitably protected whenever and wherever they are gambling, and that there is an equitable approach to the regulation of the online and the land-based industries.
- 1.3. This impact assessment sets out the options for delivering on the second objective of achieving an appropriate balance between consumer choice and prevention of harm, and the third objective of providing an equitable approach to regulation of online and land-based industries. It then provides an assessment of the impact of the government's chosen route forward.
- 1.4. A gaming machine is defined by section 235 of the Gambling Act 2005 as a machine that is designed or adapted for use by individuals to gamble - whether or not it can also be used for other purposes.<sup>2</sup> Most gaming machines are of the reel-based type. These are also known as fruit, slot, or jackpot machines.
- 1.5. Casinos licences originate from two legislative regimes - the Gaming Act 1968 and the Gambling Act 2005. Depending on the type of casino licence an operator holds, they are able to site a different volume of gaming machines, and may be bound by other restrictions including a maximum machine-to-table ratio and limitations on their size and non-gambling space.
- 1.6. The gambling white paper set out the previous government's intention to bring the two regimes closer together, with similar caps on machine numbers proportionate to size, non-gambling space and table games.<sup>3</sup>

## Current casino landscape

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<sup>1</sup> <https://www.gov.uk/government/publications/review-of-the-gambling-act-2005-terms-of-reference-and-call-for-evidence/review-of-the-gambling-act-2005-terms-of-reference-and-call-for-evidence#terms-of-reference>

<sup>2</sup> <https://www.legislation.gov.uk/ukpga/2005/19/section/235>

<sup>3</sup> <https://www.gov.uk/government/publications/high-stakes-gambling-reform-for-the-digital-age>

- 1.7. There are 47 casino licence holders in the UK as of December 2023. These licence holders operate casinos in 113 buildings.<sup>4</sup> Within these casinos, there are approximately 3,157 gaming machines. Across the entire land-based casino sector, Gross Gambling Yield (GGY) in the year to March 2024 was £866m. Approximately 25% of this came from gaming machines, with a reported GGY of £220m.
- 1.8. According to the Gambling Survey for Great Britain's latest annual report published in July 2024, 27% of GB adults reported participating in any gambling in the past 4 weeks, excluding lottery draw only players. 1% had played casino games on a machine or terminal in a venue such as a casino, bookmakers', club or pub, whilst 3% had played fruit or slots games in person<sup>5</sup>. The latest data available for participation in fruit or slots machines in casinos in person specifically show a 0.4% participation rate in UK adults.<sup>6</sup>
- 1.9. Land-based casinos have seen a steady decline in GGY since 2018 as participation has moved towards remote casinos, rather than in-person. This has been exacerbated by forced temporary closures during the Covid-19 pandemic. While GGY has grown since 2022, with some market share returning to land-based casinos, land-based casino GGY remains below the pre-pandemic level. Information from the Betting and Gaming Council, the trade association that represents all casino operators in Great Britain, suggests that casinos require a higher rate of GGY growth than they have seen in recent years in order to remain financially sustainable. Given the significant growth in operating costs, particularly employment costs, the BGC estimates that a sustainable level of GGY growth is 4-5% annually.
- 1.10. We attribute the recent GGY growth largely to the re-opening of casinos and wider in-person activity post-pandemic. Data from the Betting and Gaming Council shows that footfall in casinos increased by 8.5% in 2023/24 year-on-year. This remains 28% lower than footfall in 2018/19 (approximately 5 million fewer visits per year). Additionally, the BGC reports that return to player, which refers to the percentage of deposited funds that will be returned to players, has been decreased in order to help offset inflationary cost increases. This represents an increase in the price of gambling for casino customers.

Table 1: Land-based casino sector GGY compared to remote casino sector GGY

<b>Casino Sector</b>	<b>Non-Remote</b>		<b>Remote</b>		
	<b>Financial Year ending</b>	<b>Total GGY (£bn)</b>	<b>% of Casino Sector GGY</b>	<b>Total GGY (£bn)</b>	<b>% of Casino Sector GGY</b>
	2016	0.99	30%	2.36	70%
	2017	1.16	30%	2.66	70%
	2018	1.18	29%	2.93	71%
	2019	1.06	25%	3.11	75%

<sup>4</sup> Gambling Commission Business Premises Register; Betting and Gaming Council

<sup>5</sup> <https://www.gamblingcommission.gov.uk/report/gambling-survey-for-great-britain-annual-report-2023-official-statistics/gsgb-annual-report-introduction>

<sup>6</sup> <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/statistics-on-participation-and-problem-gambling-for-the-year-to-march-2023#files>

2020	1.02	24%	3.23	76%
2021	0.12	3%	4.04	97%
2022	0.69	15%	3.85	85%
2023	0.81	17%	4.04	83%
2024	0.87	17%	4.36	83%

Source: Gambling Commission Industry Statistics

1.11. GGY from gaming machines in land-based casinos also remains below pre-pandemic levels as a proportion of total casino GGY. This is compared to GGY from online slots games, which are the closest online substitutes to casino gaming machines, in Table 2.

Table 2: Land-based casino GGY from gaming machines compared to remote casino GGY from online slot games

Gaming machines	Gaming machines in land based casinos		Online slots games		
	Financial Year ending	Total GGY (bn)	% of Casino Gaming Machine GGY	Total GGY (£)	% of Casino Gaming Machine GGY
	2017	0.21	11%	1.77	89%
	2018	0.21	10%	1.99	90%
	2019	0.22	9%	2.21	91%
	2020	0.22	9%	2.35	91%
	2021	0.03	1%	2.93	99%
	2022	0.18	6%	2.97	94%
	2023	0.2	6%	3.22	94%
	2024	0.22	6%	3.56	94%

Source: Gambling Commission Industry Statistics

1.12. The Betting and Gaming Council has provided a view on what has driven the increase in gaming machine GGY in the year to 2023/24. While average session length remained the same, average stake increased slightly. Additionally, the average return to player on gaming machines fell from 93.6% in 2022/23 to 93.4% in 2023/24.

1.13. There has been a long-term trend of declining numbers of casino premises and jobs. The Betting and Gaming Council report that 22 casinos have closed since 2018. According to one casino operator, 12 of their casinos have closed across the UK (across all operators) and over 1,700 jobs have been lost since the pandemic. Overall, the number of individuals employed directly by casinos has fallen in each of the last six years, from 14,000 in 2018 to 10,300 in 2023 (a decline of 26%), as shown in Table 3 below.

**Table 3: Casino Direct Employees**

2018	2019	2020	2021	2022	2023
14,000	13,600	11,600	11,000	10,500	10,300

Source: Betting and Gaming Council (via data request from DCMS)

### **Problem Under Consideration and Rationale for Intervention**

1.14. There are three key problems under consideration relating to the current regulatory landscape for gaming machines in casinos. These are:

- a. Lack of consistency and fairness between casinos of similar sizes
- b. Impact of limited machine numbers on gambling behaviour
- c. Imbalance with online gaming and international jurisdictions

#### *Lack of consistency and fairness between casinos of similar sizes*

1.15. The two types of casino licence described above have led to discrepancies between the gaming machine numbers allowed in different types of casinos. The current regulations and statistics relating to the different types of casino licence are set out in Table 4 below.

**Table 4: Casino Licences (Current Situation)**

Source: DCMS

Current rules on casinos	1968 Act	2005 Act (Small)	2005 Act (Large)
Number of venues	Approximately 106	3 (8 licences available, one previously open but now closed)	4 (8 licences available)
Maximum no. of Cat. B machines (£5/£20,000 stake/prize limit)	20	80	150
Machine/table ratio	None	2:1	5:1
Space restrictions a) Gambling area b) Table gaming c) Non-gambling	a) None b) N/A c) 10% of gambling area if gambling area => 200sqm	a) 500-1,500sqm* b) 500sqm c) 250sqm	a) 1,500-3,500sqm b) 1,000sqm c) 500sqm

\*the minimum size possible would be 750sqm (a+c) but would need to be larger to accommodate machines in addition to tables

1.16. Casinos originally licensed under 1968 Act provisions are limited to 20 Category B gaming machines regardless of size (or an unlimited number of lower stake, lower demand Category C and D machines). A Small 2005 Act casino would need 40 gaming tables to be allowed 80 gaming machines whereas a Large 2005 Act casino would only need 30 tables to be allowed to make the maximum of 150 machines available for use. The existence of different regimes for different licences means that casinos of the same size are subject to different gaming machine entitlements. The intention of 2005 Act casinos was to create destination venues with a wider range of activities to attract tourism and investment into areas in need of regeneration.

However, only eight of the available 16 licences have been taken up and one has since closed. Anecdotal evidence from casino operators suggests that they were unattractive for a variety of reasons, including that the restrictions on table:machine ratios were deemed too tight for Small 2005 Act casinos. Given this, there is no longer a suitable rationale for differential regulatory requirements for different types of casinos. Therefore, we suggest amending this such that there is increased fairness and consistency between casinos.

- 1.17. Furthermore, a consequence of the current regulatory framework is that casinos use multiple licences for the purpose of increasing their gambling machine entitlement within a single location. The current position is that 77 out of 114 casinos are limited to a supply of 20 gaming machines. A further 29 casinos have multiple licences within one premises, allowing them to supply 40 or even 60 machines. This reflects a failure in the regulatory regime where the rules are not working as they should.

#### *Impact of limited machine numbers on gambling behaviour*

- 1.18. The restrictions on the number of Category B gaming machines in Britain's casinos means that many operators cannot meet customer demand. Engagement with the sector has suggested that, at busy times, demand for Category B machines outweighs supply as there are more players than machines available. For example, the Hippodrome casino has 52 tables but can only have 20 Category B machines despite being the size of a Large 2005 Act casino. The Hippodrome representatives have stated that there are 75 customers for every gaming machine at busy times and could easily absorb 60 additional machines without impacting its wider leisure offer. An industry-commissioned survey of 1,198 casino customers in March 2021 found almost three-quarters report having to wait in order to be able to play a machine when visiting a casino.<sup>7</sup>
- 1.19. We know that machines in casinos have a longer dwell time than in other land-based premises. Data collected by the Gambling Commission from over 80% of the land-based casino sector shows that sessions on Category B machines in casinos tend to last longer than in other gambling premises. 22% of Category B sessions in casinos last longer than 30 minutes, compared to 6-8% in betting shops, arcades and bingo venues.<sup>8</sup> It could be inferred that the longer dwell times in casinos is because gaming machines are inherently more addictive when placed in casinos compared to betting shops. In this case, the proposed measures would risk increasing gambling-related harm. However, data from the National Gambling Treatment Service shows that the gambling treatment rate is higher for those who play on gaming machines in betting shops, compared to casinos. In 2023/24, 10.0-13.0% of referred patients reported playing on gaming machines in betting shops compared to 2.6-2.8% who reported playing the same machines in casinos.<sup>9</sup> Therefore, we consider that the primary reason for the longer dwell time in casinos is a result of a supply constraint. Based on this, as well as commentary from all of the major casino operators and the Betting and Gaming Council, we hypothesise that the resulting excess demand causes a reluctance amongst customers to leave machines for fear of losing their place (i.e. an increase in dwell time).

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<sup>7</sup> Unpublished survey conducted by MMR Research on behalf of the Betting and Gaming Council

<sup>8</sup> [Cross venue category B gaming machines data](#)

<sup>9</sup> <https://www.gambleaware.org/media/dcejgkpl/annual-statistics-report-23-24.pdf>

- 1.20. Data collected from gaming machine suppliers by DCMS found that, across sessions played on 92% of gaming machines in 2022/23, 8% of total sessions played lasted over 60 minutes. Of sessions that ended in a loss of over £200, 49% lasted over 60 minutes. Further data collection by the Gambling Commission shows that longer session times tend to be correlated with higher session losses and it follows that this increases the likelihood of players experiencing losses that are not affordable. It also increases the likelihood of binge gambling, defined by the Gambling Commission as significant unaffordable losses over a short period. Unaffordable losses and binge gambling both constitute 'indicators of harm' outlined by the Gambling Commission in its Customer Interaction Guidance<sup>10</sup>.
- 1.21. Generally a shorter session length is associated with a lower average stake size. Sessions with lower average stake sizes end in smaller customer losses.
- [REDACTED]

### *Imbalance with online gaming and international jurisdictions*

- 1.22. The legislative frameworks also cause other inefficiencies in the market, such as a competitive imbalance with online gaming. To some extent, gaming machines in land-based casinos are in competition with the online casino sector. The number of gaming products that land-based casinos can provide will always be constrained by physical space in a way that online casinos are not. However, this is made worse by the existing caps on gaming machines. Such caps mean that the differential between the provision of land-based games compared to online games is wider than it otherwise would be without regulation. A relaxation of the cap on the number of gaming machines allowed in land-based casinos would help them to accommodate more consumers and thus make them more competitive relative to online casinos.
- 1.23. We have no evidence on the exact market mechanism between demand for gaming machines in land-based casinos and online casino games. There has been a trend increase in GGY from online casino games since 2016, especially during Covid-19. At the same time, there has been an overall decline in participation in land-based casinos, which were closed during Covid lockdowns. It could be inferred, therefore, that online casinos have attracted customers away from land-based casinos. This could be for a number of reasons, including:
- a. Customers currently cannot get on a slot machine at busy times in casinos (or they assume they cannot so do not go to the casino at all), so they use their phones to play slots instead.
  - b. Customers were forced to move online due to temporary casino closures during the Covid-19 lockdown.
  - c. Customers prefer the product offering and/or convenience of playing casino games online.
- 1.24. This measure is intended to address the first category of customers, allowing them to play on gaming machines in land-based casinos if that is their preference. This mechanism will likely mean that the proposed measure will syphon some market share from online slots. However, given the rise in popularity of online slots games, perhaps due to the second and third reasons listed above, we anticipate that many

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<sup>10</sup> [Gambling commission - customer interaction guidance for remote gambling licensees](#)

<sup>11</sup> DCMS data request to gaming machine suppliers, August 2023

customers will continue to play online slots games. The impact assessment for the online slots stake limit, published in December 2024, considers the impact on online slots GGY of the other GAR measures (including the land-based casino measures) to be minimal. Overall, this measure is expected to expand the casino market, whereby the growth of online casino games continues alongside an increase in gaming machine play in land-based casinos. To note, many land-based casino operators also run online casinos and so any reduced demand for their online casinos should be compensated for by the equivalent increase in demand in their land-based casinos.

- 1.25. Additionally, land-based casinos face significantly higher operating costs than online casinos, such as rent, electricity, staffing costs. According to the Betting and Gaming Council, costs for casinos have increased significantly. Staff costs increased by 6% between 2023 and 2024, largely due to increases in the minimum wage and national insurance contributions. The BGC estimates that these two measures will cost the casino sector approximately £27m annually. Energy costs increased significantly in 2022 and electricity costs continue to increase.
- 1.26. The availability of machines in Britain’s casinos is also low compared to international gaming jurisdictions, who directly compete with Britain for international customers, particularly in larger casinos. This means 1968 Act Casinos are at a competitive disadvantage compared to 2005 Act Casinos, online markets and international gaming jurisdictions.
- 1.27. Machine allowances in Great Britain are low compared with other European gaming jurisdictions, with only Poland’s upper limit being below that of a 2005 Act Large licence. Of the other jurisdictions that apply a machine-to-table ratio, all currently permit a greater proportion of gaming machines compared to Great Britain.

**Table 5: Restrictions on gaming machines in casinos in other European countries**

<b>Country</b>	<b>Limit</b>
Austria	350 machines
Belgium	15 machines : 1 table
Cyprus	2,000 machines (Integrated Resort Casino); 50 machines (satellite casino)
Czech Republic	30 machines minimum (no maximum)
France	25 machines : 1 table
Hungary	1,000 machines (Licence I class); 300 machines (Licence II class)
Luxembourg	375 machines
Poland	70 machines
Sweden	10 machines : 1 table
UK	20 machines (1968 Act casinos), 80 machines (Small 2005 Act casinos), 150 machines (Large 2005 Act casinos)
Denmark, Monaco, Netherlands, Spain	No limit
Greece, Germany, Italy,	No national limit

- 1.28. It is worth noting that there is little available evidence on the impact of these limits on the casinos themselves or on the prevalence of gambling-related harm.

### Policy objectives

- 1.29. Any intervention to address the problem under consideration should meet four key policy objectives in order to correct the issues set out in *Problem Under Consideration*. These policy objectives are to:
- a. Enable an equitable approach to gaming machine entitlements across casinos, such that casinos of the same size can site the same number of gaming machines.
  - b. Enable a more equitable approach to casino game provision between land-based and online sectors.
  - c. Support casinos in meeting consumer demand.
  - d. Ensure that gaming machine regulations offer reasonable protection from gambling harms for those playing on machines in casinos.

### Options considered at consultation stage

- 1.30. A long-list of options was considered by the previous government ahead of the consultation stage.
- a. **Option 0 (Do nothing):** Keep existing regulations governing gaming machine entitlements.
  - b. **Option 1 (Preferred):** Introduce new optional entitlements for gaming machines in casinos. This will entitle casinos to: An increased machine allowance to 80 for all casinos that meet the same minimum requirements as a Small 2005 Act casino. A sliding scale of increased machine allowances for those smaller than the Small 2005 Act requirements. All casinos that site more than 20 Cat B machines to be subject to a machine-to-table ratio of 5:1.
  - c. **Option 2:** Increased machine allowance to 80 for all casinos that meet the same minimum requirements as a Small 2005 Act casino. All casinos smaller than the Small 2005 Act requirements remain at a maximum of 20 machines. All casinos to be subject to a machine-to-table ratio of 5:1.
  - d. **Option 3:** Do maximum. Remove all caps on maximum gaming machine allowances.
- 1.31. All of the long-list options (other than 'Do nothing') are intended to be largely deregulatory measures, designed to support the casino sector and reduce the regulatory complexity of the current regime governing gaming machine entitlements. We have not considered a non-regulatory option (other than 'Do nothing'). In order to achieve the policy objectives, it is necessary to amend the existing regulatory framework around gaming machine entitlements. The Gambling Commission does not have the powers to make these changes through licence conditions. For this reason, any effective policy will require a change to existing regulations and as such, will need to be a regulatory amendment. Therefore, it is not appropriate to consider non-regulatory approaches.
- 1.32. The long-list options were appraised against the Critical Success Factors that were identified as being necessary to meeting the objectives of intervention and include:

- a. **Deliverability** - How quick and/or achievable is the intervention to deliver.
- b. **Effectiveness** - How effective is the intervention in reducing associated harmful gambling behaviour and preventing harm to vulnerable groups.
- c. **Proportionate** - Does the intervention deliver an appropriate level of consumer freedom/choice.
- d. **Consistency** - Does the intervention deliver on achieving an equitable approach to the regulation of the online and land-based industries.

Table 6: Assessment of longlist options against Critical Success Factors

Options Framework for Analysis Category	<b>Option 0:</b> Do nothing	<b>Option 1 (Preferred):</b> Increase machine allowance to 80 for casinos that meet a certain size threshold; a sliding scale for casinos that do not meet these size requirements	<b>Option 2:</b> Increase machine allowance to 80 for casinos that meet a certain size threshold; keep a cap of 20 for the remaining casinos	<b>Option 3:</b> Do maximum - Remove all caps on gaming machine allowances
Delivery Mechanism	N/A	Secondary Legislation	Secondary Legislation	Secondary Legislation
CSF - Deliverability				
CSF - Effectiveness				
CSF - Proportionate				
CSF - Consistency				
Long List Appraisal Result	Taken Forward	Taken Forward	Not Taken Forward	Not Taken Forward

Rationale for discounting Options 2 and 3

- 1.33. **Option 2** was discounted because it does not meet two of the four policy objectives. This option would allow 40 additional casinos to site up to 80 gaming machines. However, this would leave 74 casinos unable to increase their gaming machine provision at all. This means that this measure would not meet the objectives of enabling a more equitable approach between casinos and between land-based and online sectors, as casinos of different sizes would not all be able to site the same number of gaming machines.
- 1.34. **Option 3 (do maximum)** was discounted because it does not meet the policy objective of ensuring that gaming machine regulations offer reasonable protection from gambling harms. There is a risk of gambling harm associated with playing on gaming machines. This option would represent a significant relaxation of current regulation and could lead to a drastic increase in gaming machines in casinos. This has not been tested in Great Britain and the resulting impacts on machine numbers

and associated gambling related-harms are highly uncertain. This poses too high a risk and therefore this option would not offer reasonable protection against a possible increase in such harms.

## Summary and preferred option

- 1.35. Following long-list appraisal, the previous government took two options to the public during the consultation period.
- a. **Option 0 (Do Nothing):** Keeping existing regulations governing gaming machine entitlements in casinos. This is not considered to be an appropriate or effective option as it will enforce the status quo and would be ineffective in achieving the desired policy outcomes.
  - b. **Option 1 (Preferred option):** Implement a new, optional regime governing gaming machines in casinos. This will entitle casinos to: An increased Cat B machine allowance to 80 for all casinos that meet the same minimum requirements as a Small 2005 Act casino. A sliding scale of increased machine allowances for those smaller than the Small 2005 Act requirements. All casinos that site more than 20 machines to be subject to a machine-to-table ratio of 5:1.
- 1.36. DCMS conducted a 10-week public consultation from July to October 2023, alongside a specific data request to casinos and gaming machine manufacturers to fill key evidence gaps. Through wide stakeholder engagement and public consultation, the previous government determined that Option 1 was likely to better achieve the critical success criteria. The current government has agreed with this assessment and will proceed on the same basis.
- a. Deliverability: It is deliverable through secondary legislation.
  - b. Effectiveness: We recognise that there is a risk that this measure will lead to an increase in gambling-related harm. We consider that Option 1 strikes the right balance between removing regulatory inconsistencies to support the casino sector and limiting the overall customer access to gaming machines in casinos. The increased risk of gambling-related harm should be counteracted by applying the player supervision and protection measures to new machines and extending existing staff monitoring once implemented.
  - c. Proportionality: This option better meets consumer demand for gaming machines than the current regulatory framework.
  - d. Consistency: This option enables more play on gaming machines by customers of land-based casinos. While it does not allow all customers to play at once, like online, it is a more equitable approach between the two than at present.
- 1.37. The preferred option can be implemented through secondary legislation. The existing regulatory regime will be amended for 1968 Act casinos that seek to increase their gaming machine entitlement. Moving onto the new entitlements will be a decision for operators but casinos will be prevented from reverting to the current regime once they have accessed the new entitlements. This would be consistent with the intention to bring consistency to the regimes, and ensure that 1968 Act casinos do not have the advantage of being able to revert back, an option that would be unavailable to Small 2005 Act casinos.
- 1.38. A summary of the current regime and the proposed changes are set out in Table 7 below. The proposed measures intend to:

- a. Allow 1968 Act casinos of a certain size to have the same gaming machine allowance as Small 2005 Act casinos (up to 80 machines).
- b. Permit a smaller increase in machines for venues that do not meet these size requirements, proportionate to overall size and non-gambling space.
- c. Introduce a single machine-to-table ratio of 5:1 to be applied to all casinos, with the exception of 1968 Act casinos that do not move onto the new regime or that do not meet the minimum size requirements.

**Table 7: Summary of proposed regulatory regime for Casino Licences (changes in **bold**)**

Source: DCMS

	<b>1968 Act (smaller than Small 2005 Act)</b>	<b>1968 Act (meeting size requirements of Small 2005 Act casino)</b>	<b>2005 Act (Small)</b>	<b>2005 Act (Large)</b>
Maximum no. of Cat. B machines (£5/£10,000 stake/prize limit)	<b>Subject to sliding scale, proportionate to size</b>	80	80	150
Machine/table ratio	<b>5:1</b>	<b>5:1</b>	<b>5:1</b>	5:1
Space restrictions a) Gambling Area b) Table gaming c) Non-gambling	<b>a) min 280sqm b) min 140sqm c) min 140sqm</b>	<b>a) 500-1,500sqm b) min 250sqm c) min 250sqm</b>	a) 500-1,500sqm* <b>b) min 250sqm</b> c) min 250sqm	a) 1,500-3,500sqm b) min 1,000sqm c) min 500sqm

\*For machines

- 1.39. A single machine-to-table ratio of 5:1 will apply to all casinos with the exception of 1968 Act casinos (e.g. those with a gambling area of less than 280sqm or those that elect to remain on their existing licensing regime). Only tables for multi-player live gaming, operated by a casino dealer, will qualify for the purposes of this ratio.
- 1.40. The regulations will be amended so that Small 2005 Act casinos only need a minimum table gaming area of 250sqm, reduced from 500sqm. 1968 Act casinos that meet the same size requirements of Small 2005 Act casinos will be entitled to 80 gaming machines.
- 1.41. 1968 Act casinos will only be eligible to site more than 20 Cat B gaming machines if their gambling area is at least 280 sqm and their table gaming and non-gambling areas are at least 140 sqm respectively. The maximum gambling area must be less than 1500sqm, with the exception of venues currently open with a gambling area of 1500sqm or greater as of May 2025. Also, only areas that comprise at least 12.5% of the minimum table gaming area can be taken into account when determining the total table gaming area for 1968 Act casinos that access the new machine entitlements. This will align the rules between 1968 Act and 2005 Act casinos.
- 1.42. This is permissive legislation, which means it is regulation that allows, but does not force, businesses to do something. Eligible casinos will be able to choose whether they access the new entitlements or not. If they choose to, they will be required to apply to the relevant local authority to vary their premises licence and to notify the Gambling Commission. While we anticipate that many casinos of a suitable size will

take up the option to increase their gaming machine allowances under these proposals, we are aware that some casinos will not want to site more gaming machines. These casinos can continue to operate under the existing regime.

- 1.43. Where there is more than one casino with a premises licence at the same physical location, the new regime could potentially lead to more than 80 machines being sited in that location. Therefore, we will limit the number of machines that casinos can site per location regardless of the number of premises licences held by the operator. As some casinos currently hold two or three premises licences in a single physical location, without taking this step there could be a possibility of 160 or 240 machines being sited in one location, which would be inconsistent with the policy intention. Despite indications from operators that there would not be an appetite to site more than 80 machines in a single location, we want to ensure that this is not a possibility, removing the risk that these casinos could site more machines than even a Large 2005 Act casino.

### Summary of consultation findings

- 1.44. From 26 July to 4 October 2023, the previous government publicly consulted on the gambling white paper measures affecting the land-based gambling sector. The key casino measures in the consultation related to increasing the number of gaming machines that casinos are allowed in their venues. The purpose of this consultation was to ensure that the government considered the best available evidence, including on the impact of the preferred option, when finalising policy decisions.
- 1.45. The casino chapter received 42 substantive responses. While this is not a significant number, the casino sector is relatively small with only 47 licensed operators. 5 of these responded directly to the consultation, alongside the trade association, the Betting and Gaming Council. Therefore, we consider these responses to be broadly representative of the entire casino industry.
- 1.46. Table 8 sets out the split of respondents by respondent type.

Table 8: Responses to the public consultation by respondent type

Type of Respondent	% of Respondents
Local government	34%
Casino operator	14%
Gambling industry - other	14%
Academic/ researcher	14%
Campaigner/ charity	9%
Individual (recreational gambler or non-gambler)	9%
Individual with lived experience of harm	5%
Individual (unknown relationship to gambling)	2%

1.47. The consultation asked respondents for views and evidence on a range of questions to better understand the likely impact of the proposed measures. Table 9 summarises the responses provided on the topics relevant to this impact assessment.

Table 9: Summary of responses to relevant questions in the public consultation

Topic	Summary of responses
Likely take up of additional machines by casino operators under the proposed entitlements	<ul style="list-style-type: none"> <li>● 85% of operators responding to the consultation reported that they intend to take up the new requirements, and 15% responded that they did not know.</li> <li>● 50% said they would site the maximum number of machines available to them, 33% said they would not and 17% said they did not know.</li> </ul>
Impact of the proposed entitlements on customer demand for gaming machines	<ul style="list-style-type: none"> <li>● 52% respondents said that there would be a small increase in demand for gaming machines, 26% said there would be a large increase in demand, 17% said there would be no change in demand and 4% said there would be a decrease in demand.</li> </ul>
Impact of the proposed entitlements on customer demand for other casino products	<ul style="list-style-type: none"> <li>● 41% respondents said that there would be a small increase in the provision of other product offerings, 14% said there would be change in the provision of other product offerings, 36% said there would be a small decrease in the provision of other product offerings and 9% said there would be a large decrease.</li> </ul>
The adequacy of player protections for those using gaming machines in casinos	<ul style="list-style-type: none"> <li>● Some respondents said that player protections were insufficient due to ineffective self-exclusion programs.</li> <li>● Some respondents suggested improvements to player protections, including increasing casino staff training both in and between gambling venues and implementing real-time feedback on gaming machines to make customers aware of money and time spent on gaming machines.</li> <li>● Other respondents said player protections were sufficient due to regulated controls, examples of which include: controlled entry on door, staff supervision and CCTV on gaming floor, wellbeing assessments and tracking and analytics of machine play.</li> </ul>
Impact of the proposed measures on gambling-related harm	<ul style="list-style-type: none"> <li>● Respondents provided evidence that high gaming machine density is found in areas of socio-economic deprivation<sup>12</sup>, leading to higher losses and higher rates of harm.</li> <li>● Others suggested the measures will not increase harm as players will have greater choice and availability of gaming machines, reducing machine dwelling.</li> <li>● One respondent said that gaming machines in casinos are</li> </ul>

<sup>12</sup> [Mapping gambling machine density and socio-economic deprivation](#)

	supervised to a greater extent than gaming machines in other venues.
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**Summary of additional data gathered during the consultation process**

1.48. **Additional staking data requested from operators:** Alongside the consultation, DCMS also gathered data from gaming machine manufacturers supplying gaming machines to casinos in Great Britain. The data received covers the period from 1 April 2022 to 31 March 2023 and represents data from 2,897 Category B machines (over two-thirds of the total gambling machines in casinos). The data captures over 10 million sessions<sup>13</sup> and over 2.9 billion spins during this period.

1.49. The data provides a useful insight into how customers currently play on gaming machines, including how long sessions last or how many sessions end in customers winning or losing.

Table 10: Proportion of gaming machine sessions by stake size

	<b>% of sessions with an average stake size</b>
<b>Less than £1</b>	■
<b>£1.01 - £2</b>	■
<b>More than £2</b>	■

Table 11: Proportion of gaming machine sessions by net customer expenditure

	<b>% of sessions resulting in</b>
<b>A win</b>	■
<b>A loss of less than £20</b>	■
<b>A loss of £20 - £200</b>	■
<b>A loss of more than £200</b>	■

Table 12: Proportion of gaming machine sessions by session length

	<b>% of session durations</b>
<b>20 mins or less</b>	■

<sup>13</sup> A session is defined in the following ways:  
 -If a session is not already in progress, a session begins when credit is inserted by any method, or when a game is played.  
 -If machine credit (excluding promotional credit) is below 20p for 60 seconds from the end of the last game cycle then the session ends.  
 -If there is no player input for 240 seconds, then the session ends irrespective of machine balance.  
 -If a player presses 'Collect' at any time during a session, and all uncommitted credit is cashed out, the session ends.

<b>More than 20 mins*</b>	■
<b>More than 60 mins</b>	■

\* this also captures sessions 20<x<60 mins

- 1.50. Additional findings from the data request:
- A shorter session length is generally associated with a lower average stake size. The average stake size is generally larger, the longer the session lasts.
  - In general, sessions with lower average stake sizes end in smaller customer losses e.g. [REDACTED]
  - Longer sessions generally have a higher net expenditure than shorter sessions. [REDACTED]
- 1.51. **Familiarisation and implementation costs:** DCMS also gathered updated estimates from the Betting and Gaming Council on the familiarisation and reporting costs that would likely be incurred by industry as a result of the proposed measures. We also gathered additional estimates on the costs of purchasing and operating gaming machines. These are set out in the *Costs* section.
- 1.52. **Business data:** The Gambling Commission provided additional and updated data on the number of casino operators split by size of workforce. This data is explored in more detail in the *SaMBA* and *Competition Impacts* section.
- 1.53. **Enforcement and monitoring costs (public sector):** Finally, DCMS engaged with the Gambling Commission and Local Authorities to estimate the updated costs of monitoring and enforcing the new measures.

## 2. Costs & Benefits

- 2.1. This section assesses the costs and benefits of the two remaining options:
- **Option 0** - Do nothing
  - **Option 1** - Introduce new, optional entitlements for casinos in relation to gaming machines. Increased machine allowance to 80 for all casinos that meet the same minimum requirements as a Small 2005 Act casino. A sliding scale of increased machine allowances for those smaller than the Small 2005 Act requirements. All casinos on the new regime that site more than 20 machines (where at least one is Category B) to be subject to a machine-to-table ratio of 5:1.
- 2.2. Option 1 has been taken forward as the preferred option by the current government.

### Summary Table of Impacts to Business

- 2.3. Table 13 shows the costs, benefits and equivalent annual net direct cost to business (EANDCB) for both options. These reflect our central estimate for total monetisable costs and benefits incurred over the 10 year appraisal period and are displayed in present value terms.

Table 13: Costs, Benefits and Equivalent Annual Net Direct Cost to Business (EANDCB) Over 10 Year Period, Summary Table (Price and present value base year: 2025)

	Option 0 - Do Nothing	Option 1 - Preferred option
Costs (£m)	N/A	179.0
Benefits (£m)	N/A	449.2
<b>NPV (£m)</b>	<b>N/A</b>	<b>270.9</b>
<b>EANDCB (£m)</b>	<b>N/A</b>	<b>-35.1</b>

2.4. The proposed way forward under Option 1 is to have an estimated annual direct net cost to business over the ten year appraisal period of -£35.1m (which equates to an annual direct benefit of £35.1m).

## Costs

2.5. Table 14 provides a summary of the categories of costs included in this impact assessment.

Table 14: Costs Categorisation Assessment

Cost classification		Relevant costs in this impact assessment
Costs to Business	Direct Costs to Business	<ul style="list-style-type: none"> <li>Costs of purchasing and implementing additional gaming machines</li> <li>Costs of familiarising themselves with changes in the law</li> <li>Varying licensing fees for 1968 Act casinos</li> </ul>
	Indirect Costs to Business	<ul style="list-style-type: none"> <li>Increased cost of monitoring and enforcement passed through by licensing authorities (quantified but not included in NSPV)</li> </ul>
Other Costs	Direct Public Sector Costs	<ul style="list-style-type: none"> <li>None identified</li> </ul>
	Indirect Public Sector Costs	<ul style="list-style-type: none"> <li>None identified</li> </ul>
	Social Costs	<ul style="list-style-type: none"> <li>Opportunity costs to consumers of increased expenditure on gambling (not quantified)</li> </ul>

### Direct costs to businesses

2.6. There are three primary direct costs to casinos arising from this measure:

- The cost of purchasing and implementing additional gaming machines
- The cost of familiarising themselves with changes in the law
- The costs of varying licensing fees for 1968 Act casinos who choose to access the new entitlements.

2.7. It is important to note that the costs of purchasing and implementing additional gaming machines and the increased costs of licensing fees for 1968 Act casinos are

optional costs. Casinos can choose whether they access the new entitlements, allowing them to take up the new machine entitlements, or to stay with their current entitlements. Therefore, this is permissive regulation and each casino can decide whether or not they access the new entitlements and purchase additional gaming machines. An operator could comply with the proposed measures without having to purchase new machines or being subject to a change in licensing fee. Nonetheless, we consider these costs to be direct costs since the proposed changes to the regulatory framework will liberalise the provision of gaming machines in casinos. This aligns with the approach taken in Regulatory Policy Committee case histories<sup>14</sup>. The RPC's guidance on permissive legislation also states that if the absence of the permissive legislation is effectively the only thing 'holding back' businesses from doing what they would otherwise do, then, other things being equal, the benefit is more likely to be direct.<sup>15</sup> We know from engagement with industry that, for some casinos, existing laws are the only thing currently holding them back from having more Category B machines. Therefore, changing the law to allow more machines will have the direct impact of increasing machine numbers, despite being permissive legislation.

### *The cost of purchasing and implementing additional gaming machines*

- 2.8. To estimate the associated cost of purchase and installation, we first estimate the likely uptake of additional machines by casinos. We use numbers provided by the Betting and Gaming Council to calculate the current entitlement of machine numbers for each casino. Based on this data, we find that approximately 82% of casinos currently take up their full entitlement of machines.
- 2.9. The Betting and Gaming Council also provided data on the physical space available at each casino. Around 20 1968 Act casinos meet the minimum proposed size requirements for gambling area, table gaming area and non-gambling area as for a Small 2005 Act casino, and would therefore be able to benefit from the same number of machines as Small 2005 Act casinos. We estimate that most remaining casinos would also be able to benefit from increased machine allowances, proportionate to their size and non-gambling space. We model the maximum entitlement of machines under the proposed measures based on:
- Current space configuration
  - Possible space configuration if casinos change their gambling/non-gambling space to give themselves the maximum machine allocation
- 2.10. We then use the responses from the consultation to make reasonable assumptions on how many casinos will take up the new machine allocation and to what extent. Table 15 summarises the key modelling assumptions to estimate take up of new machines. To note, only 5 casino operators responded directly to the consultation, but we assume that the remaining casinos are represented in the response from the Betting and Gaming Council, the trade association representing all casino operators in Great Britain.

### Table 15: Key modelling assumptions to estimate take up of new machines

<sup>14</sup> [https://assets.publishing.service.gov.uk/media/5c9b7ccde5274a52811778f2/RPC\\_case\\_histories\\_-\\_direct\\_and\\_indirect\\_impacts\\_\\_March\\_2019\\_\\_1\\_.pdf](https://assets.publishing.service.gov.uk/media/5c9b7ccde5274a52811778f2/RPC_case_histories_-_direct_and_indirect_impacts__March_2019__1_.pdf)

<sup>15</sup>

[https://assets.publishing.service.gov.uk/media/5e591e74e90e07110f9f6c97/Permissive\\_legislation\\_-\\_February\\_2020.pdf](https://assets.publishing.service.gov.uk/media/5e591e74e90e07110f9f6c97/Permissive_legislation_-_February_2020.pdf)

Assumption	Rationale and evidence
85% of casinos will move onto the new regime and take up the new entitlements. We assume that all of those that currently take up their full entitlements will take up the new entitlements to some extent.	85% of casino operators responding to the consultation reported that they intend to take up the new requirements. Approximately 82% of casinos take up their full entitlement of machines currently. It is reasonable to assume that these are the casinos that will take up the new requirements, given they are currently at their maximum entitlement.
Of those casinos that will take up the new requirements, 50-67% will take up the maximum number of machines available to them. Of these, 25-50% will change their layout configuration to increase their machine entitlement.	<p>50% of casino operators responding to the consultation reported that they would site the maximum number of machines available to them. 33% said they would not and 17% said they did not know. In the low impact scenario, we assume that only those casinos who responded affirmatively would site the maximum possible number of machines. In the high impact scenario, we assume that all casinos that responded 'Do not know' would also site the maximum possible number of machines.</p> <p>Of the casinos that currently take up their full entitlement of machines, approximately 46% could, under the new regime, amend their gaming/non-gaming area configuration to further increase their new entitlement. In the high impact scenario, we assume they will all do so. In the low impact scenario, we assume that half will do so.</p>
For those that do not take the full number of machines, we assume they will take up 50% of their additional machine entitlement. For example, if they were previously entitled to 20 machines and they will now be entitled to 40 machines, we assume they will take up 10 new machines (40-20/2).	There is no evidence to suggest the extent to which casinos will increase their machine numbers if they do not choose to use their full entitlement. In the absence of better data, we assume that they will take up 50% of their additional machine entitlement and we test this in sensitivity analysis.
Those that do not take up the new entitlements keep the same number of machines that they site currently. We do not expect any machines to be removed as a result of these changes.	This is permissive legislation and casinos can choose whether or not to take up the additional machine requirements. There are a number of reasons they may choose to not increase their machine numbers. Some casinos do not currently site their maximum entitlement of machines and there is no reason this would change under the altered regulatory regime.

2.11. Applying this methodology produces estimates for likely uptake of new machines in the low impact and high impact scenarios (where there is a range in the assumptions made above, the low and high values feed into the low and high scenarios). The central estimate simply takes the average number machines across these two scenarios.

2.12. Gaming machines are estimated to cost between £11,000 and £18,500 per machine to implement and make available once all costs are taken into consideration (e.g. the costs of the cabinet, monitor, game software, etc), according to the World Financing Review. The Betting and Gaming Council estimates the cost per machine to be between £20,000 and £25,000. Based on the median values of these estimates, we have estimated the cost per machine to be £18,500 to £20,000.

- 2.13. There are also annual ongoing costs of operating the machines, in the form of new staff to manage the machines, maintenance, electricity and licensing costs. Estimates from the Betting and Gaming Council, following consultation with casino operators, suggest that these costs range from £4,500 to £8,350 per machine annually.
- 2.14. Table 16 shows the estimated uptake of new machines and their associated costs. We use the central point of the ranges provided for implementation and ongoing costs.

Table 16: Estimated uptake of new machines under preferred option: low, central and high estimate

	<b>Low case</b>	<b>Central case</b>	<b>High case</b>
Total machines taken up as a result of the proposed changes	5,845	6,085	6,328
Total additional machines taken up	2,396	2,636	2,879
% increase in number of machines above current	69%	76%	83%
One-off implementation costs	£46m	£51m	£55m
Ongoing annual costs	£15m	£17m	£19m

- 2.15. Therefore, in our central scenario, the one-off cost to businesses of implementing additional machines will be **£51m** across the sector. The ongoing annual cost to business of operating these machines is estimated to be **£17m**.
- 2.16. For the purposes of modelling, we assume that casinos will take two years to access the new entitlements and fully purchase and install their new machines. Therefore, the one-off implementation costs are expected to be incurred equally for the first two years after the introduction of the measure, and then no costs to be incurred thereafter. The ongoing annual costs are assumed to be only half of the full annual costs in the first two years, as casinos take time to access the entitlements. Thereafter, we assume that the full costs are incurred each year.

*The cost of familiarising themselves with the new regulations*

- 2.17. Familiarisation costs are assumed to cover the costs of casinos reading and understanding the legislation and disseminating it to the rest of their business. The changes are relatively technical, so operational and legal professionals within each casino will need to consider how they apply to their casino. However, the detail is unlikely to need to be disseminated to the wider business. We estimate that it will take two legal professionals and two senior officials 3 hours each to familiarise themselves with the updated regulatory framework. This assumption has been tested with the Betting and Gaming Council.

- 2.18. Using average hourly wages from the ONS's Annual Survey of Hours and Earnings (ASHE)<sup>16</sup> and applying a 22% non-labour wage uplift<sup>17</sup>, we estimate an average cost of £338 per casino to familiarise themselves with the new rules. Applied to 114 casinos, this is a total cost to the sector of approximately **£39,000**. We assume this will be incurred in the first year following the changes only, and we use this same cost in the low, central and high cases.
- 2.19. There are not expected to be any additional costs associated with reporting against the new rules. There are already comprehensive rules in place governing gaming machines in casinos. Casinos are required to submit quarterly regulatory returns to the Gambling Commission, which include total GGY figures, numbers of gaming machines per category type and data on customer interaction. These reporting requirements are not going to change following the implementation of the new measures, nor will any new requirements be imposed. Therefore, we do not expect there to be any increase in reporting costs for casinos. We have confirmed this assumption with the Gambling Commission, which collects the regulatory returns from casinos. The Betting and Gaming Council reported that one casino operator noted that there should be no material impact to reporting costs.

*Application fees for varying premises licence for casinos that choose to access the new entitlements*

- 2.20. Eligible casinos will be able to select whether they move onto the new regime or not. If they choose to, they will have to apply to vary their premises licence to the relevant local authority and to notify the Gambling Commission.
- 2.21. Under the Gambling Act 2005, any business that holds an operating licence is required to pay a one-off fee to vary their licence. This will need to be paid by all casinos that choose to access the new entitlements. The maximum fee payable to vary a licence is £2,000 for a 1968 casino and £4,000 for a small 2005 Act casino.
- 2.22. The licensing authority for the area in which a casino is located sets the relevant fee, and so the exact fee payable by an individual casino will vary slightly. Looking at the fees currently charged by a sample of licensing authorities, we estimate that 90% of licensing authorities are currently charging the maximum fee. We therefore make a modelling assumption that the average fee charged per casino to apply to vary their licence will be between £1,800 and £3,600. Applied to the 94 casinos that we expect to move to access the new entitlements, the total one-off fee charged to casinos to vary their licence is estimated to be approximately **£86,000**. For the purposes of modelling, we assume that this cost is spread equally over the first two years of implementation and no costs are incurred thereafter.

**Indirect costs to business**

*The increased cost of monitoring and enforcement (initially incurred by the public sector)*

- 2.23. Under the Gambling Act 2005, licensing authorities in England and Wales have the role of issuing premises licences for casinos and monitoring those licences. Licensing Boards in Scotland perform the same role. Monitoring responsibilities may include inspecting gambling premises to ensure they are complying with their licence. This

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<sup>16</sup> [Office for National Statistics - Annual Survey of Hours and Earnings](#)

<sup>17</sup> [Regulatory Policy Committee - Guidance note on implementation costs](#)

will remain the role of licensing authorities under the proposed amendments. Licensing statistics collected by the Gambling Commission show that licensing authorities carried out 18 casino inspections in the financial year to 2024.<sup>18</sup> Licensing authorities responding to the consultation suggested that the cost of monitoring the compliance of casinos with gaming machine requirements will increase under the proposed measures. To note, not all licensing authorities have casinos in their local area, so this will not affect those authorities.

- 2.24. The costs incurred by local authorities in carrying out their statutory functions for the gambling sector are meant to be covered by premises licence fees. These are collected by licensing authorities in the form of applications and annual renewals. Therefore, while the increased cost of monitoring and enforcement will be initially incurred by licensing authorities, they will be collected back from casinos through annual licensing fees.

### **Direct public sector costs**

- 2.25. The Gambling Commission is also responsible for enforcing licensing and regulatory requirements on casinos. Data on expenditure made by the GC on carrying out this duty is not available. However, the Gambling Commission has confirmed that the proposed amendments to the law are not expected to affect its costs.

### **Costs to society**

#### *Costs to consumers of increased expenditure on gambling*

- 2.26. As set out in the next section, this measure is intended to deliver significant benefits to casinos in terms of increased Gross Gambling Yield (GGY). It is important to note that this additional GGY comes directly from additional expenditure by customers on gaming machines. This represents a transfer from consumers to business, where the benefit to business is equivalent to the cost to consumers. Therefore, the effect on the net social present value of this measure is neutral. Nonetheless, there is an opportunity cost of the products and services that consumers might otherwise have spent that money on.
- 2.27. Overall, we consider this to be a relatively small cost given that consumers are freely choosing to spend additional money on gaming machines based on their own budgets, utilities and preferences. The proposed changes to the regulatory framework will not force consumers to spend money on gaming machines, it just allows them to choose to do so if they wish.

### **Benefits**

- 2.28. Table 19 provides a summary of the categories of benefits included in this impact assessment.

Table 19: Benefits Categorisation Assessment

Benefits classification	Relevant benefits in this impact
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<sup>18</sup> <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/licensing-authority-statistics-2022-to-2023-revision#files>

		assessment
Benefits to Business	Direct Benefits to Business	<ul style="list-style-type: none"> <li>Increased gross gambling yield (GGY) for casinos</li> </ul>
	Indirect Benefits to Business	<ul style="list-style-type: none"> <li>Unquantified benefits to gaming machine suppliers and manufacturers</li> </ul>
Other Benefits	Public Sector Benefits	<ul style="list-style-type: none"> <li>No identified benefits</li> </ul>
	Social Benefits	<ul style="list-style-type: none"> <li>Unquantified benefits to customers in terms of increased utility</li> </ul>

## Direct benefits to business

### *Increased GGY for casinos*

- 2.29. The primary benefit of this measure is increased GGY for casinos that take up additional gaming machines.
- 2.30. Firstly, we seek to develop a counterfactual scenario to represent what would have happened in the absence of these changes to the regulatory framework. According to the Gambling Commission's Industry Statistics covering April 2023 - March 2024, GGY generated from gaming machines in casinos in 2022/23 was £220.4m.<sup>19</sup> This is the same level as seen in 2018/19, representing minimal GGY growth in the last five years. GGY from gaming machines is driven by both the number of gaming machines in casinos and GGY per machine, which we explore below.
- 2.31. The number of gaming machines in casinos has fallen by approximately 5% since 2018/19. The number of gaming machines per casino has remained relatively stable over that period, at around 21 or 22 machines per premises. Therefore, this fall in total gaming machines has come from a reduction in the number of casinos, which has fallen by at least 5% since 2018. This reflects the *Problem under consideration*, which highlights the problem of casino closures in recent years.
- 2.32. GGY per gaming machine has been slowly declining in the last five years, but it has increased in the last 12 month period (to March 2024). Between 2018/19 and 2022/23, average GGY per machine fell by 2% from £65,100 to £63,800, and then increased by 10% in the year to March 2024. Industry stakeholders suggest the decline was due to a trend towards lower stakes, rather than a reduction in participation or demand. The increase to 2024 is driven by an increase in footfall and reduction in the return to player rate. Overall, the compound annual growth rate for GGY per gaming machine since 2018/19 has been 1.1%.
- 2.33. Overall, GGY from gaming machines in casinos has increased by approximately 0.1% year-on-year since 2018/19. We assume that this continues under the counterfactual.
- 2.34. We then consider how GGY from gaming machines in casinos will change following the introduction of these changes to the law. We expect the number of gaming

<sup>19</sup> <https://www.gamblingcommission.gov.uk/statistics-and-research/publication/industry-statistics-february-2024-correction>

machines in casinos to increase significantly in the first two years: Table 16 in the *Costs* section sets out the estimated take up of additional machines in this period. These estimates are based on the assumption that the majority of casinos will take up their maximum entitlement of gaming machines within the first two years. Therefore, there will be little scope for gaming machine numbers per casino to increase beyond this in future years. The only growth will come from an increase in the number of casinos, which is limited by the number of available licences. However, many casino operators have attributed the closure of casinos in recent years to financial struggles, which we are aiming to ease through this measure. Therefore, we assume that the number of casinos will not decline in future years, nor increase.

2.35. However, we expect GGY per machine to fall due to the proposed measures, given the expansion in supply of gaming machines. There is likely to be diminishing returns such that the more machines you have, the less GGY would be generated per machine. This will differ across casinos: casinos in central London are likely to have higher footfall and therefore see a higher GGY per additional machine. Casinos in less populated areas may have less excess demand and footfall and the marginal return to each new machine is likely to be lower.

2.36. Given there has been no increase in gaming machine allowances in recent years, there is no evidence of the marginal increase per machine when there is a sudden increase in supply. In the public consultation, we sought views on the expected change in GGY from gaming machines as a result of the proposed measures. 52% respondents said that there would be a small increase in demand for gaming machines, 26% said there would be a large increase in demand, 17% said there would be no change in demand and 4% said there would be a decrease in demand. No respondents provided evidence or views on expected marginal GGY per new machine. Estimates from two individual casinos have informed the assumption we have used in the model that GGY per additional machine will be between 30% and 60% of current GGY per machine in the first year they are installed. We continue to assume an annual growth rate of GGY per machine of 1.1% year-on-year, as there is no evidence to suggest that the trend will change as a result of this measure.

2.37. We estimate the GGY impact of the proposed measure by assuming:

- Additional number of machines will match the take up estimates in the low, central and high estimates in Table 16. These will be installed within the first two years following the regulatory change, and there will be no change in machine numbers in the following years.
- GGY per additional machine will be between 30% and 60% of current GGY per machine in the first year they are installed. GGY per machine is assumed to continue to increase by 1.1% year-on-year after that.
- The space that will be used for the new machines currently generates approximately 20% of the GGY that a gaming machine would generate, and therefore this GGY will be lost when the space is filled by a machine. To arrive at this estimate, we analysed data from the accounts of a large casino operator to find the revenue yield generated from non-gambling space. The yield is approximately 20% of the GGY that a gaming machine generates. This revenue likely comes from hospitality or retail activity provided in this space.

2.38. The first year that we expect full benefits to accrue is Year 3 after implementation (2027). Table 20 summarises the estimated GGY impact in Year 3, based on the

above assumptions. As per the above assumptions, GGY is assumed to increase year-on-year to reflect the increase in GGY per machine that we have seen since 2018.

Table 20: Estimated annual GGY impact of proposed measures: Low, central and high estimate

	Low case		Central case		High case	
	Min	Max	Min	Max	Min	Max
% increase in GGY per new machine	30%	60%	30%	60%	30%	60%
% increase in number of machines	69%	69%	76%	76%	83%	83%
Discount for the opportunity cost of using the space	20%	20%	20%	20%	20%	20%
<b>% GGY increase</b>	<b>17%</b>	<b>33%</b>	<b>18%</b>	<b>37%</b>	<b>20%</b>	<b>40%</b>
<b>Total annual GGY increase (£m)</b>	<b>34.7</b>	<b>69.4</b>	<b>38.6</b>	<b>77.2</b>	<b>42.2</b>	<b>84.3</b>
<b>Central estimate: annual GGY increase (£m)</b>	<b>52.1</b>		<b>57.9</b>		<b>63.2</b>	

2.39. Therefore, in our central scenario, the benefit to casinos of increased GGY from gaming machines will be **£52m - £63m** in Year 3, with a central estimate of **£58m**. This is assumed to accrue after two years on the assumptions that casinos will take 2 years to purchase and install their full offering of new machines. This is based on information provided by the Betting and Gaming Council on behalf of casino operators that it will take between one and two years to reach target machine numbers. For the purposes of modelling, we assume that only half of the full annual benefits are accrued in the first two years, as casinos take time to install their machines. Thereafter, we assume that full benefits accrue each year, accounting for a 1.1% growth in GGY per machine year-on-year.

#### *Non-monetised benefits*

2.40. It is important to note that the increase in GGY modelled here comes directly from increased spend by customers on Cat B gaming machines. This is not considered to be a cost as consumers are freely choosing to spend additional money on gaming machines. Indeed, the expansion in consumer choice and access to gaming machines can be considered a benefit. The benefit here is the increased utility for those who gamble safely. However, without due consideration for player protections, this may increase the risk of gambling-related harm, including runaway losses. This is set out in the *Risks and unintended consequences* section.

2.41. Other non-monetised benefits are likely to arise from this measure as well. Increased GGY, alongside increased expectations for player supervision, will likely lead to higher employment in the sector. Additionally, if the measure leads to higher footfall at casinos then the hospitality products offered in casinos such as bars and

restaurants will likely see an increase in revenue. These benefits are indirect as they first rely on footfall in casinos increasing as a result of higher gaming machine numbers, and then on those customers spending money on hospitality products. There is no direct evidence that this will occur and, given this uncertainty, we do not consider it proportionate to attempt to monetise these benefits.

- 2.42. Additionally, gaming machine manufacturers and suppliers will benefit from additional demand for their machines. According to the Gambling Commission business register, there are 376 active businesses with a licence to manufacture, supply, install, adapt, maintain or repair a gaming machine.<sup>20</sup> Given we have already quantified the revenue benefit to casinos, we do not quantify the revenue benefit to gaming machine suppliers to avoid double counting of benefits. However, it is important to recognise that a proportion of these 376 gaming machine suppliers will benefit from the removal of barriers to the supply of gaming machines.
- 2.43. Finally, increased GGY will have positive fiscal impacts, because casinos pay machine gaming duty<sup>21</sup> on the total net taking from their gaming machines. This benefit has not been monetised as it represents a transfer.

### Summary of impacts

- 2.44. The costs and benefits outlined in the above sections are considered direct impacts to business. Although this is permissive legislation, we recognise that without this legislation, casinos would not be able to site any more machines. Therefore, the costs and benefits associated with the provision of additional gaming machines are direct impacts of this measure.
- 2.45. Table 21 shows the monetised costs and estimates of the preferred option. The price base year is 2025 and the present value base year is 2025.

Table 21: Monetised costs and benefits

£m	Low case	Central case	High case
Monetised costs: One-off implementation, familiarisation and licence fee costs	£46.2	£50.9	£55.6
Monetised costs: Annual operating costs	£15.4	£16.9	£18.5
Monetised benefits: Annual GGY increase	£52.1	£57.9	£63.2

- 2.46. The above summary impacts do not include the non-monetised costs of the increased risk of gambling harm associated with the proposed measures, as detailed in the *Risks and unintended consequences* section. The summary impacts also do not include the non-monetised benefits in terms of increased consumer choice and increased revenue for gaming machine suppliers.

<sup>20</sup> <https://www.gamblingcommission.gov.uk/public-register/businesses>

<sup>21</sup> [Machine games duty - how much do you pay](#).

## Sensitivity analysis

2.47. Given that this is permissive regulation, it is highly unlikely that the costs to casinos will exceed the benefits. Casinos are not required to increase their machine entitlement and therefore they will only choose to incur the costs of purchasing and operating additional machines if this is exceeded by the additional gross gambling yield from these machines. Engagement with industry evidences a clear demand from casinos for additional machines and so we assume that GGY will exceed costs. Therefore, casinos are expected to take up additional machines as a result of the proposed measures and incur a net benefit. Even if we have incorrectly estimated the scale of costs and benefits directly arising from the additional machines, it is reasonable to assume that casinos will choose to take up additional machines only where the marginal benefit exceeds the marginal cost.

2.48. However, there are some costs associated with the proposed measures that will accrue regardless of take up of new machines. These are the direct cost to casinos of familiarising themselves with the revised regulatory framework. These costs do not produce any benefit for casinos, since benefits to casinos only accrue if they choose to take up new machines. Therefore, for these costs to be exceeded by the benefits, casinos must collectively take up enough additional machines such that the net benefit exceeds the £39,000 incurred for familiarisation costs.

2.49. The average annual GGY per machine in 2023/24 was £70,000. Based on our modelling assumptions that:

- Additional machines will produce a GGY of between 30% and 60% of existing machines; and
- Current non-machine space produces 20% of the GGY of an additional machine;

We estimate that the average annual GGY generated by additional machines would be between £17,000 and £34,000. The cost of implementing a machine is between £4,500 and £8,350. Therefore, the net benefit in the first year for the average additional machine is between £12,300 and £25,300. As such, between 2 and 4 additional machines are needed across the sector to produce a net benefit exceeding £39,000.

2.50. In summary, costs to casinos will only exceed benefits if casinos site fewer than 4 additional machines, in the worst case scenario. This is based on modelling assumptions applied at their most conservative. Given that the responses to the consultation from casinos suggested that 85% of the current 114 casinos will increase their gaming machine allocations, we can be confident that this threshold will be exceeded.

## Risks and unintended consequences

2.51. Table 22 sets out the key risks associated with this measure. The risk that gambling harm is increased is of particular concern, and so it is explored in more detail in the rest of the section.

Table 22: Key risks and unintended consequences and their mitigations

<b><u>Risk/Unintended Consequence</u></b>	<b><u>Mitigation</u></b>
<b>Gambling harm is increased</b> - If the	The Gambling Commission and licensing authorities

<p>increase in gaming machines draws in customers who would not otherwise have gambled, or displaces activity away from products with lower rates of gambling harm, then this measure may expose such customers to a higher risk of suffering gambling harm.</p>	<p>will continue to enforce existing player protections in casinos as per existing licence conditions. Alongside this, the Gambling Commission is conducting a review into the technical standards of gaming machines, which will assess the role of session limits across gaming machines and the role of other safer gambling tools.</p> <p>The measures introduce strict size requirements for casinos to ensure that the number of machines is relative to the size of the casino. There are also strict size requirements in terms of gambling to non-gambling space so that there is a genuine mix of activities for the customer.</p> <p>Finally, there will be ongoing monitoring and evaluation, with the possibility of amending licensing conditions or regulation if the evidence of harm requires it.</p>
<p><b>Lack of adequate enforcement of regulation of multiple licences in one place</b> - Inadequate enforcement or unclear guidance could lead to some casinos being able to site up to 160/240 gaming machines in one location.</p>	<p>It is the government's intention to apply a fixed maximum of 80 gaming machines per physical location. As some casinos currently hold two or three premises licences within a single location, without taking this step there could be a possibility of 160 or 240 machines being sited in one location, which would be inconsistent with the policy intention. Despite indications from operators that there would not be appetite to site more than 80 machines in a single location, we want to ensure that this is not a possibility, removing the risk that these casinos could site more machines than a Small or even a Large 2005 Act casino.</p>
<p><b>The measures increase use of higher risk product offerings within casinos</b> - It is possible that these measures increase footfall in the casino overall and result in an increase in other, higher-risk products within casinos.</p>	<p>The consultation responses were mixed in terms of likely impact on other product offerings in casinos. Some respondents thought there would be a small increase in demand for other products given higher footfall; others thought there would be a small decrease as customers have better access to gaming machines. We will continue to monitor the true impact and work with the Gambling Commission to amend licensing conditions on casinos to reduce this impact where appropriate.</p>
<p><b>The measures introduce further complexities in the regulatory framework for casinos</b> - The proposed measures introduce a new set of requirements on those casinos that choose to move onto the new regime. While these measures bring consistency and fairness to the approach to casinos of similar sizes, they do bring in new regulatory features such as a sliding scale of machine entitlements based on the size</p>	<p>The current regime already has some casinos abiding by many of the new requirements. These casinos (Small 2005 Act casinos) already operate under these rules, and all other operators have been aware of the regulatory framework since 2007. Therefore, the new regime is not unfamiliar to casinos and should not introduce excessive complexity.</p>

of different areas within the casino. This may increase the regulatory complexity and subsequent burden on casinos.	
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Risk that gambling-related harm is increased

2.52. Gambling-related harm is of significant concern to the government and it is important to fully understand the risks to gambling harm posed by this measure. Any measure that increases consumer expenditure on gambling activity could result in an increased prevalence of gambling-related harm. This is the case here where the provision of additional gaming machines in casinos is expected to increase GGY through an increase in consumer expenditure. For the most part, we expect this increase in expenditure to happen safely and to increase the utility of customers overall. However, if the increase in gaming machines in casinos leads people to gamble harmfully that would not have done so otherwise, then there will be a negative impact on the prevalence of gambling harm. This may occur if activity is displaced away from lower-risk activities or if the improved access to gaming machines draws in new customers who then experience gambling-related harm.

2.53. Given this risk of an unintended increase in gambling-related harm, it is important to consider the costs to individuals suffering gambling harm and wider society. There are three key reports which have attempted to quantify the negative societal and economic impact of these harms. The estimates included in these reports are shown in Table 23.

Table 23: Estimated costs associated with gambling harm

<b>Gambling harm report</b>	<b>Total cost</b>	<b>Government cost</b>	<b>Societal cost</b>
OHID & PHE (2023) <sup>22</sup>	£1,050m - £1,077m	£413m	£635m - £1,356m
NIESR (2023) <sup>23</sup>	N/A	£1,400m	N/A
IPPR (2019) <sup>24</sup>	N/A	£260m - £1,160m	N/A

Where a central estimate has been provided in the report, we have presented that figure.

2.54. All of the above reports are incomplete due to limitations in the methodology and data availability, and only a handful of the known costs that arise from gambling harm have been quantified. Furthermore, these costs are the costs associated with individuals classified as experiencing gambling harms, rather than costs directly attributable to their gambling habits. Equally, there are also issues of possible cost overestimation from certain harms such as suicide. Therefore, these cost figures are only used to illustrate the scale of the possible costs of gambling-related harm. We recognise that there is a risk that these costs will increase if the prevalence of gambling-harm was to rise as a result of this measure.

2.55. This section explores this risk in more detail, alongside any mitigation measures in place to reduce this risk.

<sup>22</sup> [Gambling-related harms evidence review: summary - GOV.UK](#)

<sup>23</sup> [The Fiscal Costs and Benefits of Problem Gambling: Towards Better Estimates](#)

<sup>24</sup> [The cost to government associated with people who are problem gamblers in Britain](#)

## *Existing evidence on gambling-related harm*

- 2.56. According to data from the Gambling Survey for Great Britain<sup>25</sup>, 15.4% of those who played on fruit and slot (electronic gaming) machines in person had a PGSI score of 8+s. 9.2% also had a PGSI score of 3-7, commonly referred to as 'moderate risk gambling'. This covers all venues, not just casinos and also covers all those who participate in gambling, but it indicates that increasing the number of gaming machines available to play may come with an associated increase in the risk of gambling harm.
- 2.57. The National Gambling Treatment Service<sup>26</sup> provides annual data on the top three activities that those referred to the service report participating in. In 2022/23, 5.8% of referred patients reported using casino gaming machines. This is compared to 10.8% of referred patients who reported using casinos in general and 4.0% who reported using casinos as their main gambling location. 4.5% of referred patients reported playing roulette in casinos, while 2.5% of referred patients reported playing poker or other card games.
- 2.58. However, these estimates are not perfect estimates of the link between gaming machines and gambling-related harm. The Gambling Survey for Great Britain data does not isolate the impact of gaming machines alone. Many gamblers participate in more than one gambling activity, and gambling harm rates tend to increase with the number of activities played. The PGSI 8+ rate for those who participate in only one activity is 0.3%, compared to a problem gambling rate of 11.2% for those who participate in 7 or more activities<sup>27</sup>. Additionally, Davidson and Rodgers (2010) in a survey of the nature and extent of gambling and gambling harm in the Australian capital territory found that only 5.2% players gamble exclusively on gaming machines and 87% of gaming machine players use at least one other activity other than lotteries<sup>28</sup>. Establishing the extent of the relationship between single gambling activity on gaming machines specifically and the effect of that on gambling harm is therefore difficult.
- 2.59. Further, gambling harm is often the result of numerous factors external to the actual gambling environment, with evidence showing that gambling harm has high rates of comorbidity with other mental health and substance use disorders. A positive association between gambling addiction and depression was found in a derived dataset which combined data from the Health Survey for England and the Scottish Health Survey<sup>29</sup>. Specifically, problem gamblers were found to be more depressed than non-gamblers or abstainers, demonstrating that gambling harm has high levels of comorbidity with depression at a subclinical level, incurring significant mental health costs. Similarly, in a systematic review and meta-analysis of population surveys, problem gamblers were found to have high rates of other comorbid disorders. The highest mean prevalence was nicotine dependence (60.1%) and substance use disorder (57.5%)<sup>30</sup>. Thus, it is hard to isolate the influence that gambling activity in isolation has on gambling harm, as it is difficult to differentiate the

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<sup>25</sup>[Gambling Survey for Great Britain - Annual report \(2023\): Official statistics - Introduction](#)

<sup>26</sup>[Annual Statistics from the National Gambling Support Network \(Great Britain\)](#)

<sup>27</sup>[Public Health England - Gambling-related harms evidence review](#)

<sup>28</sup>[Davidson and Rodgers \(2010\)](#)

<sup>29</sup>[The Impact of Gambling on Depression: New evidence from England and Wales](#)

<sup>30</sup>[Prevalence of comorbid disorders in problem and pathological gambling](#)

nature, extent and severity of these harms in relation to gambling alone when they are highly comorbid with other disorders.

- 2.60. Finally, the rates of those experiencing a PGSI score of 1+ are lower for land-based casino games than online casino games according to GSGB data. Increasing the availability of gaming machines in land-based casinos, alongside a general tightening of restrictions for online gambling (which is being implemented as part of the wider Gambling Act Review), may lead to some switching away from online gaming towards land-based casino gaming. The treatment rates are also lower for those playing gaming machines in casinos than those gambling in casinos in general, suggesting that providing more access to gaming machines may move customers away from the higher-risk products located in casinos.

#### *Evidence from gaming machine data*

- 2.61. Analysing average loss and session length data can help us to understand the way customers currently play on gaming machines in casinos. The gaming machine data collected during the consultation phase covers activity on two-thirds of all gaming machines in casinos from April 2022 to March 2023. [REDACTED] Forrest and McHale (2016)<sup>31</sup> notes that such levels of expenditure are not dissimilar to those associated with other leisure activities. [REDACTED] As noted in the Gambling Commission's remote customer interaction consultation<sup>32</sup>, 54% of people in Great Britain had a monthly disposable income below £250. Losses above this value can reasonably be assumed to be unaffordable for the majority of individuals. Unaffordable losses constitute 'indicators of harm' outlined by the Gambling Commission in its Customer Interaction Guidance<sup>33</sup>.
- 2.62. Examining session lengths can help us to make inferences about prevalence of binge gambling or loss chasing, which are both harmful gambling indicators associated with longer session lengths. [REDACTED]
- 2.63. The extent to which we can draw conclusions from this data about the risk of gambling related harm is limited. We do know that the estimated increase in GGY as a result of these measures, modelled in the *Benefits* section, assumes an increase in gambling spend as a result of these measures. This spend is expected to come from increased expenditure by customers on gaming machines. If the increased expenditure results in outcomes that are considered harmful for some players, such as losses over £200 or sessions over 60 minutes, then there is an associated risk of gambling harm.

#### *Mitigation measures: player protections*

- 2.64. Although there is evidence of harmful behaviour and an association between gaming machines and harm, the supply of gambling products (for example machine numbers) is viewed as less of an important protection than when the Gambling Act 2005 was introduced, due to the availability of remote gambling. Product

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<sup>31</sup> [Forrest & McHale \(2016\)](#)

<sup>32</sup> [Gambling Commission - Consultation - Remote customer interaction requirements and guidance](#)

<sup>33</sup> [Gambling Commission - Customer interaction guidance for remote gambling licensees](#)

characteristics and the quality of monitoring have now assumed much greater importance.

2.65. Gambling operators must ensure that their supervision and monitoring of gaming machines enables them to meet the requirements of the Act and conditions of their licence. As the Gambling Commission's advice<sup>34</sup> underlines, as a minimum, operators must be able to implement age verification and customer interaction, and maintain self-exclusion effectively regardless of the number of machines they are permitted to offer. Since 2018, many casinos have adopted a range of measures that enhance machine protections including:

- Tracking and monitoring of customer expenditure across all gaming products in real time, with staff equipped with tablets showing live data;
- Enhanced due diligence measures, with trigger values for spend and loss applied to customers;
- Algorithmic systems that use predictive models to identify customers at risk based on individual transactions;
- New safer gambling messages on ATMs and electronic machines;
- The ability for customers to set their own time and loss limits directly at electronic terminals and gaming machines;
- Financial risk profiling on customers who are members based on postcodes and nationally-available data, and
- Mandatory employee training on licensing objectives, safer gambling and anti-money laundering

2.66. The public consultation asked for further evidence and views on the risk of gambling-related harm and the adequacy of player protections associated with the proposed measures. There were mixed responses on the efficiency of existing player protections. Some respondents considered that they were sufficient from protecting players from harm with emphasis placed on the regulated controls casinos adhere to in comparison to other venues with gaming machines. Others responded that player protections were insufficient, with a concern being that self-exclusion programmes are ineffective due to players breaching their exclusion period. To improve player protections, respondents suggested increased training for casino staff and real-time feedback on gaming machines so that players are aware of the time and money they have spent.

2.67. We consider that current player protections are adequate but we will closely monitor the impact of any increases in gaming machine numbers to identify any significant issues regarding player protections and gambling-related harm. The Gambling Commission will also conduct a review of Gaming Machine Technical Standards, which will assess the role of session limits across gaming machines and the role of safer gambling tools.

### *Summary*

2.68. Overall, the existing evidence on the causal link between increasing the number of gaming machines in casinos and harm is inconclusive. Although we have data on gaming machine participation rates and harm, we are unable to confidently state the nature of the causal connection between the two. Similarly, the treatment data is

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<sup>34</sup> [Gambling Commission - Advice to Government review of The Gambling Act 2005](#)

unable to establish the origin of gambling harm for the referred clients. Although there is a risk that gambling harm will increase with the implementation of this measure, we think this is mitigated by player protections in casinos and on gaming machines. Ultimately, we believe that allowing more gaming machines is appropriate as long as player protections are applied effectively.

- 2.69. To ensure there are no unintended consequences from this measure, we will have a robust monitoring programme in place to assess rates of gambling harm and other indications of harmful play. The monitoring and evaluation plan is discussed in more detail in the *Post Implementation Review and Monitoring and Evaluation Plan* section. Where needed, we will liaise with the Gambling Commission to bring in stronger player protections and/or amend licensing considerations to ensure a safer environment for those playing on gaming machines in casinos. If appropriate, the government can amend the regulations to mitigate the risk of harm. Finally, it is important to note that this measure is part of a wider package of government measures that are intended to reduce gambling harm overall.

### 3. Wider Impacts

#### Small and Micro Business Assessment (SaMBA)

- 3.1 This measure does not include an exemption for micro, small or medium businesses. This is a deregulatory measure that will enable casinos to improve their product offering and potentially improve their financial performance as a result. Therefore, we consider that it would be detrimental to micro, small and medium casinos if this measure did not apply to them.
- 3.2 Further, the gambling operator licence conditions do not generally include distinctions or exceptions for micro, small or medium businesses, with all operators instead expected to comply fully. While we are aware of instances where the Gambling Commission has tailored requirements for micro or small businesses, this is done on a case-by-case basis in line with the Commission's statement of principles for licensing and regulation.
- 3.3 Data is not readily available on casino operators by business size. Gambling Commission licence data shows there are approximately 28 primary casino operators operating in the UK, when considering subsidiary companies as part of the primary parent operators. As a best alternative, we have considered data on the number of people employed by these operators, submitted to the Gambling Commission through regulatory returns. [REDACTED]. Therefore, this data is imperfect but can provide an indication of the size distribution of the casino market.
- 3.4 Table 24 summarises the data provided by the Gambling Commission, accurate as of March 2022.

Table 24: Primary casino operator numbers by size of business

Size	Number of businesses	% of total
Micro (0-9 employees)	■	■
Small (10-49 employees)	■	■
Medium (50-499 employees)	■	■
Large (500+ employees)	■	■
Unknown	■	■

Source: Gambling Commission licence data

- 3.5 The majority of casino operators are medium size businesses, and the vast majority are medium or large. Small and micro casinos do not tend to be commercially viable; casinos require a significant number of employees to provide an adequate service to their customers, as well as significant capital. Therefore, small and micro businesses are in the significant minority of affected businesses. However, we recognise that there are a number of medium casinos, for which the associated costs should be considered.
- 3.6 The primary cost to business of this measure is the cost to purchase and install new gaming machines. This is permissive regulation and therefore casinos are not required to purchase and install new machines. It will be up to the individual casino, regardless of size, whether they move onto the new regime and purchase new machines. Therefore, this regulation does not impose a disproportionate implementation cost on small, micro or medium businesses. However, familiarisation costs are assumed to be fixed regardless of the size of the operator. Total familiarisation costs are estimated to be £334 per business affected, which is minimal even for a small casino.
- 3.7 The sliding scale nature of the proposed measures means that the entitlement of gaming machines is directly linked to the overall size of the casino. Therefore, it is likely that casinos with a smaller physical size will not be able to add as many new machines as larger physical casinos. However, the physical size of a casino is not necessarily an indicator of business size or revenue. Many high-end casinos, which service high-end clients and therefore tend to generate a relatively high Gross Gambling Yield, are relatively small in terms of physical size.

### Equalities impact assessment

- 3.8 We have considered whether this proposal is likely to impact persons who share protected characteristics as provided by the Equality Act 2010. The measure does not contain any requirements that directly affect one group more than others. However, it may be the case that certain groups have a disproportionately high level of participation on gaming machines. If so, these groups would incur a higher benefit in terms of access to machines they want to play, but also an increased risk of gambling harm. Available data can be analysed to assess the distribution of gaming machine participation by gender and age.

- 3.9 According to data from the Gambling Survey for Great Britain (2023)<sup>35</sup>, those under 35 years old had the highest levels of participation in fruit and slot (electronic gaming) machines, as well as casino games played on a machine or terminal in person (across multiple venues). 5% of 16-24 year-olds and 25-34 year-olds had participated in fruit and slot machines in the last 4 weeks, compared to an average of 3% across all age groups. To note, gaming machines have a minimum age limit of 18 years old, so children are not affected at all.
- 3.10 Men were found to have higher participation rates in fruit and slot machines than women. Those living in Yorkshire and the Humber (5%), the East Midlands and Scotland (4%) were also found to have a higher than average participation in fruit and slot machines in person (this is compared to the average of 3% across all GB countries and government office regions). A 2021 study found that 24% of casinos are located in the most deprived decile of Great Britain.<sup>36</sup>
- 3.11 Therefore, males under 35 years-old and those living in Scotland and the government office regions listed above have the highest participation in fruit and slot machines in person, and will be disproportionately affected by this measure. Since the measure is simply providing those who play on gaming machines with more opportunities to do so, this may lead to some improvements in utility but may also lead to an increased risk in gambling harm for those who do play on gambling machines.
- 3.12 In the consultation, we asked respondents to share views on whether this measure would disproportionately impact anyone with protected characteristics. Respondents largely pointed to those groups who are more affected by gambling-related harm, which we have discussed above.
- 3.13 We will continue to monitor the impacts of this measure on different groups to identify any unequal impacts and take action where appropriate.

## Competition impact assessment

*Will the measure indirectly or directly limit the range or number of suppliers?*

- 3.14 We do not expect that this measure will limit the range or number of suppliers. This measure is deregulatory and we expect it to allow venues to raise additional revenue from their new gaming machines. Therefore, the measures will likely improve the financial health of casinos and potentially encourage new entrants (or at least protect existing ones from running into financial difficulty and closing).

*Will the measure limit the ability of suppliers to compete or compete vigorously?*

- 3.15 This measure will bring consistency to the product offering in the casino sector and mean that casinos of the same size can offer the same number of gaming machines. Therefore, we expect the measure to level the playing field for casinos to complete.
- 3.16 However, since this is permissive legislation, casinos can decide whether or not they

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<sup>35</sup><https://www.gamblingcommission.gov.uk/report/gambling-survey-for-great-britain-annual-report-2023-official-statistics/gsgb-annual-report-introduction>

<sup>36</sup> <https://www.bristol.ac.uk/geography/research/pfrc/themes/vulnerability/gambling/the-geography-of-gambling-premises-in-britain/>

move onto the new regime and if so, how many additional machines to offer. This means that there may be some advantages for those casinos who face financial or space constraints in moving onto the new regime or adding more machines.

- 3.17 In terms of the financial constraint, casinos will need to incur an upfront cost in varying their existing licence and in purchasing and implementing any additional machines. It is possible that smaller or new casinos will be less able to incur that cost, and therefore will not reap the benefits of offering more gaming machines. In this instance, larger or incumbent casinos have a slight advantage. However, the expected one-off fee to vary their operating licence is expected to cost casinos between £2,000 and £4,000. The average cost of implementation is £11,000 to £18,500 per machine. Overall, we expect these costs to be minimal in comparison to the revenue of all casinos, even smaller or newer casinos.
- 3.18 In terms of the physical constraint, some casinos will not be able to increase their number of machines due to size limitations. This means that, while casinos of the same size will now be able to offer the same number of machines, casinos that have a smaller physical space will still be at a competitive disadvantage. To some extent, this is an intended outcome as casinos should be offering an appropriate balance of gaming machines, table games and non-gambling products. Therefore, if they do not have enough space to offer table games and non-gambling products alongside their gaming machines, they should not be able to offer only gaming machines.

*Will the measure limit the choices or information available to consumers?*

- 3.19 We expect that consumers will have increased choice available to them as they will have access to more gaming machines relative to other casino products. Casino customers will therefore have more flexibility when choosing which product to play.

### **Innovation impact assessment**

- 3.20 We do not consider this measure to have a restrictive impact on innovation. It is expected that allowing more gaming machines in casinos will boost demand for gaming machines, which should stimulate activity in the machine supply chain. As such, it may even lead to more innovation as suppliers compete to meet the increasing demand.

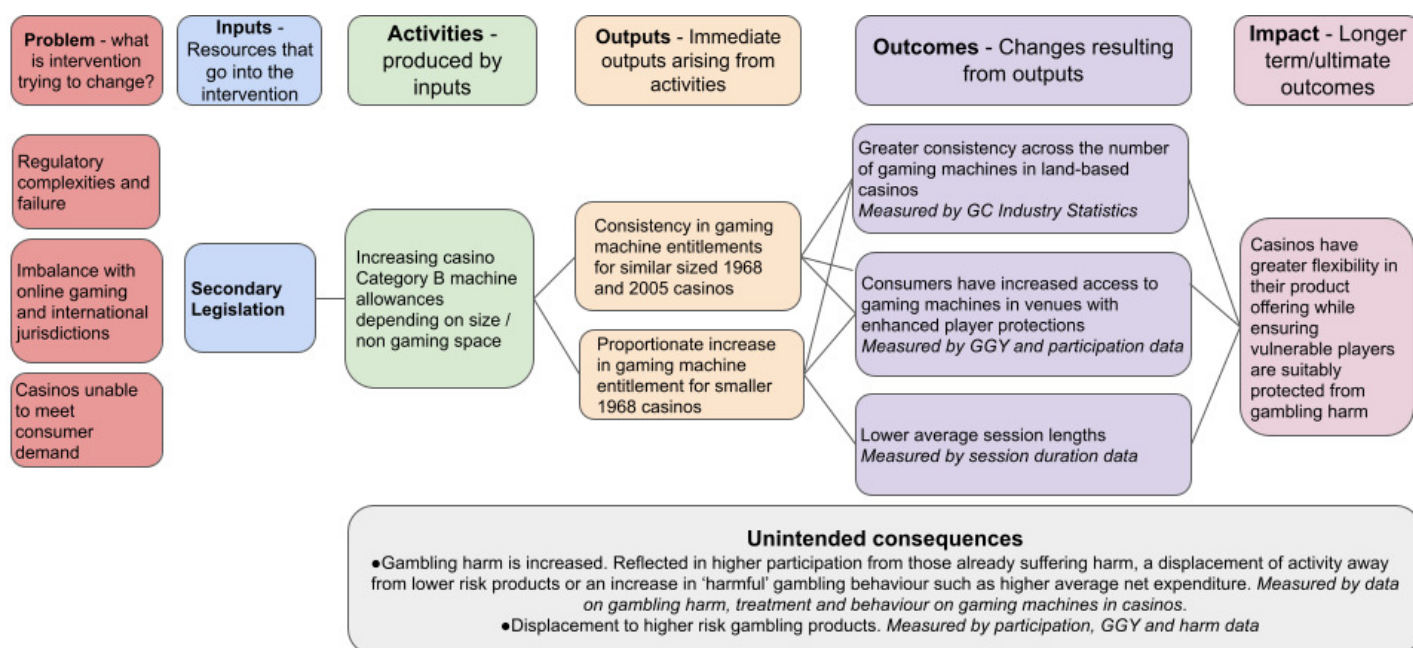
### **Trade implications**

- 3.21 This proposal applies to all licensed casino operators based in England and Wales. The gaming machines in scope can only be played by those in England and Wales and cannot be accessed from abroad.
- 3.22 This measure will not impact the ability of British businesses to trade or provide services overseas, since this only applies to casinos based in Britain.
- 3.23 This measure will positively impact overseas businesses who run casinos in the UK. These businesses will be able to offer a higher number of machines, more in line with international jurisdictions. This measure may also encourage additional investment in British casinos from overseas businesses, as it offers an opportunity to generate more GGY from casinos in the UK.

## 4 Post Implementation Review / Monitoring and Evaluation Plan

- 4.1. The following section outlines how we plan to monitor and evaluate the proposed measure once implemented. We will measure the success of the measure against the policy objectives outlined in the *Policy Objectives* section.
- 4.2. These policy objectives are to:
- Enable an equitable approach to gaming machine entitlements across casinos, such that casinos of the same size can site the same number of gaming machines.
  - Enable a more equitable approach to casino game provision between land-based and online sectors.
  - Support casinos in meeting consumer demand.
  - Ensure that gaming machine regulations offer reasonable protection from gambling harms for those playing on machines in casinos.
- 4.3. The key objective of the evaluation will be to understand the outcomes and impacts associated with the implementation of the measure, including possible unintended consequences. This will include an assessment of the extent to which the intervention achieved the expected outcomes and whether it was the relaxation in regulations in this sector that led to these outcomes.
- 4.4. Figure 5 sets out the theory of change that has been developed to map the theoretical path from the increase in gaming machine allowances in casinos, through the expected outputs and outcomes, to an ultimate impact of casinos having greater flexibility in their product offering while ensuring vulnerable players are suitably protected from gambling harm. The full set of assumptions have not been specified here as they will be developed during the M&E planning stage. This will be tested by the monitoring and evaluation of the measure.

Figure 5: Theory of Change



- 4.5. The key research questions that the monitoring and evaluation will seek to address include:
- What intended and unintended outcomes and impacts have been brought about in the short and longer term by the introduction of these changes to the licensing regime?
  - Were the changes to the licensing regime implemented as intended?
  - How and why did the measures contribute to casinos having greater flexibility in their product offering while ensuring vulnerable players were suitably protected from gambling harm?
  - What conditions were necessary for the new regime to achieve the above observed outcomes and impacts?
  - What internal and external influencing contextual factors supported or impeded the new regime to achieve the above observed outcomes and impacts?
  - What are the implications of the findings from the evaluation for the implementation of future gambling-related policy changes?
- 4.6. A high-level timeline for the monitoring and evaluation has been outlined below. The final timings will depend on the exact dates for the introduction of the legislation as well as the evaluation approach taken. We intend to review this measure by conducting a post-implementation review (PIR) and will build upon our monitoring framework set out throughout this section.
- Monitoring and evaluation approach planned - June 2024
  - Monitoring and evaluation begins, including baseline data collection - July 2024
  - Introduction of the legislation - Spring 2025
  - Proposed measure implemented - Summer 2025
  - Interim evaluation report published - 2026
  - Final evaluation (PIR) report published - 2028/9
- 4.7. DCMS and the Gambling Commission jointly commissioned the National Centre of Social Research (NatCen) to deliver a monitoring and evaluation plan for the Gambling Act Review. The plan set out the approach to monitoring and evaluating the Review as a whole as well as key measures that DCMS are responsible for, including the new casino licensing regime proposed here. The plan will include:
- **Evaluation questions**
  - **Evaluation framework** outlining the data necessary to monitor and evaluate the outcomes and impacts set out in the theory of change, and answer the evaluation questions.
  - **A set of options for impact and process evaluation approaches** to answer the evaluation questions.
  - **Set of practical recommendations** for implementing the evaluation(s).
- 4.8. The specific metrics that we will use to monitor the impact of the proposed measures will be finalised through this process. The metrics will also aim to capture any unintended consequences, particularly relating to changes in gambling-related harm. The metrics used are likely to include those detailed in Table 25.

Table 25: Possible monitoring metrics

<b>Metrics relating to take up by casinos</b>	Number of new licences taken up, number of category B machines sited in casinos
<b>Metrics relating to impact on the financial health of casino sector</b>	Casino GGY, GVA and employment Machine games duty paid on gambling machines in casinos
<b>Metrics relating to impact on gambling behaviour on gaming machines in casinos</b>	Participation in gaming machines in casinos, session length, average stake, net expenditure, % losses over £200, occupancy levels
<b>Metrics relating to impact on gambling behaviour across other products</b>	Participation in other gambling activities located in casinos
<b>Metrics relating to player protections</b>	Staff employed for player protection purposes, Recorded interventions
<b>Metrics relating to impact on gambling-harm</b>	National Gambling Treatment Service referrals that cite gaming machines in casinos as a primary gambling activity, PGSI scores on Gambling Survey for Great Britain

- 4.9. The metrics selected will seek to capture any unintended consequences for businesses or households, including any unexpected costs or unwanted outcomes. The main unintended consequence identified in the *Risks and unintended consequences* section relates to a possible increase in gambling harm if the increase in gaming machines draws in customers who would not otherwise have gambled, or displaces activity away from products with lower rates of gambling harm. As well as this there is potential that the measures increase use of higher risk product offerings and session times are not reduced. This will be measured under ‘Metrics relating to impact on gambling behaviour in casinos’, ‘Metrics relating to impact on gambling behaviour across other products’ as well as ‘Metrics relating to impact on gambling-harm’. The risk that adequate player protections are not implemented, will be monitored under ‘Metrics relating to player protections’. Enforcement of regulation of multiple licences in one premises will be measured by ‘Metrics relating to take up by casinos’.
- 4.10. Once the monitoring metrics and evaluation approaches have been developed, DCMS or an appointed supplier will then undertake a full baselining exercise prior to the implementation of the policy measure. This will be followed by delivery of the monitoring and evaluation activity over the course of the next 2-5 years, including a post-implementation review (PIR) which will be conducted and published within 5 years of the introduction of the measures.<sup>37</sup> Through the monitoring and evaluation approach set out above, the PIR should be able to assess the actual costs and benefits arising from these measures and compare them to the estimates made in this impact assessment.

<sup>37</sup> <https://assets.publishing.service.gov.uk/media/5f5b2b1ee90e0718dfc749d/better-regulation-guidance.pdf>

- 4.11. The budget for the first 2 years of this evaluation programme is █████, shared between DCMS and the Gambling Commission.
- 4.12. The approach should allow DCMS and the Gambling Commission to assess whether the aims and objectives of the intervention have been met, or whether the intervention should be amended. It is possible that external factors occurring in the gambling sector (or the wider economy) will amend the offering by casinos and threaten the success of the amended regulations for gaming machines. Possible examples are highlighted in the *Risks/Unintended Consequences* section. This may require the policy to be evaluated sooner. Data collection for monitoring purposes will be carried out and assessed regularly following the introduction of the new regulations. This will help the government to identify any unexpected impact on the success of the measures and take action where possible.
- 4.13. In order to monitor and evaluate the proposed measure, we will need to collect detailed operator data on a regular basis, working with the Gambling Commission to expand the existing data collection. We will use a combination of industry statistics already published by the Gambling Commission, the market impact data that the Commission collects on a regular basis and data from the upcoming Gambling Survey for Great Britain, which is the Gambling Commission's new survey on adult gambling participation and the prevalence of gambling harm. Where data is not available through public sources, we will work closely with the Gambling Commission, industry and other relevant stakeholders to ensure that we collect sufficient data to deliver successfully against the final monitoring and evaluation plan.
- 4.14. Wherever possible, the evaluation will employ experimental and quasi-experimental designs to enable robust attribution of impact to specific measures. However, for some outcomes and impacts noted above (such as changes in GGY), it may be difficult to unpick the specific impact of the policy change, given there are many other exogenous factors that will influence it. There are also a number of other interventions within the Gambling Act Review that will impact the gambling sector and the wider ecosystem of harm prevention. The evaluation seeks to address this by delivering an overarching evaluation which considers the outcomes and impacts of the full package of measures, as well as possible interactions between them.
- 4.15. The evaluation will provide evidence on the effectiveness of this measure against the policy objectives. As such, the findings will be used by: government to inform the design and implementation of future policy; gambling researchers to supplement the emerging evidence base on gambling behaviours and gambling-related harm; and by industry to deliver a safe gambling environment whilst ensuring land-based casino offerings can meet consumer demand.