

LA BULLETIN SUMMER 2020

News

Submission of LA returns 2019-2020 - portal now open

Following on from correspondence in March delaying the request for annual returns, we have now opened the online returns portal for your annual returns covering the period 1 April 2019 – 31 March 2020. **Submissions are due by 30 October 2020.** Correspondence has been emailed to LAs with details of how to log into the [online system](#) and individual passcodes.

We appreciate that Local Authorities are still heavily impacted by the fight against Covid-19 and many of you may still be working from home, however we would be grateful for as much data as you are able to provide within the timescales.

National Strategy first year implementation update

We have [published an overview of the implementation actions](#) delivered during the first year of the 3 year National Strategy to Reduce Gambling Harms. A map of actions additionally sets out the activities and workstream underway by a range of partners across Great Britain including health bodies, charities, regulators and the gambling industry. and highlights emerging work for this second year of the Strategy.

Information for operators re-opening land-based gambling premises

As more types of gambling premises are permitted to open in the Great Britain, we continue to update [our FAQs](#) aimed at helping operators manage compliance with Government Covid-19 guidance on reopening with continued compliance with the Licence conditions and codes of practice (LCCP).

BACTA has also produced [reopening guidance](#) for its AGC and FEC members.

A safer bet: online gambling and mental health

The Money and Mental Health Policy Institute (MMHPI) [published a report](#) looking at the risks people with mental health problems can face with online gambling and suggested a number of recommendations for operators, advertisers, internet and financial service providers to make the online gambling environment safer

New Primary Care Gambling Service Launched in London

Supported by GamCare a [new NHS Primary Care Gambling Service](#) has launched in London to offer help via GP surgeries for adults who need treatment for their gambling. Starting in South East London (Lambeth, Southwark, Lewisham, Bexley, Bromley and Greenwich) there is a plan to expand the service in the next few months.

Data showing the impact of Covid-19 on gambling behaviour

Building on data shared in May, we have [published further data](#) showing the impact of the Covid-19 lockdown on gambling behaviour during April and May. The data, collected from the largest online operators and the YouGov Covid-19 tracker, continues to show that overall participation has decreased but some engaged players are spending more time and money gambling on certain products. It also highlights an increase in real-event betting and sports betting, partly due to the return, in May, of top-flight football through the German Bundesliga.

Consultations

Consultation on online slots game design and reverse withdrawals

We are consulting on changes to the design of online slots - specifically to make them safer for consumers, looking at issues such as speed of play and frequency of betting opportunities and as other factors on offer which can increase addiction and risk of harm. [This consultation closes on 3 September.](#)

Consultation on high value customers

We are seeking views on proposed changes to the rules operators must abide by when transacting with high value customers (VIPS), who often enjoy tailored bonuses, gifts, hospitality and preferential service from the licensee designed to maintain or increase their custom. [This consultation closes on 14 August.](#)

Gambling Commission advice and guidance

New e-learning module - Pubs and the Gambling Act 2005

The Institute of Licensing and the Commission have worked together to produce a new e-learning module to add to the existing suite of gambling modules. Many thanks to those licensing officers who participated in the pilot work.

Pubs and the Gambling Act 2005

- This module is designed to help LAs and police improve their understanding of what to consider when undertaking compliance checks on the various forms of gambling permitted in pubs.
- The module provides an introduction to gaming machines, exempt gaming (bingo and poker) and lotteries in pubs along with the [Codes of Practice](#) which pubs must adhere to, including requirements in relation to preventing under age gambling.

Please note: This module does not take account of the impact of the requirements on pubs under any legislation or regulations relating to measures to protect against the spread of COVID-19 ie social distancing / opening or closing requirements.

Other gambling e-learning modules are already available:

- three gaming machines modules which cover the various types of gaming machines, the physical components and signage requirements and how to deal with non-compliant machines.
- powers to enter inspect gambling premises.
- introduction to inspecting a betting premises.

All modules can be accessed via the [IOL website](#), and they are CPD accredited. Log in to the e-learning tab if you have an existing account, or request a log in via membership@instituteoflicensing.org to get started, if you are not an IOL member.

Society and local authority lottery reforms

Changes to the rules for society and local authority lotteries licensed by the Commission took effect on 29 July. These changes were notified in the Commission's responses document on 29 April, following a consultation. They are as follows:

Lottery limits

Limits on the size of society and local authority lotteries have been raised in line with recent Government legislation. This means:

- The limit on individual draw proceeds has risen to £5million from £4million
- The annual aggregate proceeds limit has increased to £50million (pro-rata limit of £31,311,475 in 2020), up from £10million, and;

- The maximum individual prize has risen to £500,000 from £400,000, provided that the lottery proceeds reach the new maximum individual draw level

Requirements and guidance

New requirements and guidance have been put in place to provide clear, transparent and easily accessible information to consumers on:

- How much is returned to the good causes and what good causes they're supporting
- How much is spent on prizes
- How much is spent on expenses
- The process around the awarding of grants
- The way in which winners are determined and prizes allocated
- The potential prizes available, and;
- The likelihood of winning a prize

Further information about these requirements can be found in the Commission's guidance [Information to lottery players: proceeds and prizes](#). The [consolidated Codes of Practice document](#) has also been updated to reflect the addition of SR Code 4.3.3.

Feature article

How can gaming machines meet their %RTP if they are random?

Introduction

Regulation under section 240 of the Gambling Act requires that all non-remote gaming machines display information about:

- a) *the proportion of amounts paid to use the machine that is returned by way of prizes;*
or
- b) *the odds of winning prizes from use of the machine.*

This requirement is typically met by including a statement of %RTP (return to player percentage) on the face of the gaming machine or within a software help page. There is no statutory minimum %RTP figure, and for gaming machines which include multiple games, each separate game must state (and meet) its own individual %RTP figure.

Gaming machines achieve these percentage return figures in one of two ways:

- either by using a form of feedback compensation within the game software (compensated games)
- or by utilising software which is fully random in operation (fully random games).

Note that compensated games are also random, but they have an additional control element within them to provide the compensation.

It is important to state that "random" usually means "pseudo random" with regard to the method used to generate gaming machine outcomes. A [random number generator](#) (RNG) is used to generate outcomes for both the random and compensated types of game.

The number of game cycles required to achieve the stated %RTP differs for compensated and fully random games. Compensated games are designed to achieve their target %RTP in typically tens or hundreds of thousands of game cycles, whereas games which are fully random take considerably longer to achieve their %RTP figure, typically in the order of a million or more game cycles.

Compensated game control

This is a complex topic but in simple terms:

The game software constantly checks to see how much has been awarded in winnings in the recent past; and, knowing what the current %RTP figure is and what the target %RTP figure should be, the software will either slightly vary the odds of achieving a win, or slightly vary the value of any win, for the subsequent series of games. Thus, the game will pay out more or less often, or pay out greater or lesser amounts, than it might otherwise do; depending upon whether the actual %RTP is currently below or above the target %RTP of the game.

The reason for using compensation at all is twofold: -

- Firstly, to give a less volatile game experience to the player. This gives a somewhat more even spread of wins and losses over time than might be given by a fully random game. It also results in a more evenly spread cashbox take, which operators generally prefer.
- Secondly, in technical terms, the difficulty in attempting to model the gameplay for very complex 'high-tech' style games (found in, for example, pubs) has meant that games of that style would potentially struggle to meet their %RTP figures due to the multiple play options and game strategies a player can adopt. Compensation is often the only way to make those types of game work with regards to %RTP targets.

Random game control

Random games do not control the %RTP in the same way as compensated games but rely purely on the statistical chance of a random event offering a win. The way in which fully random games control to a specific %RTP can seem confusing, the following calculations may help to clarify:

This simplified example shows the processes involved.

A reel based "fruit machine" game uses 3 reels, each with 20 positions on them. Each reel consists of 2 sets of each of the following symbols, Cherry, Lemon, Orange, Melon, Bell, Star, Bar, which between them take up 14 reel positions, the remaining 6 positions on each reel are filled with XXXs.

Assume the stake is 50p for one game and the game awards a jackpot of £250 and has only one winline. The %RTP is required to be 90% and the game is fully random – that is, no compensation at all.

Thus, 3 reels with 20 positions on each means there are 20 x 20 x 20 possible display combinations, 8000 in total, a few will equate to wins and many more to losses.

Statistically speaking, and following the [law of large numbers](#), in 8000 games it would be highly unlikely that all possible reel combinations would be displayed on the winline, but if a very much larger number of games were played then it would be much more likely that all possible combinations would be shown on the winline an equal number of times. The probable number of game cycles needed to achieve this averaging effect can be determined statistically and it could be in the order of millions, this is the reason we need to allow random games a longer time to achieve their %RTP figures than compensated games.

Returning to the example, the following is a simplification based on an average series of 8000 games where it is assumed for calculation purposes that all possible outcomes are shown once during the series.

Let us say that the possible winning combinations are made up as follows: -

Reel 1	Reel 2	Reel 3	Win Value (£)	No. of chances	Total value (£)
Bar	Bar	Bar	250	$2 \times 2 \times 2 = 8$	$250 \times 8 = 2000$
Star	Star	Star	75	8	600
Bell	Bell	Bell	45	8	360
Melon	Melon	Melon	20	8	160
Orange	Orange	Orange	20	8	160
Lemon	Lemon	Lemon	20	8	160
Cherry	Cherry	Cherry	20	8	160
Total					£3600

To explain further, using the Bar symbol as an example, there are two bar symbols on each reel, so there are two chances that reel 1 can show a bar on the winline, similarly two chances of reel 2 showing a bar, thus the combined chance is 2×2 or 4 chances, and if reel 3 is included, then this becomes a total of 8 chances (in the 8000 possible outcomes) of 3 bars on the winline.

The win values have been carefully chosen to provide the required overall total value when multiplied by the appropriate number of chances. If different win values are needed for the game, then to arrive at the correct total value, the number of chances can be fine-tuned as explained below.

If 3 bars award a win of £250, then during the 8000 games, this outcome will be achieved 8 times awarding a total of £2000 to the player.

For 8000 games at 50p per game, the player stakes a total of $8000 \times 50p = £4000$. This is the cost of play.

Assuming each possible display combination occurs only once, then the winning combinations as shown above would yield £3600 over the 8000 games.

$$\text{Thus \%RTP} = \frac{\text{Wins awarded}}{\text{Cost of play}} = \frac{£3600}{£4000} = 0.90 = 90\%$$

It must be stressed again that 8000 is too low a number of games to expect a fully random game to achieve its target %RTP. The actual %RTP after this number of games would most likely be considerably above or below the target percentage depending upon the random allocation of wins awarded. It is only after very many games that the averaging effect evens out the volatility of wins and losses and the target %RTP is achieved.

Fine Tuning The %RTP

Assume for example that there were 3 cherries on the third reel instead of two and hence one less XXX symbol. Then the cherries would contribute $2 \times 2 \times 3$ chances = $12 \times £20 = £240$ and not £160, thus the %RTP calculation would become:

$$\text{New \%RTP} = \frac{\text{Wins awarded}}{\text{Cost of play}} = \frac{£3680}{£4000} = 0.92 = 92\%$$

In this way the game designer can fine tune the %RTP. Other methods used would be to give several smaller wins, or to offer say 19 or 21 positions on one or more reels. All of these affect the calculation by differing amounts.

The whole calculation is of course based on the statistical probability that everything will average out over a sufficiently large number of games, hence the need to allow random

games a much longer time to “settle down” than compensated games and hopefully this explanation will show why %RTP must always be quoted as an ‘average’ figure – over a large number of games.

Reference materials

LLEP assessment templates

To help you meet LA regulatory obligations under the Gambling Act 2005 we worked with Leicester, Leicestershire and Rutland Licensing Forum and LLEP to produce a [range of resources](#) including a suite of assessment templates, information for premises and assessment outcome letters. Please share the findings of your visits with your compliance manager so that we can continue to build a broad picture of premises’ compliance.

Quick guides and template letters

Some quick guides are designed to give to operators when undertaking visits, others provide an accessible ‘how to’ for licensing staff:

- [Public Health and Gambling](#)
- [Sharing information and intelligence](#)
- [Statement of Principles \(for councillors\)](#)
- [Money laundering](#)
- [Gaming machines in pubs](#)
- [Race night, casino night or poker night](#)
- [Members’ club or commercial club](#)
- [Poker in clubs](#)
- [Poker in pubs](#)
- [Facilitating betting in pubs and clubs is illegal](#)
- [Skills with prizes](#)
- [Illegal gaming machines](#)
- [Comparing lottery ticket dispensers and B3A machines](#)
- [Illegal siting of gaming machines](#)
- [Fairs and fairgrounds](#)
- [Running a lottery](#)
- [Running prize competitions and free draws](#)
- [Multi activity sites](#)
- [Police statutory powers under the Gambling Act](#)
- [LA statutory powers of inspection under the Gambling Act](#)
- [Examples of non-complex category D gaming machines](#)
- [Templates for notification of automatic entitlement and application for licensed premises gaming machine permit](#)

Gambling Act statutory notices and forms

It is a statutory requirement that applicants use the correct forms to give proper notice of applications, variations etc to all responsible authorities, including the Gambling Commission.

We host all the [statutory notices and application forms](#) as they are no longer available on the DCMS website.

Find operating licence holders

We [publish](#) the names of all companies and individuals who hold, or have applied for, operating licences in Great Britain along with the names of companies or individuals whose

licences have lapsed, been revoked, forfeited, expired, suspended or surrendered in the last 6 months.

LAs must check the operator licence quoted on premises applications with the register before granting a premises licence. An application for premises licence may only be made by persons who have an operating licence which allows them to carry out the proposed activity for example a bingo operating licence for a bingo premises or have applied for an operating licence (although the premises licence cannot be determined until an operating licence has been issued).

Premises licence register

The information on our publicly available [premises register](#) is based on the statutory notifications received from LAs regarding grants, variations, revocations, lapses etc, and is updated monthly. LAs are encouraged to send **all** necessary correspondence to info@gamblingcommission.gov.uk. Where email notification has been made it is not necessary to follow up by post.

In relation to gaming machines, we only require notification of grant/rejection of Club Machines Permits and Gaming Machine Permits. There is no requirement to advise us when an alcohol licence holder submits their notification for an automatic entitlement to two gaming machines. However, LAs must keep a record of how many automatic entitlement notifications it receives each year, as that information is requested in the annual LA returns.