The economic contribution of the betting and gaming sector

Economic impact assessment

January 2021

EY
Building a better working world

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1 Key findings

This study was commissioned by the Betting and Gaming Council (BGC) to provide analysis on the contribution from the members it represents to the British economy[1] in 2019 and beyond. BGC members are high end casinos,[2] casinos,[3] licensed betting offices (LBOs) and remote operators (including online bingo). Land-based bingo and lottery operators, not represented by the BGC, are therefore not within the scope of this analysis.

In compiling this report, EY has drawn on information from BGC members, Gambling Commission statistics, national statistics, and other external data sources to analyse industry trends and assess the economic contribution of BGC members.

Key findings presented in the report include:

BGC members contributed £7.7b to UK Gross Value Added (GVA) in 2019, with economic activity spread across the UK, with a higher concentration of activity in the North, Scotland and London.

- In 2019 BGC members contributed £2.6b in direct GVA, £2.9b in indirect GVA generated by their supply chain, and a further £2.2b in induced effects (spending generated by those employed by BCG's members or their supply chains), together making up their £7.7b GVA contribution

- In 2019 BGC members supported 119,000 jobs in the UK[4], with 61,000 employed directly by members and a further 58,000 jobs generated by members' supply chains (largely in high productivity service industries) and through demand induced by those working for members and in their supply chains

- Of the 61,000 direct jobs, an estimated 22,000 were based in the North and Scotland, and 15,000 were based in London

BGC members contribute significantly to Exchequer revenues, accounting for 0.4% of all Exchequer revenues in 2019.

- In 2019 BGC members directly contributed £3.2b in tax payments to the Exchequer, which represents 0.4% of total Exchequer revenues. This is a greater proportion than the relative contribution of BGC members' to total UK GVA, which is around 0.13%

- The £2.0bn paid by BGC members in betting and gaming duties is equivalent to around 4% of excise duties[5]

[1] Although the report refers to the UK economy, Northern Ireland is out of scope for this analysis due to a paucity of data for betting and gaming activities. The Gambling Commission is a key source of data for this work and its remit is betting and gaming in Great Britain; regulation of the industry is a devolved power in Northern Ireland.
2 The definition of high end casinos in this report is consistent with the Gambling Commission definition of high end casinos used in their Drop and Win reports with the five high end casinos being Aspinalls, Crockfords, Les Ambassadeurs, Maxims and the Ritz casinos, which are all London based.
[3] All casinos other than the five high end casinos.
[4] In this report the term jobs are defined as full time equivalents.
[5] Office for Budget Responsibility, March 2020 (ibid). Excise duties are defined as tobacco duty, alcohol duties and fuel duty; together these generated £49b of tax receipts in 2018/19.

- BGC members' total tax contribution, including taxes paid through the supply chain, and demand induced by members, was £4.5b in 2019

Betting and gaming make wider financial contributions to British horseracing and sports, supporting their finances, particularly during a turbulent 2020.

- There is a deep and longstanding relationship between betting and horseracing, and indeed other sports including football, rugby league, darts and snooker. Significant financial contributions are made to these and many other sports by operators. Horseracing and sport in turn are also crucial for betting and gaming, given the high proportion of betting activity that is on the outcome of sporting events

- Sponsorship from the sector – worth a minimum of £70m in 2019 – is a significant source of income for horseracing, competitions and clubs in football, rugby league, darts and snooker. As sector sponsorship has increased, so have prize monies, supporting the careers of sportsmen and women and crucially the development of these sports at lower levels

Composition of Gross Gaming Yield (GGY)[6] has changed over the last decade, with an increasing share being generated by remote operators, as GGY for retail betting and gaming (LBOs and all casinos including high end) has seen modest growth in comparison

- Remote betting and gaming[7] GGY has grown rapidly by 8% p.a. over the last three years,[8] to £5.3b in the year to April 2019

- GGY for non-remote betting and gaming was broadly stable between the year to April 2015 and the year to April 2019 (at around £4.3b)[9]

- However, the physical footprint of betting declined sharply in 2019, with 1,240 LBOs closing (15% of all LBOs at the start of 2019). The reduction in revenues following new limits on stakes placed through fixed-odds betting terminals in April 2019[10] contributed to the scale of these closures

Covid-19 has hit the industry hard leading to significant falls in GGY for retail operators, while acting as a barrier to growth for remote operators

- Total BGC member GGY is expected to fall by 18% in 2020. This is driven by significant falls in GGY for all casinos (including high end) and LBOs from £3.9b in 2019 to £1.9b in 2020 (see Table 1). Although the remote betting and gaming companies are expecting a net increase of around 7% in GGY in 2020, this is below the average 8% growth over the previous three years, and is insufficient to off-set the declines amongst all casinos and LBOs

- The retail footprint of the sector has continued to contract; 374 LBOs have closed in 2020 to date, and six casinos announced they would not re-open following the relaxation of the first lockdown. The analysis in this report

[6] GGY used in this report is in line with the standard definition, the amount retained by gambling operators after winnings have been paid to the player, but before operational costs have been deducted.
[7] The remote betting and gaming sector includes remote casino games, betting and bingo
[8] Gambling Commission, Gaming Industry Statistics, remote GGY growth, FY17: 13%, FY18: 12%, FY19: -1%
[9] Gambling Commission, Gaming Industry Statistics.
[10] House of Lords (July 2020), *Select Committee on the Social and Economic Impact of the Gambling Industry*

estimates that employment in BGC members will have fallen by 5,000 in 2020 as a consequence

- BGC members' economic contribution, largely as a consequence of the Covid-19 pandemic, is therefore expected to fall by 19% to £6.2b in 2020, from £7.7b in 2019

- Based on estimates from BGC members, total GGY is expected to largely recover to 2019 levels by the end of 2021 and return to growth with GGY in 2023 expected to be about 15% above 2019 levels

- However, there will be some differences by segment of the industry, with strongest growth seen in remote GGY (a continuation of an existing trend). All casinos (including high end) are expected to just exceed their 2019 GGY in 2023, while the GGY of LBOs in 2023 will remain below that of 2019

- LBOs and all casinos are expected to achieve a significant increase in activity in 2021 and 2022 compared with 2020;[11,12,13] this is only expected to happen once lockdown restrictions have been lifted, the timing of which is still uncertain

Table 1: Estimated and forecast GGY by operator type[14]

Sector	Actual GGY	Estimated GGY			
	2019	2020	2021	2022	2023
Remote	£5.5b	£5.9b	£6.3b	£6.7b	£7.2b
LBOs	£2.8b	£1.6b	£2.4b	£2.5b	£2.6b
Casinos - high-end	£0.2b	<£0.1b	£0.1b	£0.2b	£0.2b
Casinos	£1.0b	£0.3b	£0.7b	£0.9b	£1.1b
Total	**£9.6b**	**£7.8b**	**£9.5b**	**£10.3b**	**£11.1b**

Source: Gambling Commission, BGC member data, EY Analysis

- However, given the uncertainties around the path of the pandemic and the upcoming review of the 2005 Gambling Act, developing forecasts for BGC members' future economic contribution is challenging. The forecast in this report was produced in early to mid-December 2020, and assumed a lifting of lockdown restrictions partway through 2021, and no changes in regulation

Alongside their economic contribution, BGC members have taken action to address aspects of gambling behaviours that may be associated with harms.[15,16]

- Problem gambling can lead to a range of economic and social issues for those affected and their families. A full study of problem gambling and the harms associated with it is beyond the scope of this report. BGC members operate in a

[11] Forecast LBOs annual GGY growth: FY20: -45%, FY21: 56%, FY22: 2%, FY23: 3%. Forecast LBOs GGY growth compared to 2019: FY20: -45%, FY21: -15%, FY22: -11%, FY23: - 7%
[12] Forecast high end casino GGY growth: FY20: -70%, FY21: 120%, FY22: 100%, FY23: 9%. Forecast high end casino GGY growth compared to 2019: FY20: -50%, FY21: -50%, FY22: 0%, FY23: 0%
[13] Forecast casinos GGY growth: FY20: -70%, FY21: 117%, FY22: 28%, FY23: 24%; Forecast casino GGY growth compared to 2019: FY20: -70%, FY21: -30%, FY22: -10%, FY23: -10%
[14] The data in this table is for the calendar years specified, as opposed to the year to April time periods used by the Gambling Commission. It also includes small amounts of directly related revenue that is not part of GGY reported by the Gambling Commission.
[15] As reported by Gambling Commission; definition is based on the Canadian Problem Gambling Severity Index (PGSI) and the Diagnostic & Statistical Manual of Mental Disorders scale (DSM-IV), Gambling Commission, Gambling participation and problem gambling (gamblingcommission.gov.uk)
[16] Health Survey England 2016 survey, Levels of problem gambling in England (gamblingcommission.gov.uk)

regulated industry with safeguards to protect consumers. In 2021 the Government will be reviewing the Gambling Act 2005 and changes may follow in respect to the regulation of the sector

2 Approach

2.1 Introduction

This report was commissioned by the Betting and Gaming Council (BGC) to provide analysis on the contribution to the UK economy (excluding Northern Ireland) of BGC members: all casinos, retail betting, and remote betting and gaming operators.

This report encompasses:

- An analysis of the economic contribution of BGC members in 2019
- An update for Covid-19 in 2020
- A forecast of trends to 2023

This report adopts a standard economic impact assessment of the economic contribution of BGC members. This encompasses the direct effect of the activities of BGC members as well as the indirect effects from the industries supported in the supply chain, and the wider impact on demand in the economy arising from spending by direct and indirect employees. The impacts are presented in terms of GVA, revenues and employment.

2.2 Definitions

This report separates casinos into two sector groupings, distinguishing between five casinos that are located in London and are "high end", and all other casinos. The former are called "high end casinos" in this report and the latter are referred to as "casinos". The definition of high end casinos in this report is consistent with the Gambling Commission definition of high end casinos used in their Drop and Win reports; the list of high end casinos is: Aspinalls, Crockfords, Les Ambassadeurs, Maxims and the Ritz.

Direct impacts are GVA, employment and tax contributions attributed to betting and gaming operators. Indirect impacts are generated from spend by BGC members on their supply chain. Induced effects are activity generated by spending by those employed within members and their supply chain.

GVA itself as used in the report is a measure of the increase in the value of the economy due to the production of goods and services. Commonly defined as compensation of employees plus gross operating surplus, effectively the value of outputs less operational – non employment - costs. Here it is used in basic price terms, excluding taxes payable on the products, such as gambling duties.

GGY used in this report is in line with the standard definition, the amount retained by gambling operators after winnings have been paid to the player, but before operational costs have been deducted.

2.3 Approach to estimating BGC members' economic contribution

The approach to this analysis is set out in Figure 1.

Figure 1: Approach to estimating the economic contribution of BGC members

A) Industry trends to 2019

Trends in betting and gaming affecting members, encompassing GGY, employment and premises

Focuses on the wider betting and gaming industry

B) Betting and gaming taxation

Insights into the evolution of taxes on the sector, and members' contribution to the Exchequer

Focuses on the wider betting and gaming industry

C) The economic footprint of BGC members in 2019

Members' contribution to the UK economy by sector: LBOs, casinos, high end casinos and remote activities

Focuses only on BGC members' economic contribution

D) The economic footprint of BGC members in 2020 and beyond

Data and analysis on the impact of the Covid-19 pandemic on BGC members in 2020 and beyond

Focuses only on BGC members' economic contribution

2.4 Data and evidence sources

To produce the analysis in this report a range of sources were drawn on (see Table 2), including Gambling Commission statistics, national statistics and information requests from BGC members. These information requests from BGC members included data on their revenues, costs, employment and taxes paid.

Table 2: Evidence sources by analysis and report section

Section	Evidence sources
Industry trends to 2019	▶ Data from the Gambling Commission, Office for National Statistics (ONS) and the BGC, and evidence from a brief literature review
Betting and gaming taxation	▶ Information on tax rates and revenue data from HMRC
The economic footprint of BGC members in 2019	▶ Standard impact assessment model underpinned by ONS data ▶ Data from BGC members gathered in summer 2020 ▶ Modelling assumptions by EY agreed with BGC
The economic footprint of BGC members in 2020 and beyond	▶ Data from BGC members gathered in summer 2020 ▶ Gambling Commission data ▶ Brief literature review ▶ EY Item Club ▶ OBR Economic and Fiscal Outlook March 2019 and 2020 ▶ Modelling assumptions by EY agreed with BGC

It is important to note that the forecasts for the economic contribution of members were finalised and agreed with BGC on 15 December 2020. This was prior to the public release of information about the mutation of Covid-19 in the UK, and further measures taken to contain the virus with their consequent implications for economic activity. Therefore the forecasts in this analysis, as per the situation in January 2021, may represent an optimistic outlook for BGC members.

For further detail on methods and approaches used in the modelling see Annex A: Methodology and assumptions.

3 Industry trends to 2019

This section reviews trends in the betting and gaming industry to 2019 using Gambling Commission statistics, and other external evidence.

3.1 Regulatory changes shaping the UK betting and gaming market

The Government has made a number of significant regulatory changes affecting the betting and gaming industry in recent years, potentially amplifying existing trends. In 2021 the Government will be reviewing the Gambling Act 2005 and further changes may follow in respect to the regulation of the sector. Regulatory changes with market shaping impacts have included:

- In 2014 remote betting and gaming operators required licences from the Gambling Commission to serve UK consumers
- In April 2019 there was a reduction in the maximum permitted stake on fixed-odds betting terminals
- In May 2020 it became illegal to use credit cards to fund remote and non-remote betting and gaming activities in the UK

A number of these regulatory changes have been targeted at reducing the potential harms that may be associated with industry, particularly in respect of problem gambling.

Problem gambling can lead to a range of economic and social issues for those affected and their families. A full study of problem gambling and the harms associated with it is beyond the scope of this report.

BGC and its members (and indeed the wider industry) have taken action to address aspects of gambling behaviours that may be associated with harms. [17,18]

BGC, as the standards body for the industry, and its members, have introduced a number of measures to address the issue of problem gambling, including increased safer gambling messaging, cooling off periods on gaming machines, new ID and age verification checks. Members have also increased funding for research, education and treatment into problem gambling and have also committed to ensuring that at least 20% of TV and radio advertising are safer gambling messages as well as introducing age restrictions on social media advertisements. In addition to recent regulatory changes, there have also been a number of significant changes to the tax regime for the industry. These are explored in Section 4.

[17] As reported by Gambling Commission; definition is based on the Canadian Problem Gambling Severity Index (PGSI) and the Diagnostic & Statistical Manual of Mental Disorders scale (DSM-IV), Gambling Commission, Gambling participation and problem gambling (gamblingcommission.gov.uk)
[18] Health Survey England 2016 survey, Levels of problem gambling in England (gamblingcommission.gov.uk)

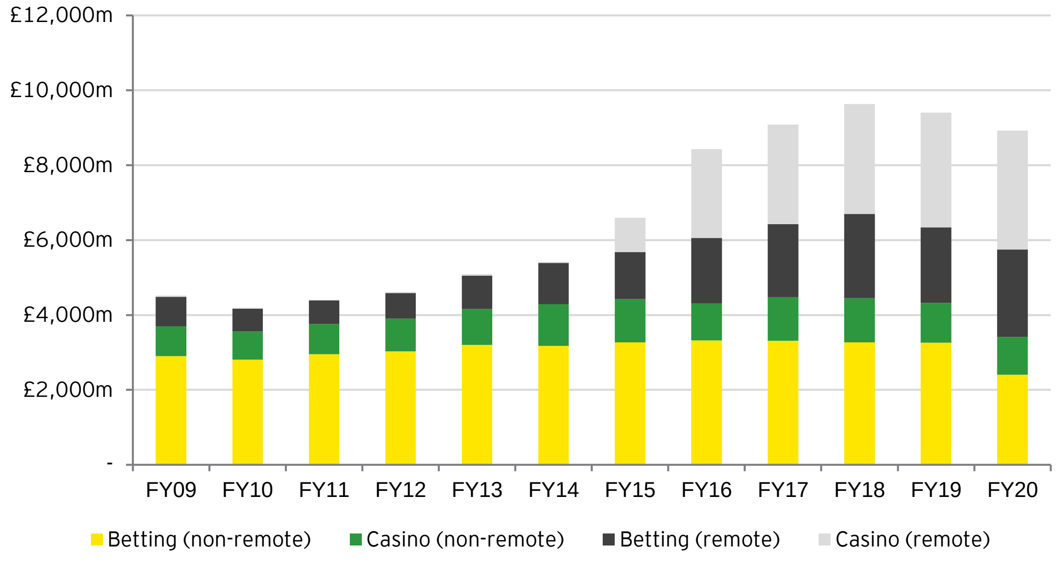
3.2 Trends in the composition of GGY

GGY represents the income of a betting and gaming operator related to betting and gaming activities. It is defined as money taken in bets or stakes, net of the money paid out in prizes or winnings.

Total measured GGY for the industry grew from £4.5 billion in 2008/09 to a peak of £9.8 billion in 2017/18 (see Figure 2), with remote betting and gaming growing faster than the non-remote sector. The substantial increase in remote casino GGY from 2014/15 onwards[19] was a result of the Gambling (Licensing and Advertising) Act 2014, which required remote betting and gaming operators serving British customers to have a licence from the Gambling Commission from November 2014. Prior to this date, it was not possible to estimate an accurate GGY for online operators.[20]

Yields from non-remote activities have been stable with GGY increasing at a relatively stable rate from 2012 to 2018 (2% p.a. average growth), with a small fall in 2018/19 (-3%) and a much larger fall of 21% for 2019/20. Following the changes to maximum stakes of fixed-odds betting terminals in 2019, there was a 41% reduction in machine revenues that contributed to this fall in overall non-remote GGY.

Figure 2: GGY by sector (£m)



Source: Gambling Industry Statistics, The Gambling Commission, FY period covers the 12 months to 31 March

[19] The data in this section relates to the remote gambling sector in GB after the implementation of the Gambling (Licensing and Advertising) Act 2014, which came into force on 1 November 2014. The Commission now licenses the entire GB facing online gambling market, which includes operators that do not have any remote gambling equipment in Britain. The data provided on the remote sector covers the period from 1 November 2014 until 30 September 2015 (11 months) and is not annualised. It includes data from GB based and non-GB based operators supplying remote gambling services to customers physically located in GB.

[20] Online gambling in Britain measured accurately for the first time, 29 November 2018, https://www.gamblingcommission.gov.uk/news-action-and-statistics/News/online-gambling-in-britain-measured-accurately-for-the-first-time

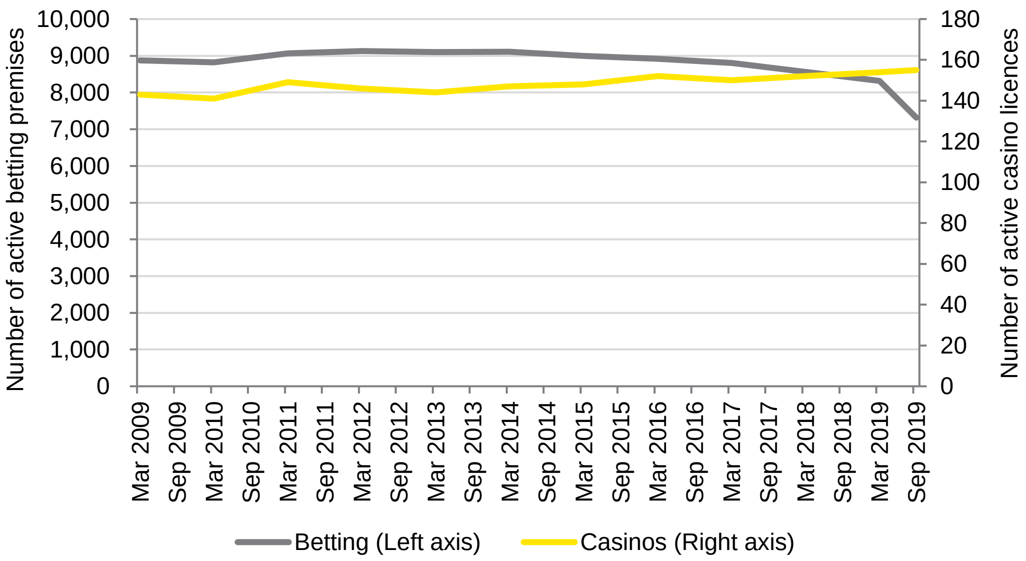
3.3 Trends in employment and venues

The number of LBOs has been in decline since 2012 (see Figure 3).[21] BGC member data indicates that the number of LBOs fell from 8,355 at the end of 2018 to 7,115 by the end of 2019 – a fall of 1,240 (15%). A driver of this sharp decline in 2019 – relative to the much smaller annual falls of 3% in the previous two years[22] – was the reduction in stake limits on fixed-odds betting terminals which had a detrimental impact on store profitability.[23] Though the number of LBOs has been falling, on average revenues per individual LBO shop are likely to have increased over this period;[24] this is because it is the less profitable LBOs on average that are shut, and an element of spend at closed LBOs is typically redirected to remaining LBOs.

The betting and gaming workforce has been gradually declining over the past ten years from around 80,000 in 2010 to around 69,000 in 2019 according to Gambling Commission data[25] (see Figure 4). Employment has fallen in all sectors, with the exception of remote betting and gaming (including remote bingo), where employment has grown 31% from 7,496 in 2010 to 9,785 in 2019. This overall fall in BGC member employment is largely explained by the declining number of LBOs, and the growth of the remote sector which is less labour intensive than retail betting and gaming.

In contrast, the number of casinos has been relatively stable, with the number of venues remaining between 120 and 130 and the number of licences increasing from 149 to 155[26] between 2011 and 2019 (see Figure 3).

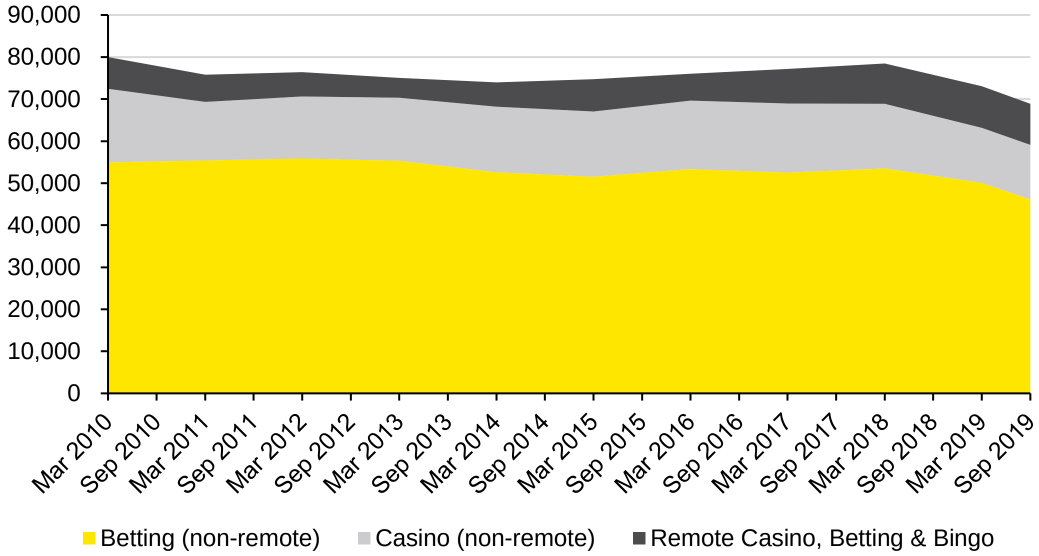
Figure 3: Trends in active premises and active licences



Source: Gambling Industry Statistics, The Gambling Commission

[21] Gambling Industry Statistics, Gambling Commission, 2020
[22] Gambling Industry Statistics, Gambling Commission, 2020
[23] House of Lords (July 2020), *Select Committee on the Social and Economic Impact of the Gambling Industry*
[24] While the number of LBOs fell by 15% between 2018 and 2019, GGY for LBOs fell by approximately 11% from FY19 GGY to GGY in the year to September 2019 according to the latest data available from the Gambling Commission.
[25] The Gambling Commission employment estimates are larger than EY estimates, this is due to the timing of the GC data, with additional jobs being lost between the date of GC figures and the end of the calendar year.
[26] Gambling Industry Statistics, Gambling Commission, 2020. Using GC data on premises is likely to overstate the number of casino venues as there can be more than one licence per casino venue.

Figure 4: Workforce in the betting and gaming industry in Great Britain[27]

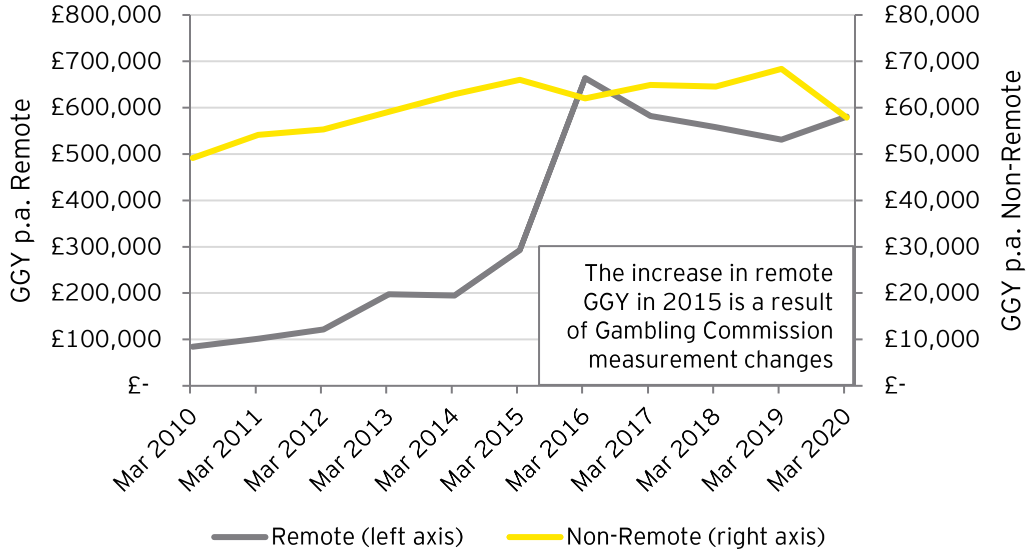


Source: Gambling Industry Statistics, The Gambling Commission

The remote gaming sector typically generates higher GGY per employee reflecting the nature of its business; services are delivered via a digital platform rather than via multiple physical locations. Prior to 2014, the remote sector was already generating twice as much GGY per employee as the non-remote sector, reflecting the less labour intensive nature of the business (see Figure 5). Data from the Gambling Commission shows a sharp increase in GGY per employee in the remote sector post-2014. This largely reflects the measurement changes that occurred in 2014, whereby the Gambling Commission included data from non-UK operators providing services to UK consumers within the scope of its analysis.[28]

[27] Data on workforce available from the Gambling Commission does not disaggregate employment among remote gambling activities, therefore it is not possible to present only the workforce in remote betting and gaming operators. Data for the year to 31 March 2020 was not available in the November 2020 Gambling Industry Statistics release.
[28] The data in this section relates to the remote gambling sector in GB after the implementation of the Gambling (Licensing and Advertising) Act 2014, which came into force on 1 November 2014. The Commission now licenses the entire GB facing online gambling market, which includes operators that do not have any remote gambling equipment in Britain. The data provided on the remote sector covers the period from 1 November 2014 until 30 September 2015 (11 months) and is not annualised. It includes data from GB based and non-GB based operators supplying remote gambling services to customers physically located in GB.

Figure 5: GGY generated per UK employee per annum in the remote and non-remote sectors



Source: Gambling Industry Statistics, The Gambling Commission

4 Betting and gaming taxation

This section reviews trends in the wider betting and gaming industry to 2019 using Gambling Commission statistics and other external evidence.

4.1 Betting and gaming duties

The betting and gaming industry makes a significant contribution to the UK Exchequer, with all betting and gaming duties alone raising £3 billion per year (2019) and as such are equivalent to 6% of total excise duties.[29,30]

The betting and gaming duties discussed subsequently in this report are limited to those listed in Table 3, as they are most relevant for the types of betting and gaming the BGC represents.

Table 3: Betting and Gaming duties[31,32]

Duty	Rate	Receipts	Proportion of B&G receipts
Remote Gaming Duty	21%	£649m	21%
General Betting Duty	15%	£596m	20%
Machine Games Duty	5% to 25%	£566m	19%
Gaming Duty	15% to 50%	£214m	7%
Pools Betting Duty	15%	£6m	<1%
Total		**£2,031m**	**67%**

Source: HMRC

The taxes in Table 3 combined account for around £2 billion in tax revenue per year. Lottery duty and bingo duty (outside the scope of this report) account for the remaining £1 billion.

4.2 Trends in betting and gaming duty revenues

Taxes on the industry have increased in recent years, with key betting and gaming tax changes including the:

- Introduction of Machine Games Duty in 2013. This applies to net takings equivalent to GGY from slot machines, fruit machines, quiz machines among other types that give cash prizes on premises. Rates vary from 5% to 25% according to the type of machine

- Introduction of Remote Gaming Duty in 2014. This tax is paid on gaming provider profits linked to GGY from gaming played by a customer who usually lives in the UK. A tax rate of 15% was applied

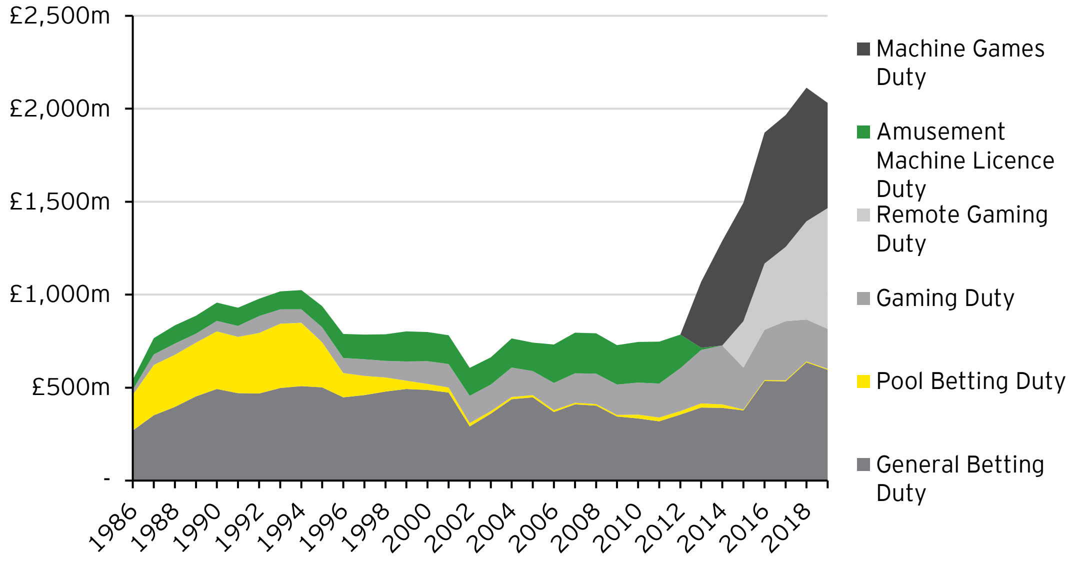
- Increase in the Remote Gaming Duty rate from 15% to 21% after 1 April 2019

Consequently, betting and gaming tax revenues (excluding Lottery Duty and Bingo

[29] Office for Budget Responsibility, Economic and Fiscal Outlook, Fiscal Supplementary Tables, fiscal table 2.8, March 2020. This includes taxes paid by arcades, bingos, and lotteries.
[30] Office for Budget Responsibility, March 2020 (ibid). Excise duties are defined as tobacco duty, alcohol duties and fuel duty; together these generated £49b of tax receipts in 2018/19.
[31] HMRC Betting and Gaming receipts for calendar year 2019.
[32] Bingo duty accounts for a further 1%, and lottery duty for 32%, although these sectors are not part of the economic contribution analysis.

Duty) have risen sharply over the last decade (see Figure 6). Revenues have more than doubled from £0.85b in 2010 to over £2.1b in 2019. Over a similar period alcohol duty receipts have increased from £9.4b in 2010/11[33] to £12.1b in 2019/20.[34] In contrast Tobacco Duty has fallen from £9.1b in 2010/11 to £8.8b in 2019/20.[35]

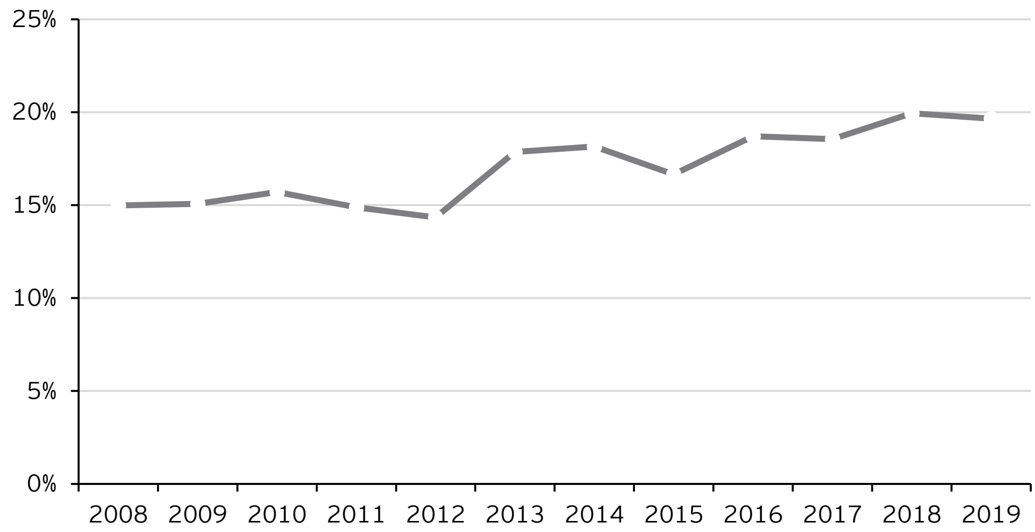
Figure 6: Betting and gaming tax revenues by duty type (excluding Lottery Duty and Bingo Duty)



Source: HMRC

This increase in taxes can also be seen in an increased share of GGY being paid in tax to the Exchequer, from 15% of GGY in 2009 to 19.7% in 2019 (see Figure 7).

Figure 7: Betting and gaming tax revenues as a share of GGY[36]



Source: HMRC and Gambling Industry Statistics, The Gambling Commission

[33] HMRC UK Alcohol Duty Statistics (July 2019), Annual and monthly tables, table T1
[34] HMRC UK Alcohol Duty Statistics, January to April 2020 update, 2020_Apr_Alc_Com.pdf (publishing.service.gov.uk)
[35] HMRC (July 2020), Tobacco Statistics Tables, table T1, Tobacco Bulletin - GOV.UK (www.gov.uk)
[36] The timing of tax receipts and GGY do not entirely coincide, meaning the share each year is not necessarily the tax rate

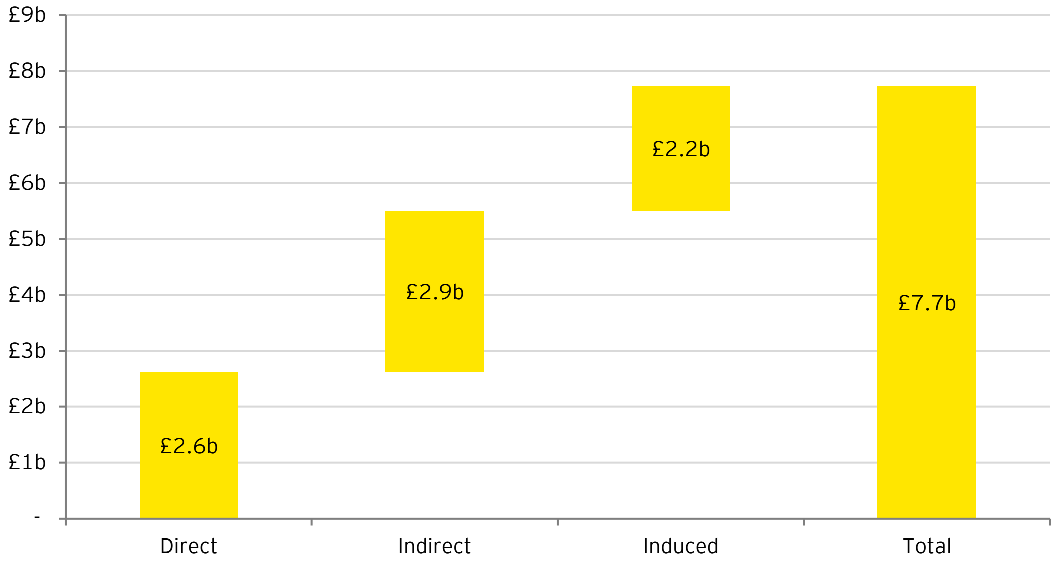
5 The economic footprint of BGC members in 2019

This section, based on EY analysis, focuses on the 2019 economic footprint of the elements of the betting and gaming industry represented by the BGC.

5.1 GVA contribution

BGC members generated £7.7b in GVA in 2019. Of this figure, the direct contribution of BGC members is estimated to be £2.6b, with a further £2.9b of GVA coming from indirect (supply chain) activities, and £2.2b in induced activities arising from spending by those employed by BGC members and their supply chain[37] (see Figure 8).

Figure 8: Economic impact (GVA) of BGC members in 2019



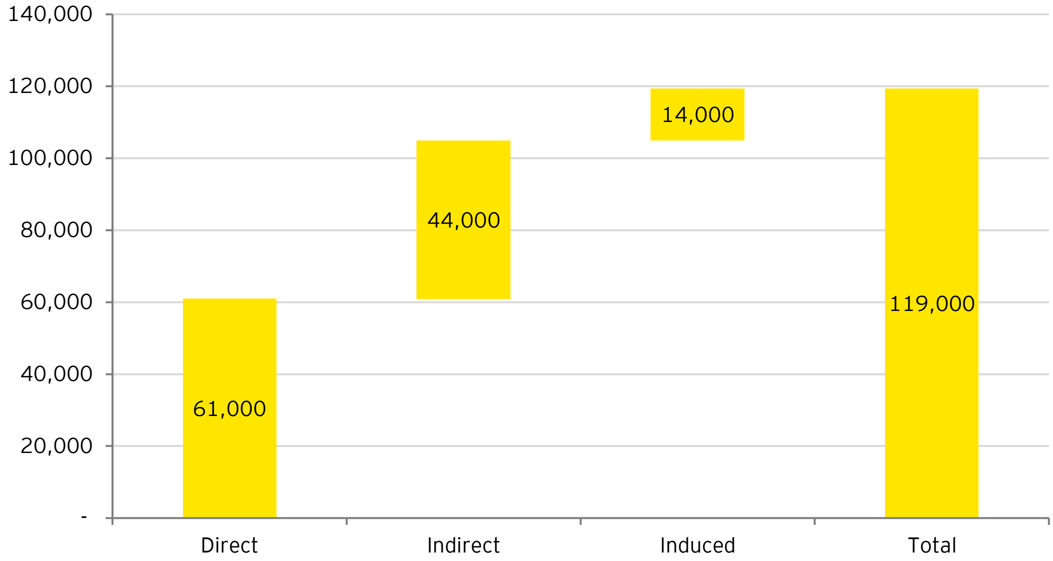
Source: EY analysis

5.2 Employment contribution

Total employment related to these activities was estimated to be 119,000 in 2019, with an estimated 61,000 in direct employment, 44,000 indirect jobs, and 14,000 induced jobs (Figure 9). It can be seen that supply chain activities (i.e. the indirect contribution) generally generate higher GVA per head compared with direct activities, which reflects significant supply chain spend by BGC members in high productivity (high GVA per head) service sectors such as marketing.

[37] The direct impact is relatively low in comparison to the indirect and induced impacts. This is a result of the generally low margins seen within the casino and LBO sectors, and some of the revenue from remote operators apportioned outside of the UK. The indirect expenditure includes a high value of marketing spend to reach UK consumers relative to the direct output of the sector, this is required in order to operate competitively in the industry.

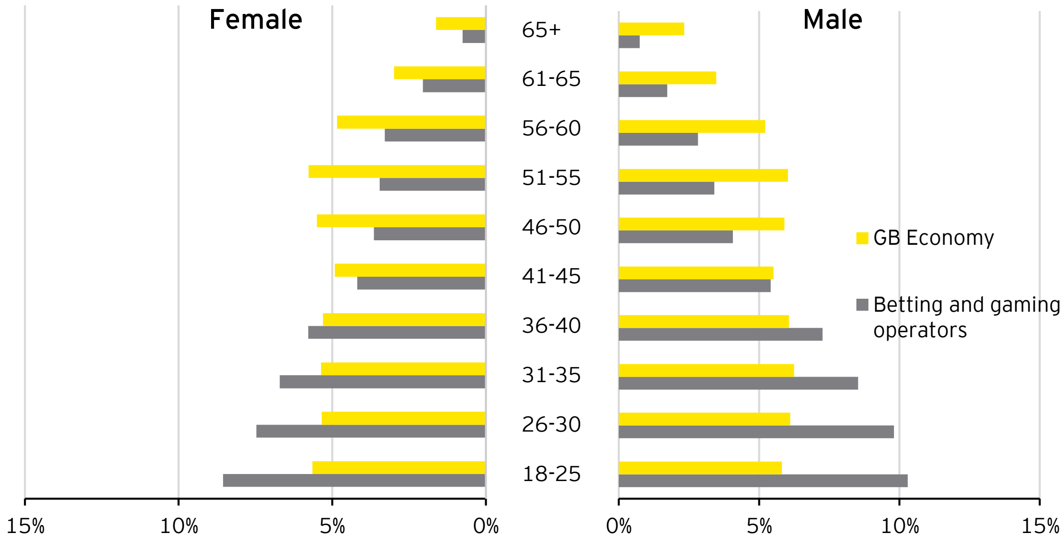
Figure 9: Employment impact



Source: EY analysis

The composition of employment within BGC members is markedly different from that of the UK economy as a whole. Figure 10 illustrates the demographics of those employed by BGC members; it is split relatively evenly between males and females, and there is a much higher proportion of younger people employed by BGC members in comparison to the economy overall. Of the betting and gaming workforce, 19% is under 25 and over half (51%) is under 35; in comparison the equivalent figures for the wider economy are 11% and 35% respectively. BGC members therefore play a role in providing entry level employment opportunities for young people.

Figure 10: Direct employment distribution, by age and gender

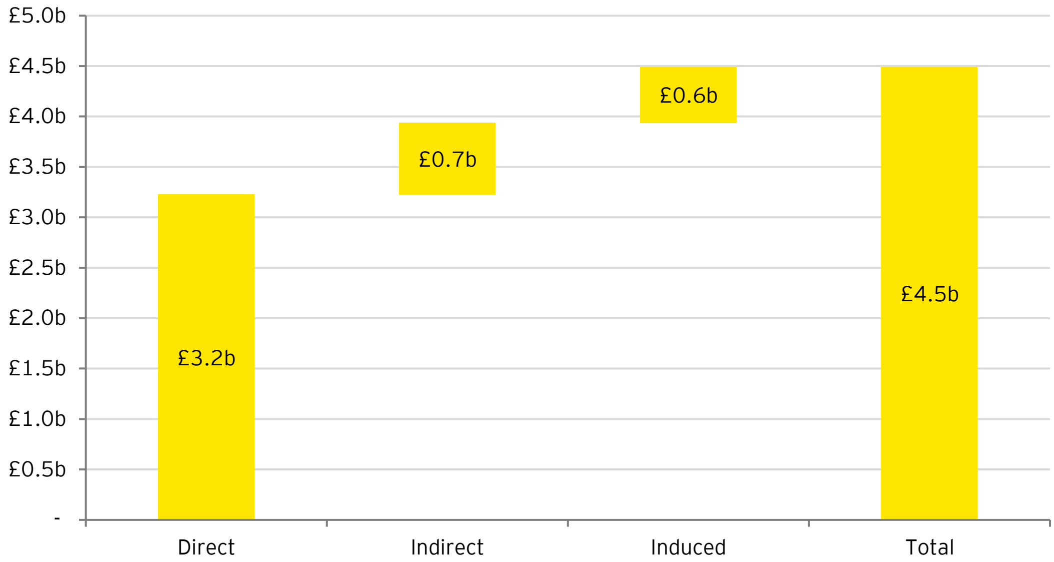


Source: EY analysis based on BGC data, Nomis

5.3 Tax contribution

Tax contributions[38] were estimated using survey data from BGC members, and publicly available data from Her Majesty's Revenue and Customs (HMRC) and the Office for Budget Responsibility (OBR) on the total revenues for corporation tax, PAYE income tax and excise duties. Analysis indicates that BGC members, and their supply chain, are estimated to have generated £4.5b in UK tax revenue in 2019 (see Figure 11). These tax contributions arise predominantly from BGC members' activities because of the contribution of excise duties (no equivalent taxes are paid by indirect and induced activities), alongside corporation tax and employment taxes.[39]

Figure 11: Tax contribution of BGC members



Source: EY analysis

This analysis estimates that in 2019 LBO, high end casino, casino and remote betting and gaming operators directly contributed £2.6b of GVA to the UK, accounting for approximately 0.13% of total UK GVA.[40] These operators' combined contributions to the Exchequer were estimated to be £3.2b in 2019 (see Table 4).[41] This amount encompasses betting and gaming taxes as well as other taxes like corporation taxes and income tax. These taxes represent around 0.4% of total annual Exchequer receipts.

[38] Taxes include income tax, employers and employees' national insurance contributions, VAT, corporation tax and "other taxes" (stamp duty, environmental taxation etc.).
[39] Betting and gaming duty payments of BGC members were approximately £2.0b in 2019 according to operator data, with the difference between this and HMRC receipts of £3.0b being primarily lottery duty along with duty payments of arcades and adult gaming centres. Additional taxes of £1.2b were paid directly by the sector, including corporation tax, PAYE, national insurance contributions and VAT.
[40] Based on EY analysis and ONS data on UK GVA.
[41] Based on EY analysis of BGC member data returns.

Table 4: Estimated taxes paid in 2019 by sector[42,43]

Sector	Betting and gaming taxes	Other taxes	Total taxes paid
Remote	£0.9b	£0.9b	£1.8b
LBOs	£0.5b	£0.4b	£0.9b
High-end casinos	<£0.1b	<£0.1b	<£0.1b
Casinos	£0.2b	£0.2b	£0.4b
Total taxes paid	**£1.6b**	**£1.5b**	**£3.2b**

Source: EY analysis

5.4 Economic contribution by sector

This section disaggregates the overall BGC member economic contribution (GVA) totals presented earlier in section 5 by sector, with findings summarised in Table 5.

Table 5: Disaggregated economic impact by sector[44]

Sector	Direct	Indirect	Induced	Total
Remote	£1.0b	£1.6b	£1.2b	£3.8b
LBOs	£1.1b	£1.0b	£0.7b	£2.8b
High-end casinos	<£0.1b	<£0.1b	<£0.1b	£0.2b
Casinos	£0.5b	£0.3b	£0.2b	£1.0b
Total	**£2.6b**	**£2.9b**	**£2.2b**	**£7.7b**

Source: EY analysis

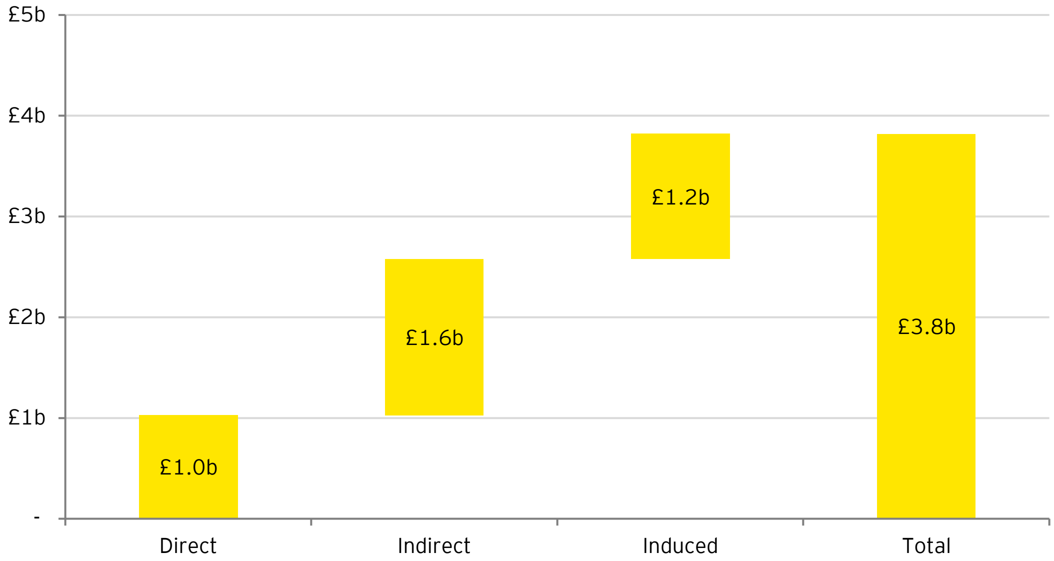
5.4.1 Economic contribution of remote betting and gaming

Remote betting and gaming, also referred to as online betting and gaming, is the largest of the four sectors in the market, with annual GGY in excess of £5b. While the customers are consuming the service in the UK, some of the operations of the larger firms in the market take place overseas, meaning that a portion of this economic activity does not take place in the UK. However, even allowing for this, the UK remote betting and gaming sector activity accounts for around 40% of total UK betting and gaming GVA. Additionally, it is estimated that a large share of employees in the remote sector (on average 70%) are based in the UK.

The direct contribution to the economic impact comes from earnings before interest, taxes, depreciation and amortisation (EBITDA) plus the compensation of employees in this sector. This is relatively low in comparison to the indirect and induced impacts (see Figure 12), reflective of some portion of the revenue being attributed to overseas operations, and the high value of marketing spend with UK suppliers that is required to operate successfully in a highly competitive market.

[42] The betting and gaming sector duty payments were approximately £2.0b in 2019 according to HMRC. The sectors analysed in this report cover most but not all of that base, for example it excludes the contribution of arcades and adult gaming centres. The estimate for the Remote Gaming Duty contribution from operator responses was also slightly lower than the HMRC data. This results in an estimate of duties paid of £1.6b in 2019.
[43] Figures may not sum due to rounding.
[44] Figures may not sum due to rounding.

Figure 12: Economic impact (GVA) of remote betting and gaming

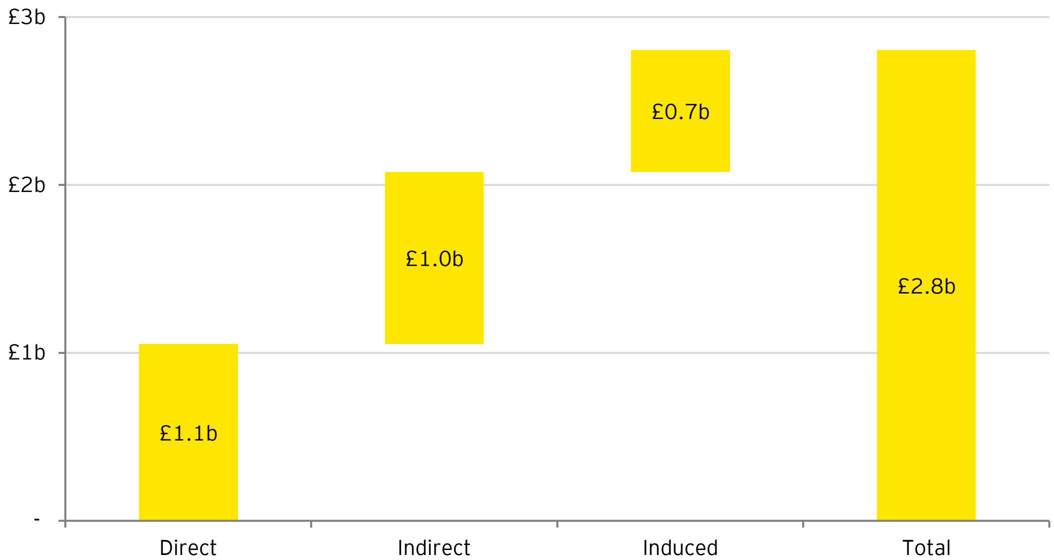


Source: EY analysis

5.4.2 Economic contribution of LBOs

The LBO sector has historically accounted for a significant share of the betting and gaming industry, with GGY at approximately £3b per year for the last 10 years. However, a combination of recent regulatory changes and consumers shifting to remote betting and gaming has led to a decline in the numbers of LBOs. In 2019 the number of LBOs fell by 1,240, from 8,355 stores to 7,115. Despite this fall, LBOs remain the largest employers amongst BGC members, with a workforce of 36,000 at the end of 2019 according to operator data.

Figure 13: Economic impact (GVA) of LBOs



Source: EY analysis

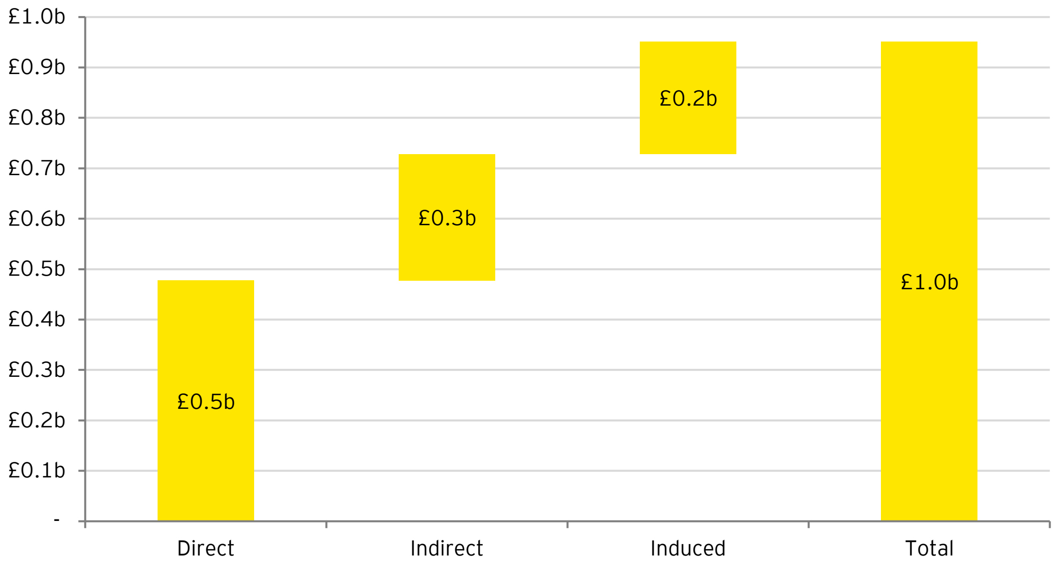
The high levels of external operational expenditure for LBOs, particularly on marketing and broadcasting, means that the indirect GVA contribution (£1.0b) is similar in scale to the direct contribution (see Figure 13).

Employment within LBOs is younger overall than employment in the wider economy, with 22% of workers being under 25. The majority of the workforce in LBOs is female, making up 53% of employees in this sector.[45]

5.4.3 Economic contribution of casinos and high end casinos

Casinos' total contribution to GVA was estimated to be £1.0b in 2019. Their direct economic contribution is a higher proportion of total impact compared to high end casinos, with a smaller relative contribution from indirect and induced impacts (see Figure 14 and Figure 15).

Figure 14: Economic impact of casinos in 2019



Source: EY analysis

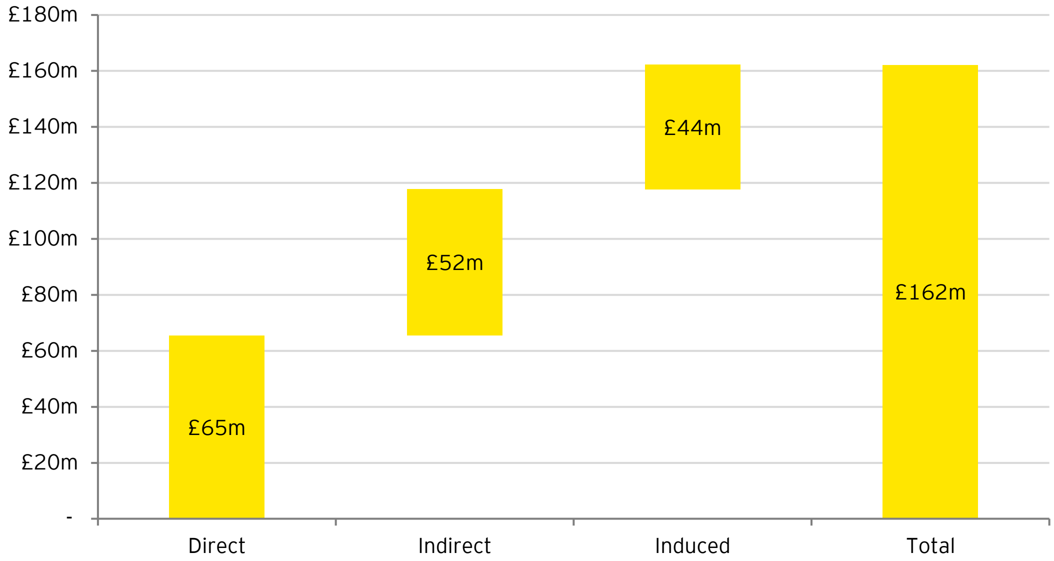
In 2019 casino operators employed 12,400 full time equivalents, generating the second highest number of jobs of BGC membership after LBOs in 2019. Casinos are comparatively labour intensive, with each casino employing around 100 full time equivalents.

Casinos' total contribution to employment in 2019 was 17,000, encompassing a further 4,600 jobs generated in the supply chain, and through demand induced by BGC members.

Employment in high end casinos in 2019 was estimated to be 1,200 full time equivalents, giving an average of 240 FTEs per high end casino. High end casinos supported a further 800 jobs in their supply chain, and through induced demand, bringing their total employment contribution to 2,000 in 2019.

[45] BGC member data

Figure 15: Economic impact of high end casinos in 2019



Source: EY analysis

The five high end casinos (which are all in London) have been operating at relatively low margins (based on data returns from operators) with high marginal tax rates on their core gaming activities,[46] which explains their relatively small direct impact on GVA (see Figure 15);[47] however their extensive supply chain linkages mean their indirect impact is almost as large as their direct impact.

High end casinos also have a wider economic contribution to the economy than that captured in Figure 15. High end casinos attract wealthy visitors[48] to London, including from overseas, who spend elsewhere in London, including in restaurants and hotels. One high end casino reported that one third of their attendance is from tourists, whilst another reported a much higher figure, stating that 90% of its GGY came from overseas visitors.

A 2017 study by EY, encompassing the eight high end casinos in existence at the time, found that additional tourism spending attributable to international gambling tourism contributed £120m in GVA, and supported approximately 2,650 jobs.[49]

5.5 Wider contributions – sport

In addition to the economic contribution described above, the betting and gaming industry contributes to sports and racing in the UK directly through advertising and sponsorship of clubs and events. Indirect contributions are also made through media and streaming rights and advertising during broadcasting of sporting events (which in turn increases the value that sport is able to realise for the broadcasting rights). In 2019 it was estimated that the industry spent at least £70 million on

[46] Marginal gambling duty rate on GGY over £13m is 50%.
[47] This is approximated by EBITDA plus compensation of employees.
[48] Average drop per head in high end casinos in March 2020 was £15,715; this is 40 times higher than drop per head in other London casinos, the location with the next highest drop per head in GB.
[49] EY (2017), *The UK high end casino industry, An analysis of the industry's contribution to the UK economy, risks to the sector, and the case for credit*

sponsorship.[50] Betting itself is also dependent in part on sports given that much of the betting activity is on the outcomes of sporting events.

There are ongoing national discussions around limitations placed on advertising associated with sport.[51] This issue will be covered in the Gambling Act Review following recommendations by the House of Lords Committee report in July 2020.[52] The industry has already taken steps to reduce advertising during sporting events on television, banning TV advertisements five minutes before, during and five minutes after sports broadcasts before 9pm.[53]

5.5.1 Horseracing

Horseracing, an industry estimated to be worth £3.5 billion a year to the UK economy, and which generates 85,000 jobs,[54] has a deep and long-standing relationship with the betting industry. In this sport, betting "underpins the core experience"[55] and is an intrinsic part of attending a race meeting.

Bookmakers contribute to horseracing in a variety of ways, including:[56]

- The Horserace Betting Levy Board, which is primarily funded by a levy on bookmakers' gross profits on horse racing
- Media companies, through rights deals worth an estimated £250m per annum[57] to broadcast racing in LBOs and online, with rights holders also receiving income from betting adverts during broadcasts
- Sponsorship of racecourses and races, including some of the biggest fixtures in the annual racing calendar worth at least £10m a year[58]
- Sponsorship of individual trainers and jockeys
- Intelligence sharing for anti-corruption purposes with the British Horseracing Association

The Horserace Betting Levy, worth £83 million in 2018/19[59] and projected to be worth £97m in 2019/20,[60] is the key channel through which betting contributes significantly to horse racing and acts as a key source of funding for event prize

[50] Sum of estimates provided in subsequent racing and individual sports sections (£40m on football; £15m on darts and snooker; £10m on horse racing; and £2.5m on rugby) and excludes shirt sponsorship as no data available.
[51] House of Commons Library Briefing Paper, Number 7428 (Dec 2020), Gambling Advertising: how is it regulated?
[52] House of Lords (2 July 2020), *Gambling Harm – Time for Action*
[53] Betting and Gaming Council – Written evidence (GAM0068) in response to House of Lords (2 July 2020), *Gambling Harm – Time for Action*
[54] PWC (2018), The contribution of thoroughbred breeding to the UK economy and factors impacting the industry's supply chain
[55] House of Lords (2020), ibid
[56] British Horseracing Association – Written Evidence (GAM0065) for the House of Lords Social and Economic Impact of the Gambling Industry (July 2020)
[57] BGC estimate based on operator data
[58] BGC member data
[59] The Horserace Betting Levy Board Annual Report and Accounts 2018/19 HC 331
[60] Horserace Betting Levy Board (1 May 2020), Indicative Levy Yield of £97m for 2019/20, https://www.hblb.org.uk/release/665

money.[61] As the levy has increased, prize money has also increased.[62] Average prize money per fixture in 2019 was circa £15,700, having increased steadily from £12,900 in 2015.[63]

In addition to the Levy being used for prize money, receipts raised by the levy must also be used for the following purposes, as per the Levy Board's statutory objectives:[64]

- The improvement of breeds of horses
- The advancement or encouragement of veterinary science or veterinary education
- The improvement of horseracing

Given that the betting sector and horseracing are intrinsically linked, any developments that affect the betting sector are likely to have knock on impacts for horseracing.

5.5.2 Football

The Premier League alone in English football contributes £3.3b per year in revenues to the UK Exchequer and contributes to the UK economy with a footprint across the whole country.[65] Betting companies' contributions to the English Football League (EFL) and its clubs are worth at least £40m per year;[66] and as such are a big contributor to the sport. The actual figure is likely to be higher as we understand this figure excludes the value of shirt sponsorships.

A betting shirt sponsorship deal for a single English Premier League club is estimated to be worth between £5 million - £10 million per year.[67] Sixty clubs in the English Football League (EFL) have co-existing arrangements with betting brands that encompass front of shirt sponsorship, and advertising on perimeter board and match day programmes.[68] In an example of a significant sponsorship deal, SkyBet has sponsored EFL since 2013/14, and is likely to do so until 2023/24.

A further example of a betting and gaming operator supporting a football club is bet365 which owns the Championship team Stoke City FC that employed around 700 people in 2019. The EFL indicates that contributions from these companies support the sustainability of many of the EFL clubs, particularly during the Covid-19

[61] British Horseracing Association, ibid, (July 2020)
[62] British Horseracing Association (29 Dec 2017), Increased prize money set to flow to participants from 1 January 2018, https://www.britishhorseracing.com/press_releases/increased-prize-money-set-flow-participants-1-january-2018/
[63] British Horseracing Authority, Industry Statistics, https://www.britishhorseracing.com/industry-statistics/
[64] Horserace Betting Levy Board (13 Feb 2014), *Levy Board Business Plan for 2014 Published*, https://www.hblb.org.uk/release/617
[65] EY (2019), Premier League: Economic and Social Impact, https://assets.ey.com/content/dam/ey-sites/ey-com/pt_br/topics/ey-economic-advisory-/ey-premier-league-economic-and-social-impact-january-2019.pdf
[66] EFL (25 October 2020), EFL statement: Gambling sponsorship, https://www.efl.com/news/2020/october/efl-statement-gambling-sponsorship
[67]Professor David Forrest – Written evidence (GAM0123) https://committees.parliament.uk/writtenevidence/853/html/
[68] House of Lords (2020), ibid

pandemic when revenue from ticket sales has been lost.[69]

While sponsorship for clubs outside of the Premier League will be for smaller amounts, it is more crucial for these teams – especially in other English football leagues and Scottish football – whose television and matchday income sources are significantly smaller.

5.5.3 Darts and snooker

The betting and gaming industry supports darts and snooker chiefly through sponsorship of events and players. According to information from Matchroom, sponsorship from betting and gaming operators is worth in excess of £10 million per year to both darts and snooker combined,[70] and represents 90% of all sponsorship revenue.

The industry's sponsorship of darts and snooker events is worth over 20% of turnover for many large events. This includes the annual PDC World Darts Championship held in Alexandra Palace in London with 85,000 spectators[71] and the World Snooker Championship at the Crucible Theatre in Sheffield (with 20,000 spectators). There is also increasing international interest in darts tours, and snooker tours supported by the gambling industry, with the first PDC event at Madison Square Garden in New York supposed to take place in 2020 and world snooker generally staging seven events per year in China. These tours are expensive to deliver and are heavily reliant on sponsorship. The increasing popularity of this sport internationally may bring benefits to the UK economy through increasing interest in UK based tournaments, and greater incomes for UK businesses involved in staging and operating these events.

With total prize monies for each of these sports worth £15 million per year, the industry plays a significant role in ensuring the financial viability of players to sustain careers in both sports, and supports their development from the beginning of their careers. Increasing prize monies have also supported the professionalisation of both sports with funding for secondary and non-UK tours.

The betting and gaming industry also benefits sporting events by acting as commercial broadcast partners, and indirectly through broadcasting rights, for example by paying for events to be streamed to customers or by placing adverts during the broadcast of these events.

5.5.4 Rugby League

In respect of Rugby League, contributions from the betting and gaming industry feed directly into the grass-roots development of the game, chiefly through sponsorship of leagues and competitions, and for players and club staff in terms of their welfare and education. Total annual sponsorship of Rugby League by the sector is around £2.5m per annum.

Key relationships between the sport and the sector include:

- Betfred's sponsorship of the top three tiers of the game: the Super League, the

[69] https://www.efl.com/news/2020/october/efl-statement-gambling-sponsorship/
[70] Data provided by Matchroom, October 2020
[71] The Economist (January 2020), Bull market: How darts flew from pastime to prime time

Championship and League 1

- ► Coral's sponsorship of Rugby League's main cup competition: the Challenge Cup
- ► Betfred sponsorship of the Women's Super League which has grown from four teams in its first year in 2017 to ten teams as of 2020

5.6 Regional contribution

BGC member economic activity is spread across Great Britain, with outsize contributions to the North and Scotland, as well as London. This broad geographical spread broadly aligns with the Government's levelling up agenda.

BGC member data for 2018 indicate that employment in the LBO sector is distributed evenly across most regions, with the highest proportion employed in the North. High end casinos, by contrast, can only be found in London (see Table 6).

Table 6: Estimated share of employment by region[72]

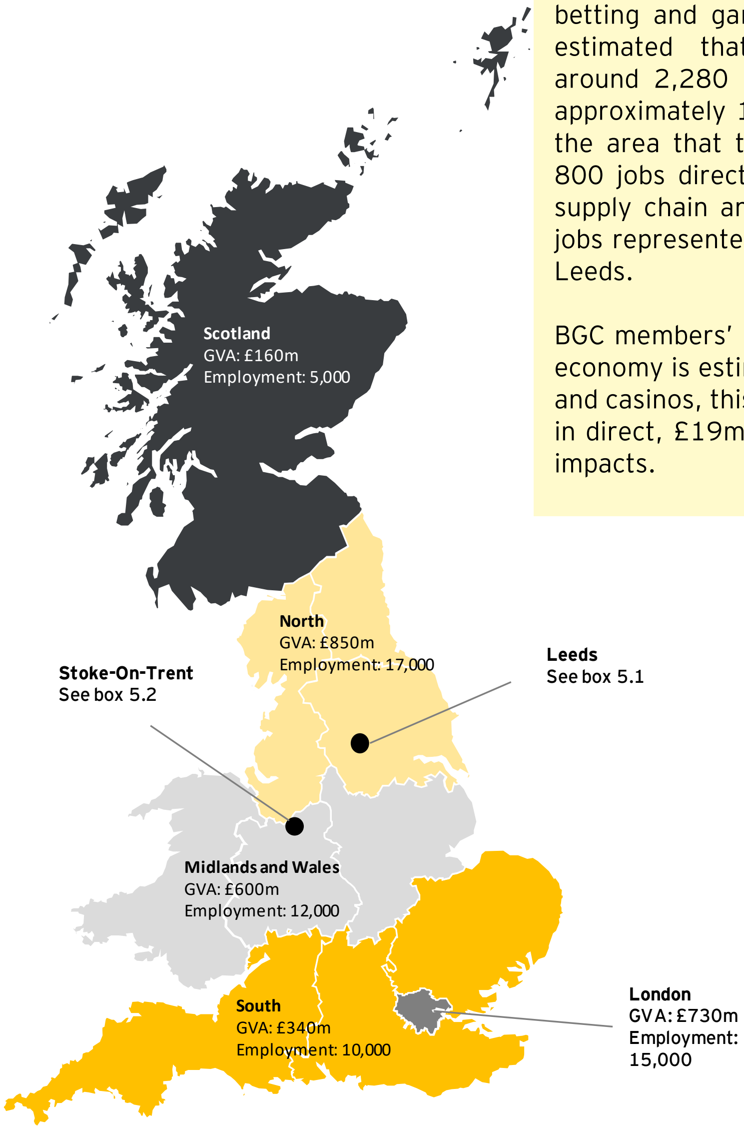
GB region	LBOs	High end casinos	Casinos	Remote[73]
North	27%	0%	21%	43%
Midlands and Wales	17%	0%	18%	31%
London	21%	100%	37%	24%
South	22%	0%	17%	2%
Scotland	12%	0%	6%	0%

Source: BGC data 2018 and 2019, BGC member data 2020, Gambling Commission data

BGC members' economic contribution to different regions of the UK (see Figure 16 overleaf) is also influenced by the distribution of head offices and non-remote betting and gaming venues across the country, since these also determine where BGC members create employment. There are two cities outside London in which two major remote betting and gaming operators have head offices: Leeds[74] and Stoke-on-Trent.[75]

[72] These regions have been defined according to standard government definitions. The Midlands encompasses East and West Midlands. The North encompasses the North East, North West and Yorkshire and the Humber. The South includes East Anglia, the South East and the South West.
[73] Assumed all UK employment is located in the UK head office of the operator unless further evidence indicated otherwise.
[74] Leeds encompasses eight Parliamentary constituencies: Elmet and Rothwell, Leeds North West, Leeds Central, Leeds West, Leeds East, Morley and Outwood, Leeds North East, Pudsey.
[75] Stoke-on-Trent comprises four Parliamentary constituencies: Stoke-on-Trent North, Stoke-on-Trent Central, Stoke-on-Trent South and Newcastle-under-Lyme.

Figure 16: BGC member direct economic contribution by region



Box 5.1 Economic contribution to Leeds

Leeds is home to the head office of two remote betting and gaming operators. In 2019 it is estimated that together these employed around 2,280 staff. In addition, there were approximately 100 LBOs and three casinos in the area that together contributed a further 800 jobs directly, and 370 jobs through the supply chain and via induced demand. These jobs represented around 1% of employment in Leeds.

BGC members' direct contribution to the local economy is estimated at £240m p.a. For LBOs and casinos, this includes approximately £26m in direct, £19m indirect and £15m in induced impacts.

Sources: EY analysis, Nomis

Box 5.2 Economic contribution to Stoke-On-Trent

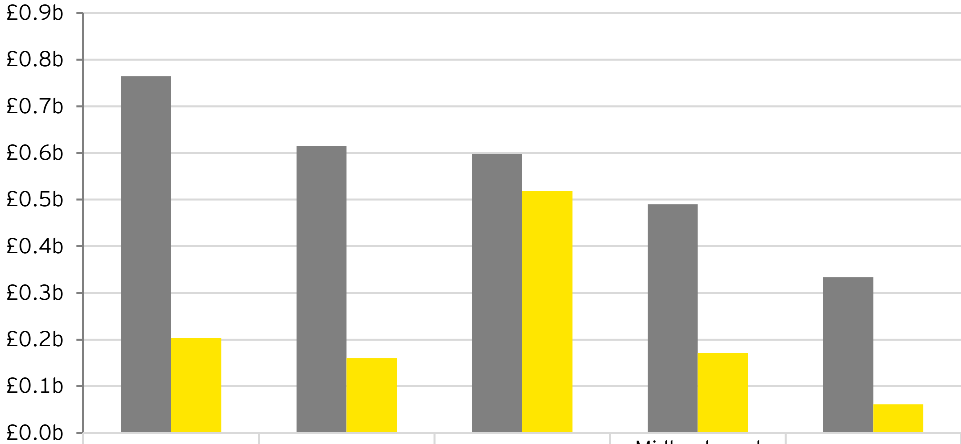
Two remote betting and gaming operator head offices are based in Stoke-On-Trent. It is estimated that they employed around 4,000 staff in Stoke 2019. A further 175 staff were directly employed in the 33 LBOs, and 230 employed in the two local casinos, with an additional 170 jobs supported through the supply chain and induced demand. Total employment in Stoke was estimated to be around 115,000 in 2019; as such jobs in betting and gaming in Stoke constituted around 4% of total employment in the area.

BGC members' direct contribution to the local economy is estimated at £390m p.a. For LBOs and casinos, direct GVA is £13m, with approximately £9m in indirect and £7m in induced impacts.

Sources: EY analysis, BGC members, *City of Stoke-on-Trent*

Given the employment distribution across regions of the UK, the total economic contributions by area for the LBO and both casino sectors are set out in Figure 17.[76] It is not possible to apportion the indirect and induced impacts from the remote sector to regions in the UK due to a lack of data on the location of their spending.

Figure 17: Regional economic footprint (direct GVA)



	North	South	London	Midlands and Wales	Scotland
LBOs	£0.8b	£0.6b	£0.6b	£0.5b	£0.3b
All Casinos	£0.2b	£0.2b	£0.5b	£0.2b	£0.1b

Source: EY analysis

The footprint of BGC members based on LBO and all casinos (including high end) is most significant in London, where these contribute to approximately £1.1 billion of value added, representing 28% of GVA generated by BGC members. London accounted for approximately one-quarter of all GVA in the UK in 2018,[77] therefore these sectors' contribution to London GVA is greater than average. This is likely to reflect the concentration of casinos and high end casinos in London.

The footprint throughout the rest of the country is mostly driven by the location of LBOs. The high number of LBOs in the north of England, alongside the number of casinos in the region, leads to an economic contribution of around £1.0b. In Scotland and the North, the share of GVA generated by BGC members is 10% and 25% respectively. This is larger than their share of national GVA which is 8% and 23% respectively.[78] This indicates that these sectors in the North and Scotland have a greater proportionate weight in the economy. By contrast BGC members have a smaller proportionate weight in the Midlands and in the South of England.

[76] The economic footprint includes the indirect and induced impacts apportioned to the regions on the basis of direct activity. It is assumed this activity is generally local to the original spend. It is likely that some of the service based spend will be concentrated in London, Figure 17 may therefore understate the London impact.
[77] ONS Regional gross value added (income approach), 12 December 2018
[78] ONS Regional gross value added (income approach), 12 December 2018

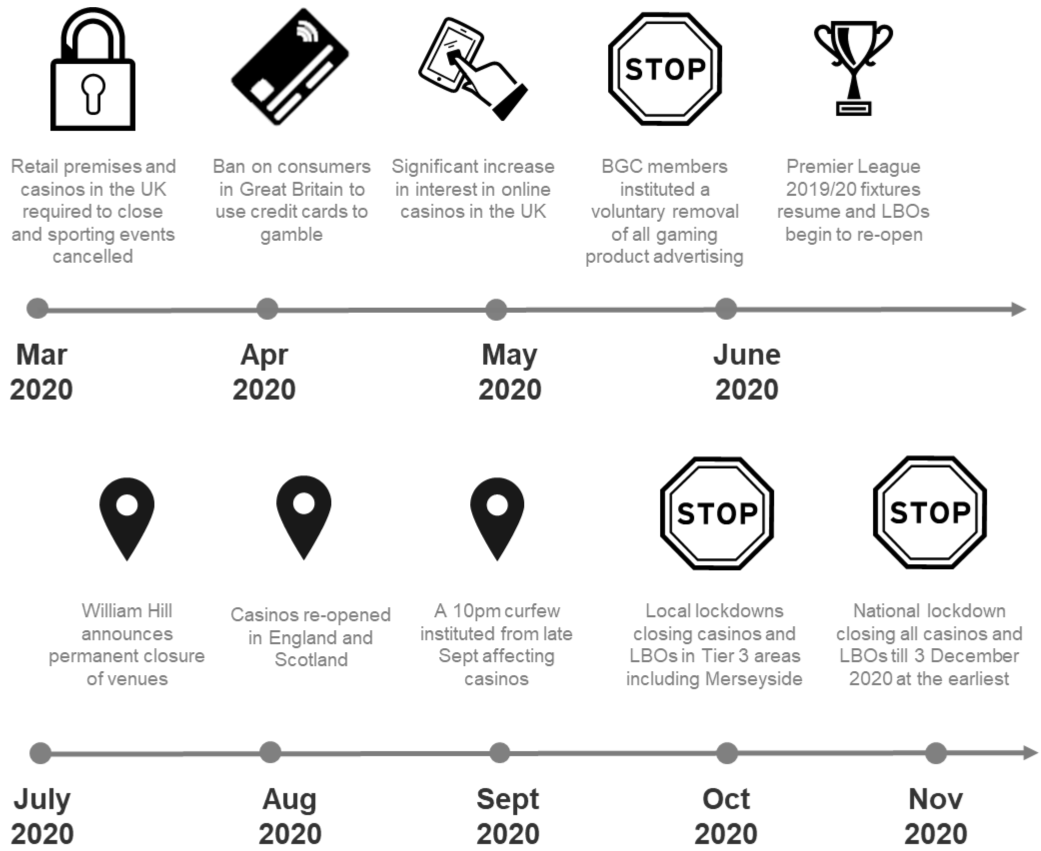
6 The economic footprint of BGC members in 2020 and beyond

This section focuses on the trends and economic impact in 2020 to 2023 of the parts of the betting and gaming industry represented by the BGC.

6.1 Developments in 2020 affecting BGC members

The Covid-19 pandemic and the associated social distancing and lockdown measures have led to a material reduction in industry GGY in 2020. This decline has been driven by a combination of temporary closures of retail betting and gaming venues, reduced hours of operation, and a reduction in betting and gaming activity by consumers due to reduced household incomes, and the cancellation of major sports events. This comes at a time when BGC members were already adjusting to significant changes in sector regulation (see Figure 18).

Figure 18: Recent events affecting BGC members



6.1.1 Lockdown and venue closures

The impact of social distancing measures, lockdown and venue closures has hit the physical gaming sector (i.e. LBOs and casinos) the hardest. The remote sector has also been affected with lower growth than anticipated in 2020.

The imposition of a national lockdown on 23 March 2020, and the associated LBO and casino closures slightly earlier on 21 March, led to an immediate 50% reduction in overall sector activity. While some activity did shift online, the overall impact on members was significantly negative, as a number of consumers still prefer the physical channels, and remote betting was also affected by the cancellation of sporting events, which traditionally accounts for some 97% of remote betting GGY.[79]

LBOs were able to re-open in England from 15 June 2020. Casinos could re-open from 15 August 2020, but then faced reduced opening hours from late September 2020 with the introduction of the 10pm curfew. Local lockdowns in Tier 3 areas such as Merseyside in October 2020 saw a return to enforced closures of betting shops and casinos. All LBOs and casinos were required to close again following the re-imposition of a nationwide lockdown on 5 November until at least 2 December. The return of tiers following the second national lockdown meant that over half of England was in Tier 3 as of mid-December, requiring casinos to close for the remainder of 2020. LBOs were able to open with restrictions in Tier 3 in December 2020. LBOs in Tier 4 areas introduced on 20 December had to shut.

A number of operators had already taken the decision not to reopen venues following the first lockdown.[80,81] Data from the BGC indicated that at least 374 LBOs (5.6% of the total) and six casinos (5% of the total) closed permanently.

In 2021 BGC members will continue to be affected by the path of the pandemic via the restrictions imposed on their operations, the impact on sporting events, and the wider economic downturn that will occur as a consequence of lockdown and social distancing measures. The path of the pandemic in turn will be determined by factors like the reproduction (R) number, the availability and efficacy of testing, the availability and effectiveness of medical treatment, and speed of distribution of vaccines, which in turn will affect how long social distancing measures remain in place (and their scale).

6.1.2 Economic impacts of Covid-19 on household spending

The most significant determinant of spending on betting and gaming, according to the OBR, is nominal household consumption, which moves broadly in-line with economic growth.[82] These have both been affected negatively by Covid-19. An average household spends approximately 0.4% of their income on gambling and betting activities, and this is relatively constant across the income range (see Figure 19).[83] As household income falls, the spending on these activities is expected to decline.

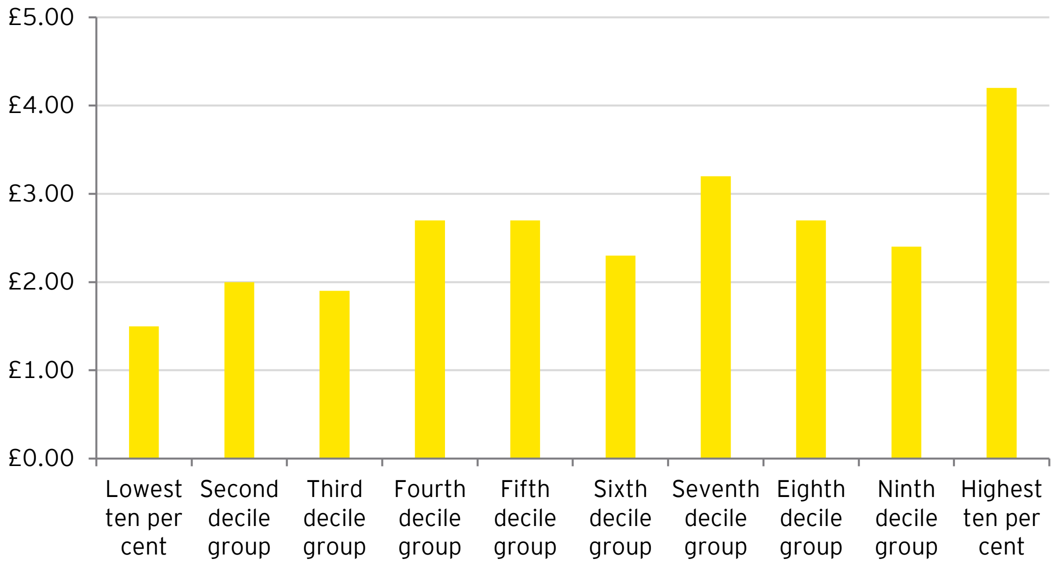
Thus far household incomes and consumption have been protected from the record contraction in GDP by government support schemes (in particular the Coronavirus Job Retention Scheme, CJRS, also known as furloughing). This is likely to unwind in spring 2021 (see Figure 20), as the economy gradually re-opens, supported by the expected vaccine roll-out. As government support becomes less generous, there is a risk that the full effect of the pandemic is passed through via higher unemployment in the form of reduced household incomes (see Figure 21); this could have consequent impacts on consumer spending on betting and gaming in 2021.

The economic impacts of Covid-19 are and will continue to be significant. Data for 2020Q2 shows the quarterly trough of activity, with GDP 24% below Q4 2019 levels

[79] Gambling Industry Statistics, Gambling Commission, October 2018 to September 2019
[80] BBC News online (August 2020), William Hill to close 119 betting shop
[81] Guardian (July 2020), More than 1,600 UK jobs at risk at casino firm Genting
[82] OBR (2020), https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/betting-gaming-duties/
[83] 2018 ONS ASHE Survey, Betting and gaming activities

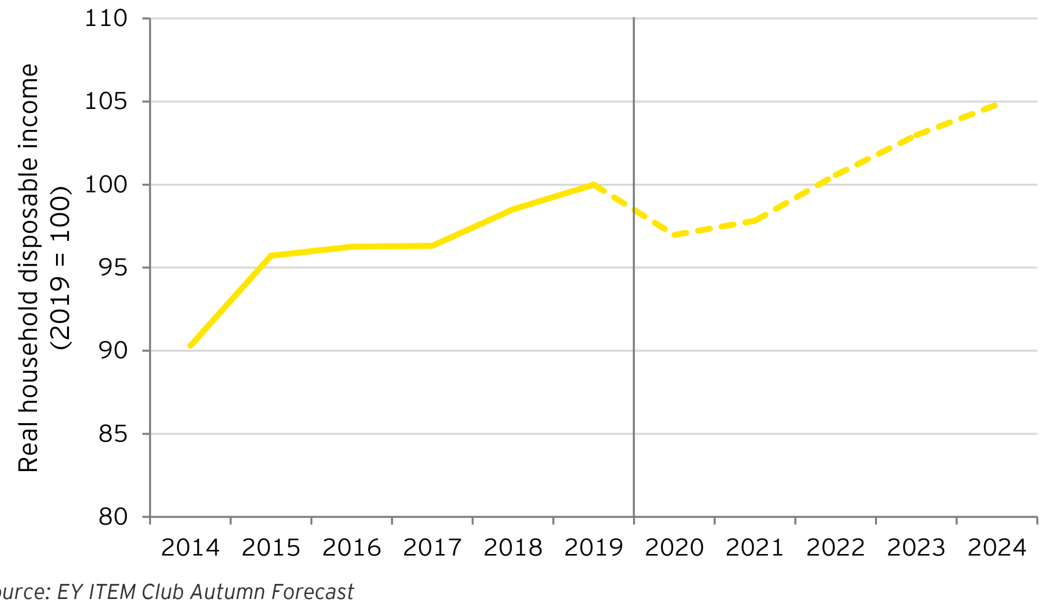
(see Figure 22).[84] The recovery began towards the end of Q2, with Q3 showing quarter on quarter growth of 15%.[85] Consensus forecasts indicate that the economy is expected to recover to 2019 levels in 2022, but output will be set to a new and lower trend than that of pre-Covid pandemic.[86]

Figure 19: Average weekly household spending on gambling payments, by income



Source: ONS, Household Spending, detailed expenditure and trends dataset

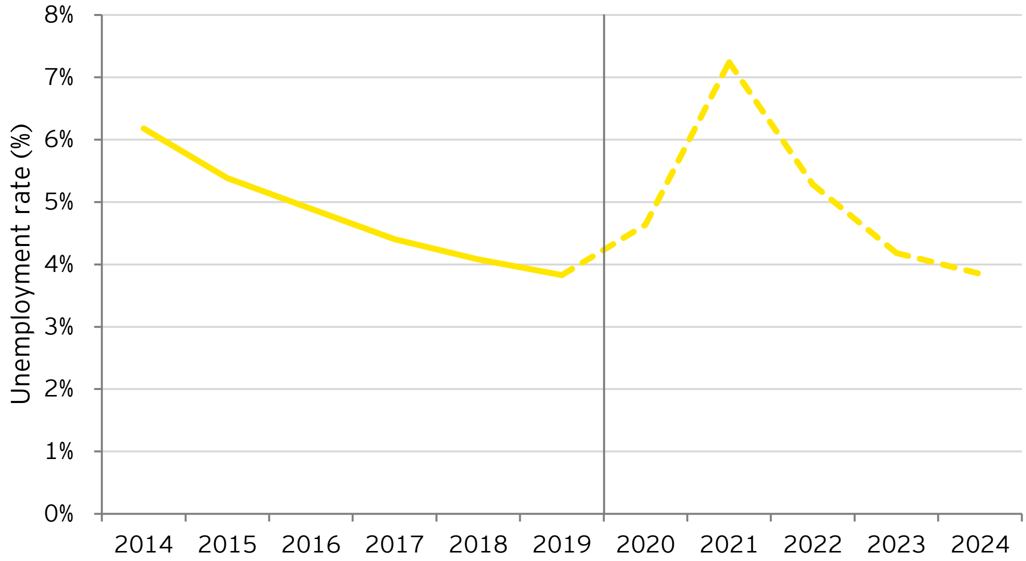
Figure 20: Household disposable income outturn and forecast[87]



Source: EY ITEM Club Autumn Forecast

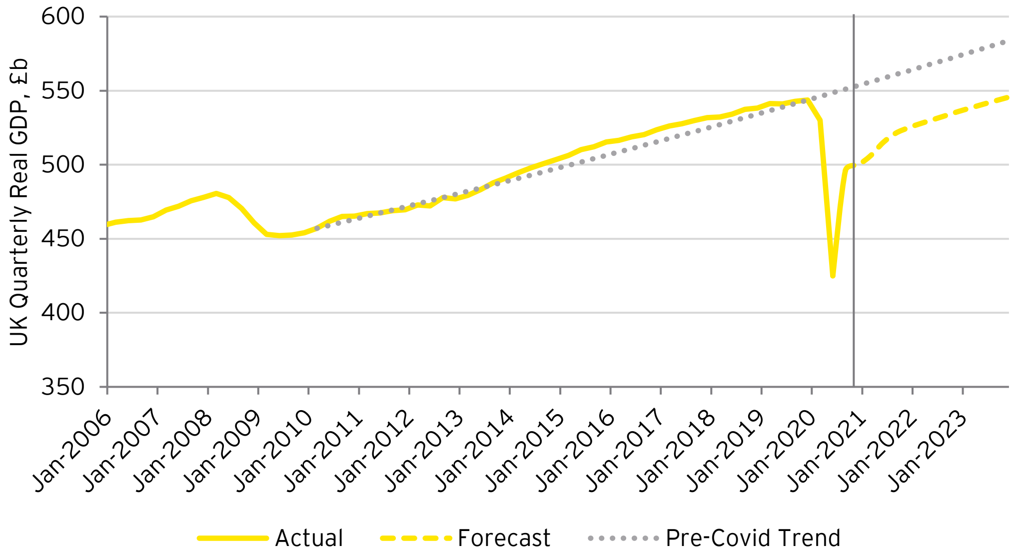
[84] August 2020, Office for National Statistics, Q2 2020 Gross Domestic Product, Chained Volume.
[85] September 2020, Office for National Statistics, GDP monthly estimate, UK: July 2020
[86] August 2020, HMT Independent Forecasts, Medium Term Forecasts.
[87] Forecast made early October, before the second lockdown and before news of Pfizer's vaccine.

Figure 21: UK unemployment rate outturn and forecast[88]



Source: EY ITEM Club Autumn Forecast

Figure 22: UK Real GDP outturn and forecast[89]



Source: ONS, EY ITEM Club, EY Analysis

6.1.3 Public finances in the wake of Covid-19

Prior to Covid-19, the UK public finances were close to being in balance, with public spending exceeding tax revenues by about 0.3% of UK GDP.[90] The Government has taken a range of measures to mitigate the economic consequences of Covid-19 with the furlough scheme (extended to April 2021), a support package of £29 billion for businesses, and an increase in the size of the Universal Credit scheme as well as other benefits by approximately £8 billion.

[88] Forecast made early October, before the second lockdown.
[89] Forecast made early October, before the second lockdown.
[90] March 2020 Office for Budget Responsibility Economic and Fiscal Outlook

These measures will stress the Government's fiscal position, leading to higher public spending set against the lower revenues as a result of general weaker economic activity.

6.1.4 Summary

The economic uncertainties facing the UK (and global) economy as a result of the Covid-19 pandemic make it challenging to forecast outcomes for the betting and gaming industry. Not only is the outlook for the economy difficult to predict, the policy landscape may also change to deal with the fallout of the pandemic, including increased taxation to rebalance the public finances. The subsequent analysis in this report assumes no policy changes relative to 2019, so no changes in taxation or regulation of the industry.

6.2 An estimate of the economic footprint of BGC members in 2020

As a consequence of the impact of the Covid-19 pandemic, the overall footprint of members is expected to decline substantially in 2020 relative to its 2019 footprint. The impact is expected to vary in scale across the four sectors (see Table 7).

Table 7: Impact of Covid-19 on GGY by sector in 2020

Sector	GGY 2019	Estimated GGY 2020	Estimated change in GGY in 2020	Justification
Remote	£5.5b	£5.9b	7%	► Sector impacted by sports event cancellations and lower household incomes, leading to slower sector growth ► Possible substitution to remote gaming from non-remote activities given closure, temporary and permanent, of physical betting and gaming venues
LBOs	£2.8b	£1.6b	-45%	► LBOs closed for 4 months during national lockdowns ► LBOs in certain areas closed temporarily for a longer period ► Impacted by sports event cancellations ► Permanent closure of some LBOs ► Reduced footfall in shops
Casinos	£1.0b	£0.3b	-70%	► Venues closed for 6 months in two national lockdowns and 10pm curfew from September 2020 ► Casinos in Tier 3 areas closed temporarily for a longer period ► Social distancing rules and limits on numbers in venues

Sector	GGY 2019	Estimated GGY 2020	Estimated change in GGY in 2020	Justification
High end casinos	£191m	£39m	-75%	► Venues closed for 6 months in two national lockdowns and 10pm curfew from September 2020 ► Casinos in Tier 3 areas closed temporarily for a longer period ► Social distancing rules and limits on numbers in venues ► Significantly reduced tourism affecting spending in venues ► Closure of The Ritz Casino in early 2020
Total	**£9.5b**	**£7.8b**	**-18%**	

Source: Gambling Commission, BGC member data, EY Analysis

The impact on employment (as shown in Table 8) is expected to be less significant than the impact on overall activity, reflecting the adoption of the Government's furlough scheme.

Table 8: Impact of Covid-19 on employment by sector in 2020

Sector	Employment 2019	Estimated employment 2020	Estimated change in employment in 2020
Remote	11,100	11,900	7%
LBOs	36,300	32,600	-10%
High end casinos	1,200	800	-35%
Casinos	12,400	10,800	-13%
Total	**61,000**	**56,000**	**-8%**

Source: Gambling Commission, BGC member data, EY Analysis

The implications for BGC members' economic footprint are as follows:

- The reduction in revenues (while the cost base is largely unchanged) is expected to lead to a direct GVA impact in 2020 that is approximately £1.1b (43%) lower than in 2019

- The remote betting and gaming sector is still expected to see GGY growth of 7% to £5.9b in 2020 from £5.5b in 2019, partly as a result of consumers switching to remote betting and gaming where their normal betting shops and casinos are not available. However, GGY growth will have been reduced by the pandemic as a result of lower household incomes and the cancellation of sporting events

- Many of the LBO operators have an online presence, so some of the remote growth is the shift between the sectors within the same companies, so although remote revenues are increasing, overall revenue for these operators remains lower in 2020

- Direct employment in BGC members is also expected to fall, from 61,000 to 56,000; this is a result of both the reduction in demand as well as the closure of a number of betting shops and casinos (see Table 8)

- Total GVA is therefore also expected to fall significantly (see Figure 23). The contribution of direct GVA is expected to fall by over £1.1b, from £2.6b to £1.5b. The indirect and induced impacts are expected to be more stable, supported by growth in remote gaming, but they are still lower than in 2019

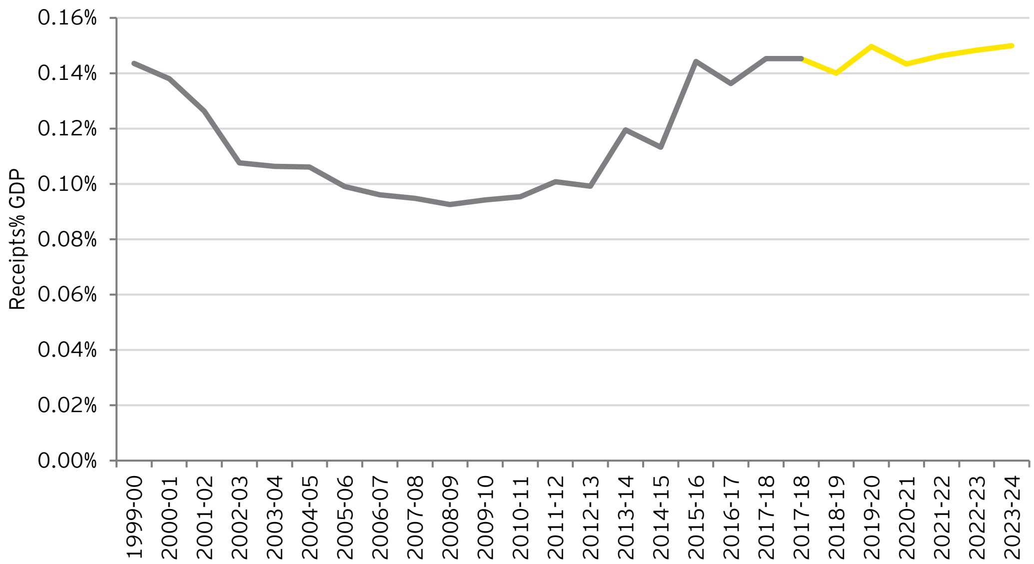
Figure 23: Economic impact of BGC members in 2020

Source: EY analysis

6.3 Outlook for the economic contribution of BGC members in 2021-23

The OBR's latest forecast in November 2020 shows a reduction in betting and gaming tax receipts as a share of GDP in 2020/21 with recovery to 2019/20 levels by the end of their forecast period in 2023/24, implying that GGY would return to increasing in line with GDP (see Figure 24).

Figure 24: November 2020 forecast for Betting and Gaming duty revenues



Source: OBR website, Economic and Fiscal Outlook data November 2020

Table 9 and Table 10 set out EY's sector forecasts based on BGC member data as well as EY and BGC judgement for the expected changes in GGY.[91] This assumes that social distancing and lockdowns will be lifted from spring 2021. The industry does expect to return to growth in 2021, with the pace of recovery for LBOs in particular slowing in 2022.

Growth of remote betting and gaming is forecast to continue to grow by 7% per annum until the end of the forecast period in 2023. This is based on recent historical growth; future growth may well prove to be less strong. LBOs and all casinos are expected to achieve a significant increase in activity in 2021 and 2022 compared with 2020; this is only expected to happen once lockdown restrictions have been lifted, the timing of which is still uncertain.

It is important to note that the forecasts for the economic contribution of members in 2020 and beyond were finalised and agreed with BGC on 15 December 2020. This was prior to the public release of information about the mutation of Covid-19 in the UK, and further measures taken to contain the virus with their consequent implications for economic activity. Therefore the forecasts in this analysis, as per the situation in January 2021, may represent an optimistic outlook for BGC members.

Table 9: Forecast annual change in GGY by sector

Sector	Estimated annual change in GGY			
	2020	2021	2022	2023
Remote	7%	7%	8%	7%
LBOs	-45%	56%	2%	3%
High end casinos	-75%	120%	100%	9%
Casinos	-70%	117%	28%	24%

Source: Gambling Commission, BGC member data, EY Analysis

Table 10: Forecast GGY as a proportion of 2019 levels by sector

Sector	Estimated GGY as a proportion of 2019 levels			
	2020	2021	2022	2023
Remote	107%	114%	123%	131%
LBOs	55%	86%	88%	91%
High end casinos	25%	55%	110%	120%
Casinos	30%	65%	83%	103%

Source: Gambling Commission, BGC member data, EY Analysis

Applying these growth rates to 2019 and 2020 GGY provides the following GGY forecasts captured in Table 11 by sector.

Table 11: Implied GGY 2021-23 by sector[92]

Sector	GGY	Estimated GGY			
	2019	2020	2021	2022	2023
Remote	£5.5b	£5.9b	£6.3b	£6.7b	£7.2b
LBOs	£2.8b	£1.5b	£2.4b	£2.5b	£2.6b
High end casinos	£0.2b	<£0.1b	£0.1b	£0.2b	£0.2b
Casinos	£1.0b	£0.3b	£0.7b	£0.9b	£1.1b

[91] These forecasts were developed based on historical data from the Gambling Commission, BGC member data on revenues for 2020 YTD, and their forecasts for the following three years, updated for events occurring following their submission of data.
[92] The data in this table is for the calendar years specified, as opposed to the year to April time periods used by the Gambling Commission. It also includes small amounts of directly related revenue that is not part of GGY reported by the Gambling Commission.

Sector	GGY	Estimated GGY			
	2019	2020	2021	2022	2023
Total	£9.5b	£7.8b	£9.5b	£10.3b	£11.1b

Source: Gambling Commission, BGC member data, EY Analysis

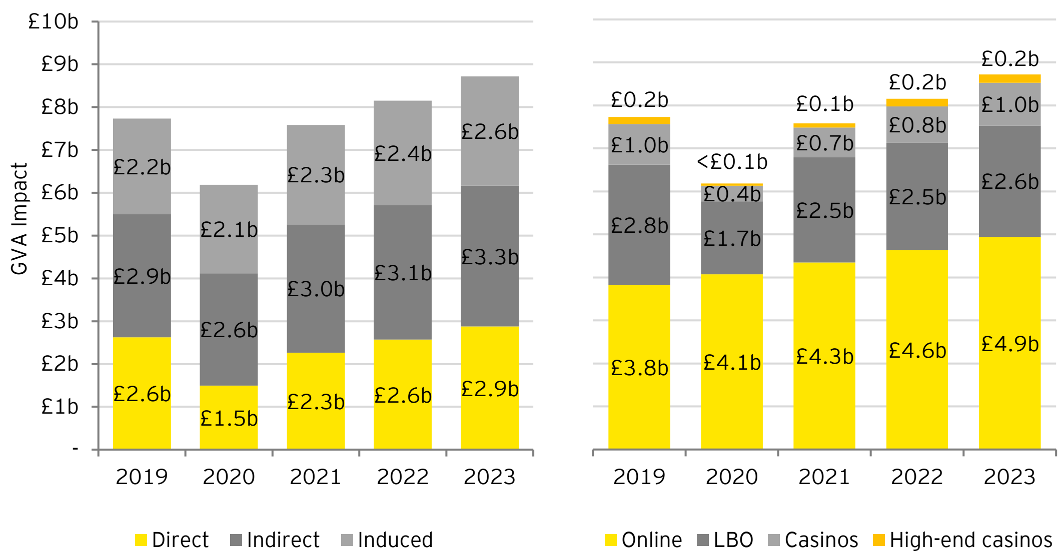
Table 11 shows that there have been large falls in the GGY of LBOs and casinos which will have significantly reduced the economic contribution of BGC members significantly in 2020.

Both casino sectors in particular shrank in 2020, with national and regional lockdown measures requiring casinos to be shut for extended portions of the year or opening with reduced hours. There has been a much-reduced number of high net worth individuals visiting the UK from overseas, which has put additional pressure on high end casinos, with the expectation of reduced travel and tourism over the next year. The recovery beyond 2019 level for high end casinos reflects the anticipated re-opening of The Ritz and Claremont casinos.

6.4 BGC members' economic footprint in 2021-23

In line with the outlook for GGY, the economic impact of members is expected to fall in 2020, but begin to recover to close to 2019 levels in 2021 (see Figure 25).

Figure 25: Economic impact of sector from 2019 to 2023



Source: EY Analysis

The split of the economic impact over these years in terms of direct employment, overall employment impact and tax impact is shown in Table 12, Table 13, and Table 14. These figures include the direct, indirect and induced impacts of BGC members.

From the lows seen in 2020, members are expected to experience a rebound, with all four sectors experiencing some growth in GGY and GVA in 2021. Operational spending will increase as well for each sector, contributing to higher indirect and induced GVA each year until 2023.

Table 12: Estimated direct employment 2019-2023 by sector

Direct Employment	2019	2020	2021	2022	2023
Remote	11,000	12,000	13,000	14,000	15,000
LBOs	36,000	33,000	33,000	33,000	34,000
High-end casinos	1,000	1,000	1,000	1,000	1,000
Casinos	12,000	11,000	13,000	13,000	13,000
Total	**61,000**	**56,000**	**60,000**	**61,000**	**63,000**

Source: Gambling Commission, BGC member data, EY Analysis

Table 13: Estimated total employment (direct, indirect & induced) impact 2019-2023 by sector

Economic Impact (Employment)	2019	2020	2021	2022	2023
Remote	45,000	47,000	50,000	53,000	55,000
LBOs	55,000	46,000	51,000	52,000	53,000
High-end casinos	2,000	1,000	2,000	2,000	3,000
Casinos	17,000	14,000	18,000	18,000	19,000
Total	**119,000**	**108,000**	**120,000**	**125,000**	**130,000**

Source: Gambling Commission, BGC member data, EY Analysis

Employment will also fall in 2020, due to temporary and permanent closures of LBOs and casinos. Total employment is forecast to return to pre-Covid levels by the end of 2021, for all sectors (see Table 13).

Tax contributions for casinos, high end casinos and LBOs are expected to fall, and to only exceed 2019 levels in 2022 or 2023 (see Table 14). Betting and gaming duty payments are directly dependent on revenue, however other taxes such as corporation tax rely on profits being made, so will likely take longer to recover to previous levels. The remote sector is expected to continue to contribute over half of the tax paid by members, with high rates on remote gaming and extensive supply chains generating consistent growth in tax receipts each year.

Table 14: Estimated total tax impact 2019-2023 by sector

Economic Impact (Tax Payments)	2019	2020	2021	2022	2023
Remote	£2.5b	£2.7b	£2.8b	£3.0b	£3.2b
LBOs	£1.4b	£0.9b	£1.2b	£1.2b	£1.3b
High-end casinos	£0.1b	<£0.1b	<£0.1b	£0.1b	£0.1b
Casinos	£0.5b	£0.3b	£0.4b	£0.5b	£0.6b
Total	**£4.5b**	**£3.9b**	**£4.5b**	**£4.9b**	**£5.2b**

Source: Gambling Commission, BGC member data, EY Analysis

7 Annex A: Methodology and assumptions

7.1 About economic impact assessments

Economic impact assessments (EIAs) require detailed sector information in order to understand the linkages that BGC members have with their suppliers, as well as the amount of value it adds to the economy.

A sector's economic impact is made up of three components:

1. Direct impact

This is the value added directly by betting and gaming, it requires data on the profitability and wages paid by BGC members, whether these are attributable to the UK or not, and data on the direct and indirect taxes paid, i.e. those that are not part of the price received by the operator, for example this includes gaming duties and VAT.

2. Indirect impact

This focusses on the impact that BGC members have on their supply chain, and therefore relies on relatively granular data on the suppliers for each betting and gaming company, so which sectors the companies are paying in order to operate and offer their services. This would include items such as payments of rent, payments to broadcast sporting events, spending on food and beverages to serve to customers in casinos, and marketing expenses.

3. Induced impact

This looks to identify the impact on the economy of the increased spending from the workers directly for BGC members as well as in the supply chain. As their jobs and salaries are attributable to activity in BGC members, their spending on other areas of the economy can also be classified as part of the economic footprint of BGC members.

7.2 Data collection and grossing-up

To complete the EIA for this report, data were collected by means of a questionnaire sent to BGC members in summer 2020. This questionnaire requested the financial data described above, for 2019, 2020 year to date, and forecasts for revenues and costs to 2023. These requests were sent to 21 operators which have activities in one or more of the casino, betting or online sectors. Responses were received from 17 of these operators, with varying levels of detail provided.

The data in responses was required to be collated and grossed-up to form a consistent view of the each of the four sectors with the existing data on GGY from the Gambling Commission and with tax receipts from HMRC. This involved mapping the revenues and costs where available to comparable categorisations and using this information to estimate the values for those operators which did not provide data. The collation process was conducted separately for each of the sectors.

The EIA model uses the collated and grossed-up data from operators to estimate the economic impact of the BGC members. The revenues and tax payments are taken directly from the grossing up, and the operational costs are mapped to standard industrial classifications in order to calculate the multiplier effects of the spending.

In order to estimate the direct economic impact of BGC members, a GVA estimate must be calculated based on the data received. This first involves subtracting the indirect taxes – those that are not part of the price received by the operator, for example gaming duties – to convert the revenue from purchaser prices to basic prices. Operational costs are then subtracted to move from the output of BGC members to the value added, which is equivalent to the compensation of employees and the gross operating surplus.

Many remote operators providing services to UK based consumers are incorporated overseas, with employment split between the UK and its country of incorporation. The revenue generated by these companies is therefore apportioned between these two locations on the basis of number of employees. Some companies have a material proportion of their employees overseas, so revenue attributable to the UK is lower than the GGY reported by the Gambling Commission.

The indirect impacts are estimated by applying indirect GVA multipliers to the GVA of sectoral operational spending of the betting and gaming companies. The induced impacts are calculated as the GVA of operational spending multiplied by the induced GVA multiplier, less the indirect impact, plus the marginal propensity to consume multiplied by the post-tax compensation of employees.

7.3 Key assumptions underpinning the contribution of members in 2020 - 2023

For 2020 estimates, projections for revenue were based on operator estimates, as well as data provided by the BGC.

Tax payments were modelled to change in line with the revenues for each sector. Operational costs were expected to follow revenue, stakes, or store numbers with an elasticity[93] based on the proportion of the expenditure that is fixed versus variable. See Table 15 below for the elasticities used to derive the changes in operational costs.

Table 15: Operational cost elasticities

Sector	Elasticity
Food products, beverages and tobacco	100%
Textiles, textile products, leather and footwear	130%
Machinery and equipment	90%
Electricity, gas and water supply	20%
Wholesale and retail trade; repairs	80%
Transport and storage	80%
Accommodation and food services	100%
Publishing, audio-visual and broadcasting activities	90%
Telecommunications	30%
IT and other information services	30%
Financial and insurance activities	20%
Education	100%

[93] Elasticity of 80% in this context means a 10% fall in revenues will lead to an 8% fall in the cost.

Sector	Elasticity
Real estate activities	10%
Other business sector services	50%
Public administration and defence; compulsory social security	20%
Health and social work	40%
Arts, entertainment, recreation and other service activities	80%

The medium-term projections for 2021 to 2023 are modelled in the same way as those for 2019, while including assumptions provided by the industry on the more long-term shift from non-remote to remote betting and gaming. Forecast assumptions for GGY in 2021 - 2023 in the modelling were informed by BGC member estimates as well as judgement based on the impact of local lockdowns in response to Covid-19 outbreaks.

Costs in the forecast for LBOs and casinos are driven by anticipated changes in the number of venues (see Table 16).

Table 16: Changes in LBO and casino premises

	Year on year proposed growth rate				
	2020	2021	2022	2023	**Rationale**
LBOs	-10%	0%	-1%	-1%	► BGC data received during 2020 indicated a 6% fall in LBOs in 2020; LBOs have been declining in number since 2012. Anticipated some further closures by the end of 2020 ► Assume most unprofitable LBOs would not have re-opened post-Covid-19, hence flat forecast in 2020 with resumption of trend closures from 2022 onwards
Casinos (not including high end casinos)	-5%	0%	1%	1%	► Six casinos not re-opening after lockdown. Trend in past years is a 1% growth in premises, so assume some catch up growth to anticipated pre-Covid-19 numbers

Source: Gambling Commission, BGC data, EY Analysis

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