

Crisis Point: Tax and the Members Clubs

Gambling Business Group report finds Members Clubs sector faces financial peril if MGD rises

MACHINE GAMES DUTY

Gambling Business Group chief executive **Peter Hannibal** has written to the Treasury and DCMS sharing information gathered by the industry body on how important gaming machines are to the UK's 2,000 Members Clubs. With half of the clubs now in "poor" financial health, the GBG's concerns were echoed by CIU General Secretary Ken Green and fellow WMC secretaries who know exactly what will happen if gaming machine revenues are cut by further tax rises.



In his letter to the Treasury and DCMS, Peter Hannibal of the GBG pulled no punches. As far as Members Clubs are concerned - including Sports Clubs, Social Clubs, Labour/Liberal/Tory Clubs, British Legions and what used to be referred to as Working Men's Clubs - the industry body's latest research has found many of those operating gaming machines will not survive beyond the first year of a rise in MGD.

It's a stark notice to any government working on its new budget - but given the message of "Hope" chanted by the current Labour government, the prospect of putting half of the clubs that provide vital social and community support to so many of its own supporters out of business is going to deliver the very opposite emotion.

THE OVER-LOOKED SECTOR

Hannibal wrote: "An often-overlooked implication of changes to Machines Games Duty is the impact it will have on Members Clubs, collectively in their tens of thousands in number. A considerable proportion of these local community venues rely on the income from their Category B4 gaming machines to help to keep their books balanced."

Balanced, in the current economic climate, is more likely defined around all the clubs as just about surviving. And possibly not for long, as Hannibal fears: "When a business is run on a 'not for profit' or 'break even' financial model (which most of these venues are), then every penny counts. Every additional tax that is imposed on these businesses can determine whether many of them can keep the doors open - or not!"

A SECTOR WEARY BY COSTS

With the MGD issue now being played out, and very loudly amongst ardent anti-gambling factions, the future of many members clubs in every constituency is being assessed with an 'existential' dimension. The GBG researched a number of clubs in its report and one after another were weary of the worries from what another tax, on top of additional running costs, could do.

WORKING MEN'S CLUBS AT DANGER POINT

Ken Green knows all there is to know about WMCs, serving as he does as General Secretary of Working Men's Club and Institute Union (CIU). He contributed to the GBG letter to the Treasury stating with some surety of what a machines tax rise would do.

"An increase in MGD could well see clubs having to cease trading - after all MGD was introduced to be tax neutral," Green said. "The fact is that in a lot of clubs gaming machine income represents the thin line between surplus and loss."

"Clubs provide a huge range of invaluable community services and the more that cease trading the greater the demand on local authorities to provide the missing recreational facilities - a cost that they would have to foot."

And he offered a message for the GBG to deliver: "The All-Party Parlia-



mentary Group for Non-Profit Making Members' Clubs and affiliated MPs need to know that an increase in MGD will sound the death knell for some clubs."

CLUBS IN DECLINE

The scale of the problem nationally - in terms of operation numbers - is not a science, yet. Hannibal explained: "Unfortunately, the Gambling Commission does not report or publish the number of gaming machines in Members Clubs (or Pubs) as it does with other types of venues, however we understand there to be approximately 5,000 Category B4 machines located in Members Clubs across the UK. Not all clubs offer Category B4 machines to their members, but those that do will be relying on the income from the machines to maintain the viability of the venue."

That's not Hannibal and the industry talking, that's the message coming back from the clubs.

TAX RISE, CLUBS AND THE COMMUNITY

Sally Walker is Club Secretary and Club Treasurer at Lowton Social Club, and she proudly shared the history of her club, and what was now at stake.

She wrote with her message in the GBG study stating: "Lowton Social Club is a not-for-profit organisation that was formed in 1956 and now has 380 members, 60 percent of whom are pensioners. The club is in the heart of the community and relies on our loyal members and volunteers to keep the doors open."

"All of our gaming profits are used to contribute towards our free to use community facilities. These include a darts academy for adults and children - some of whom have additional needs - youth boxing through to afternoon dance sessions for senior citizens."

"Clubs and pubs have never really recovered since Covid and it has become incredibly difficult to run the club and to make ends meet. In the last three years our outgoings have jumped from £1,500 to £4,000 per month and that excludes the cost of beer, entertainment and wages. To cover that we have to sell £8,000 of beer."

With all that community work and service, Walker's message was as despairing as it was defiant. And an MGD rise was almost seen as a tipping point.

She noted: "If gaming duty increases, we will have to reduce some of our youth and pensioners activities. We can't just absorb price increases and continue to provide the facilities for free. Regarding jobs, we now employ two fewer staff and have reduced opening hours to reduce the wage bill. We were forced to increase prices by 20 percent this year - I don't think our members could or would stomach any further increases."

A HISTORY IN THE BREAKING

The Members Clubs history is rich and embedded in the social fabric of the UK, but the trends since we hit 2000 have been worrying, as Peter Hannibal explained in his letter to the HMT and DCMS.

"The historical trend confirmed by the 21st Century Social Clubs website is a decline of Britain's social clubs, clubs which are a wide range of community assets under

mutual ownership and managed by local members. Once numbering more than 4,000 at their peak in the 1970s, roughly half remain today, many of which are struggling to survive in historically disadvantaged and still economically neglected areas. Other types of Members Clubs are no different. In their 2025 National Survey of Social Clubs, 21st Century Social Clubs identified the following concerns:

- 83 percent described their financial health as poor (nearly 50%) to fair (35%).
- 35 percent have already had to borrow money in order to keep their businesses running.
- 73 percent said they will need to raise more funds over the next few years.

SUPPORT FROM THE INDUSTRY

It's a survey that has certainly signalled the 'existential' threat for hundreds of clubs, possibly even a thousand plus.

Machines operator Dransfields have been at the forefront of the campaign to protect Members Clubs and has assisted the Gambling Business Group in assembling the data for its report to the government.

Dransfields Group Chairman Chris Haley, who supplies many of the gaming machines to these venues, has stated publicly that a Machine Games Duty hike will push many of the UK's Members Clubs over the brink.

Hannibal explained his conversation with the operator: "What Dransfield have discovered during their work with these clubs is that they are existing on wafer thin margins and with little or no reserves he argues that higher taxes will lead to reduced investment, higher bar prices, a reduction in free or heavily subsidised social activities for vulnerable groups and ultimately, the closure of important venues that are invaluable community assets. The Club & Institute Union agrees that this is the reality of the situation we are facing."

And in his letter, Hannibal relayed the industry perspective to the government departments: "According to Dransfields' analysis, fewer than 15 percent of clubs take up their full entitlement of three gaming machines, with the remainder fairly evenly divided between operating one and two machines. Depending on the size of the club and its membership, machine income can range from less than £100 a week to several hundred pounds."

"The effect that a club closure has on a local community can be devastating, especially amongst the older generation who tend to use clubs more, and rely on them for social interactions. To lose all those games of bingo that help ease loneliness, all the sports teams supported by their club, the funeral teas, the family parties, the community events, the charitable fund raising: the list goes on."

"One Club Manager said that 'our gaming machine income pays for the upkeep of their cricket pitch, bowling green and football pitch and these facilities are the bedrock of the local community and used by all generations.'"

AND THEY ARE NOT THE INVISIBLE SECTOR - WE ALL KNOW THE CLUBS

And MPs, Hannibal noted, recognise the importance of clubs in their local community. He wrote in his letter: "Many MPs and are often members themselves and in some instances use them to host their weekly surgeries. Andy Burnham himself based his Makerfield election campaign from Stubshaw Cross Community and Sports Centre. The club famously remained fully open to its local regulars throughout the political campaign. It continued hosting community events including a wedding, a funeral, a christening, and a birthday party, while serving as the operations base where high-profile MPs and Cabinet ministers gathered."

That particular message is one that will resonate with the Labour Party, but the clubs issue is across the political divide. And Hannibal's message to Government was echoed from a club representing people from across the House of Commons.

MGD: WILL MORE TAX MAKE THE MEMBERS CLUB FINANCIALLY UNVIAABLE?

Charles Littlewood, Chief Executive, Association of Conservative Clubs Ltd and Chair of CORCA, saw no division with his colleagues from Labour and Liberal Members Clubs - this was a unifying issue.

He told the GBG: "We are very concerned about the potential impact of any significant increase in Machine Games Duty on Members' Clubs. We will be highlighting these concerns in the appropriate places and making clear to Government and Parliamentarians the consequences that an increase could have for the club sector."

Gaming machine income helps clubs meet their day-to-day operating costs and support the wider facilities and activities that they provide for their members and local communities. It should not be regarded simply as additional or discretionary income. It forms an important part of the income required to keep the doors open and, in some cases, is crucial to their ongoing financial viability."

Where gaming machine income represents an important part of a club's finances, the loss of that income could require committees to review opening hours, staffing levels, services and other expenditure. For clubs already operating on very tight margins, it could ultimately lead them to consider whether their existing operations remain financially sustainable."

It is therefore important that the impact of any increase in Machine Games Duty is considered in this wider context. Reducing the income available to clubs does not simply affect the provision of gaming machines. It reduces the resources available to organisations which are often providing valuable community facilities at little or no cost to the public purse."

It was a perfect way to end his letter; he's hoping now it will prove a perfect note to end the fears of the members clubs community.

Ken Green:
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