



The Lotteries Council submission to House of Lords Select Committee inquiry on the Social and Economic Impact of the Gambling Industry

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1 About The Lotteries Council and the charity lottery sector

- 1.1 The Lotteries Council is the membership body which brings together over 400 organisations who either run charity (society) lotteries or provide services to support the running of charity lotteries.
- 1.2 The Charity Lottery sector raised over £314 million for good causes in the year to September 2018 according to Gambling Commission statistics.¹ This funding is extremely important to a wide range of charities, many of whom would struggle to replace it, were it not available.
- 1.3 The latest Gambling Commission figures for the percentage return to good causes show that the Charity Lottery sector returned 44.7% to good causes in the year to September 2018.

2. The Lotteries Council's responses to the questions asked in the Call for Evidence are set out below. We have focussed on the questions where we have a specific view or expertise.

3. Question 1. Are the three primary aims of the Gambling Act 2005 (to prevent gambling from being a source of crime or disorder, to ensure that gambling is conducted in a fair and open way, and to protect children and other vulnerable persons from being harmed or exploited by gambling) being upheld?

3.1 The Lotteries Council, as the trade body for the charity lottery sector, works to champion best practice and compliance with regulation. In particular our annual conference includes a range of workshops and plenary sessions on issues relating to the charity lottery sector, including with the industry regulator, the Gambling Commission.

3.2 As far as we are aware the charity lottery sector is good at upholding the primary aims of the Gambling Act 2005, although compliance by our members is a matter for each individual member organisation not for the Council.

¹ Gambling Commission 'Industry Statistics' April 2016 to March 2018, Updated to include October 2017 to September 2018. <https://www.gamblingcommission.gov.uk/news-action-and-statistics/Statistics-and-research/Statistics/Industry-statistics.aspx>

3.3 Charity Lotteries represent the “lowest risk” of any type of gambling, this is particularly important in relation to the licensing objective in relation to “protecting children and other vulnerable persons from being harmed or exploited”. This “low risk” is evidenced by the following:

3.3.1 2018 research by Nat Cen Social Research, on behalf of the Gambling Commission, found that lotteries have the lowest prevalence of problem gambling of any form of gambling: *“For both, low risk and moderate risk gambling, the lowest prevalence rates were found among those who participated in the National Lottery draws or other lotteries.”*²

3.3.2 The Gambling Commission, as official regulator, has expressed the view that charity lotteries are *“considered to be low risk in terms of the licensing objectives set out in the Act.”*³

4 Question 3. Is gambling well regulated, including the licensing regime for both on and off shore operations? How successfully do the Gambling Commission, local authorities and others enforce licensing conditions including age verification? What might be learned from comparisons with other regulators and jurisdictions?

4.1 The Licence conditions and codes of practice (LCCP) set out the requirements for holding an operating licence. The LCCP is subject to amendments or additions “to take account of developments in the industry or emerging evidence on the most effective means of promoting socially responsible gambling”.⁴ The Lotteries Council believes that the existing arrangements, in so far as they apply to charity lotteries, operate in an effective and robust manner.

5. Question 5. What are the social and economic costs of gambling? These might include costs associated with poor health and hospital inpatient services; welfare and employment costs; the cost of benefit claims; lost tax receipts; housing costs through statutory homelessness applications; and criminal justice costs.

² Gambling behaviour in Great Britain in 2016, Nat Cen Social Research prepared for the Gambling Commission, September 2018. <https://www.gamblingcommission.gov.uk/PDF/survey-data/Gambling-behaviour-in-Great-Britain-2016.pdf>

³ Gambling Commission, Society Lotteries advice, Phase 2, 29 June 2018. <https://www.gamblingcommission.gov.uk/PDF/consultations/Society-lottery-advice-provided-to-DCMS-002.pdf>

⁴ License conditions and codes of practice, Gambling Commission, May 2019. <https://www.gamblingcommission.gov.uk/PDF/LCCP/Licence-conditions-and-codes-of-practice.pdf>

5.1 The Lotteries Council are aware of the issues related to problem gambling and despite lotteries having, as referenced above, a low prevalence of problem gambling, we take the issue of problem gambling very seriously. We are discussing how we can best help our members further reduce any risks of problem gambling.

6. Question 6. What are the social and economic benefits of gambling? How can they be measured and assessed?

6.1 Charity lotteries exist to raise funds for charities and good causes and make a very positive difference to a wide range of good causes including air ambulances, hospices, sports clubs, animal welfare, health related, support for young people, environmental protection, tackling homelessness and many others.

6.2 In this regard charity lotteries are very different to other types of gambling regulated under the Gambling Act, which are mostly for private profit.

6.3 As mentioned above, charity lotteries raised £314 million for good causes in the year to September 2018, funding which charities would find very difficult to replace were it not available. Indeed, in some cases, without the funds from charity lotteries, charities may not be able to exist, and the services they deliver could fall to local or national Government to provide.

6.4 In regard to measurement and assessment we welcome the Gambling Commission's annual statistics which publish the annual funds to good causes raised by charity lotteries.

7. Question 7. Is the money raised by the levy adequate to meet the current needs for research, education and treatment? How effective is the voluntary levy? Would a mandatory levy or other alternative arrangement be more productive and effective? How should income raised by a levy be spent, and how should the outcome be monitored? What might be learned from international comparisons?

7.1 The Lotteries Council makes an annual contribution to Gamble Aware and are happy to do so.

7.2 We believe that any voluntary or mandatory levy related to problem gambling should be based on causation, not on Gross Gambling Yield or other measure. We are concerned that levying charity lotteries in the same way as bookmakers and casinos, who have a significantly higher prevalence of problem gambling, means that the lower-risk charity lottery sector is effectively subsidising the higher risk sections of the gambling sector.

7.3 A one size fits all levy therefore means that funds which would otherwise go to charity are being used to counter gambling related harm caused by the products of gambling companies which make multi-million-pound profits.

7.4 Carolyn Harris MP, Chair of the All-Party Parliamentary Group on Gambling Related Harm, has referred in Parliament to the need for a “polluter pays”⁵ levy. Tom Watson MP, Shadow Secretary of State for Digital, Culture, Media and Sport, has also spoken of the need for a levy to be a “smart levy” to address this point.

7.5 We think a levy based on this principle would be more appropriate than an across the board levy and urge a greater focus on better understanding the causation of problem gambling.

8. Question 8. How might we improve the quality and timeliness of research in the UK? What changes, if any, should be made to the current arrangements for funding, commissioning and evaluating research in the UK? What might be learned from international comparisons?

8.1. There is a need for further research to inform policy and practice in tackling gambling harm.

8.2. In particular we recommend research on causation of gambling related harm, so that that action can be targeted on the key gambling products which cause harm.

8.3. The Lotteries Council is currently considering commissioning research to further assist our own members reduce any problem gambling risks associated with their products.

9. Question 9. If, as the Responsible Gambling Strategy Board (RGSB) has suggested, there is limited evidence on which to base sound decisions about gambling by children and young people, what steps should be taken to rectify this situation?

9.1 The Lotteries Council would be supportive of further research on this area.

10. Question 18. The restrictions on society lotteries were relaxed by the Gambling Act 2005, and there is concern that some of them are effectively being taken over by larger commercial lotteries. Is this concern well founded if so, what should be done?

10.1 The Lotteries Council is not aware of any charity lottery being taken over by a larger commercial lottery, so this concern is unfounded. In fact, legally there is no such thing as a ‘commercial lottery’ and the law prevents such an entity. All charity lotteries have to be run solely for the benefit of the society and give relevant minimum percentages to that society from their proceeds.

⁵ Hansard 4 July 2019 <https://hansard.parliament.uk/Commons/2019-07-04/debates/47434DFE-7C2F-4F27-8413-29C9B8D7312F/DigitalCultureMediaAndSport>

10.2 Charities can contract External Lottery Managers to manage their lottery on behalf of the charity. This has proven to be a successful way of helping to grow funds for good causes.

10.3 The Gambling Commission highlight this in their advice to Government on charity lotteries, published in 2018: *“The involvement of ELMs benefits charities and other societies by enabling them to outsource the administration of their lottery to professional lottery operators who can use their knowledge and expertise to maximise proceeds and as a result increase the return from the lottery to the good causes those societies exist to support.”*⁶

10.4 The value to good causes resulting from ELMs has been described by the Gambling Commission as follows: *“Whilst the percentage returned to good causes for lotteries managed by ELMs may sometimes be lower than for lotteries run by societies themselves, the actual amount returned is also far higher.” “Economies of scale, access to marketing tools and shouldering the burden of risk (with regard to the cost of expenses and prizes) are all valid reasons for societies joining such a scheme.”*⁷

10.5 The Gambling Commission also referenced their own statistics on funds to good causes to explain the financial benefit of ELMs to charity lotteries.: *“Since the Act came into force in September 2007 the number of licenced ELMs has increased from ten to nearly forty. Proceeds in society lotteries have increased from £178 million in 2008/9 to £437 million in 2014/15. In the same period the proportion of lottery proceeds ELMs were involved in raising increased from £36 million to £231 million.”*⁸

11. Question 19. Should changes be made to the statutory regime governing the National Lottery, to bring it into line with the regime governing operators of other lotteries?

11.1 There are currently numerous differences between the National Lottery and charity lotteries, including that charity lotteries have restrictions in law on their sales per draw, annual sales and maximum jackpot prizes, whilst the National Lottery does not. The Lotteries Council is in favour of these limits being raised.

⁶ Gambling Commission. ‘Advice provided to DCMS on society lotteries’. Published 29 June 2018. <https://www.gamblingcommission.gov.uk/PDF/consultations/Society-lottery-advice-provided-to-DCMS-002.pdf>

⁷ Gambling Commission. ‘Advice provided to DCMS on society lotteries’. Published 29 June 2018. <https://www.gamblingcommission.gov.uk/PDF/consultations/Society-lottery-advice-provided-to-DCMS-002.pdf>

⁸ Gambling Commission. ‘Advice provided to DCMS on society lotteries’. Published 29 June 2018. <https://www.gamblingcommission.gov.uk/PDF/consultations/Society-lottery-advice-provided-to-DCMS-002.pdf>



- 11.2 Charity lotteries also have to return at least 20% of proceeds to good causes, whilst there is not a similar rule for the National Lottery. We recommend that this limit is put in place for every National Lottery product, in order to increase funds to good causes and maintain trust in the National Lottery.
- 11.3 We would however be sympathetic to the removal of Lottery Duty from the National Lottery, as it is in effect a tax on charitable fundraising.
- 11.4 The Department of Digital, Culture, Media and Sport in their publication, “Government response to the consultation on society lottery reform”, state that *“Society lotteries are not subject to tax, in line with the long-standing principle of not taxing charitable fundraising.”*⁹ We see no reason why the National Lottery should be an exemption from this principle, especially as the licenced operator, in common with External Lottery Managers, is subject to corporation tax.
- 11.5 We also believe that there is very low public awareness that 12% of the price of a National Lottery ticket goes to the Treasury instead of to good causes.

Ends.

⁹ Department for Digital, Culture, Media & Sport, ‘Government response to the consultation on society lottery reform.’ 16 July 2019.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817544/Response_to_Consultation_on_Society_Lotteries_PDF.pdf