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Culture, Media and Sport
Committee

Society Lotteries

Fifth Report of Session 2014-15

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to the report*

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The Culture, Media and Sport Committee

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Summary

Society lotteries are intended to be primarily a means of raising money for charities and other good causes. The vast majority are small, often local, and raise sums of money that, though not substantial, are vital for the work of the organisations they support. The Gambling Act 2005 relaxed some of the restrictions on such lotteries. This was not a cause of concern until the recent launch of some larger, 'umbrella' lotteries, advertised nationally, run by commercial operations and giving close to the statutory minimum percentage of the proceeds of ticket sales to the good causes they supported. These are controversial in part because they are alleged to stretch the definition of a society lottery as primarily intended to raise money for good causes, and in part because they are seen by some as direct competitors to the National Lottery. As a result, there have been calls for restrictions to be imposed on large society lotteries, while others have suggested the success of the umbrella lotteries could be replicated elsewhere if regulations on society lotteries were relaxed.

We have been guided in our approach by the principle that the regulatory regime governing society lotteries should encourage the maximum return to good causes and, provided that the lottery remains focused on its primary purpose, the licensing regime should be light, including continued exemption from gambling and lottery taxes.

Accordingly, we recommend greater differentiation between the regulations applied to the great majority of lotteries, which are small and local, and those applied to larger ones, especially those run on behalf of the good causes by commercial organisations, which tend to return smaller proportions of their funds to the charity than single-cause lotteries.

We recommend an amendment to legislation to recognise a class of umbrella lotteries, with its own set of limits on individual draws, annual sales and prizes. A number of options are possible: setting overall limits on the amounts that may be raised or paid out in prizes, limiting the number of individual society lotteries that may join together under an umbrella lottery (and thus limiting the multiplier effect) or stipulating different 'large society lottery' limits on the constituent societies. We suggest that the limits on the single society large and small lotteries should be raised, following research by the Gambling Commission into what might be the appropriate limits, and that the limits should be reviewed every three years by the Government, on the basis of information about the market supplied by the Gambling Commission.

We wish to see a lifting of burdens on the smallest lotteries, so we recommend that, for new lotteries, the current requirement for at least 20% of the ticket receipts from each lottery to be given to good causes (rather than allocated to prizes or operating expenses) should be spread over an extended period, perhaps three years, to help lotteries to cope with high start-up costs. On average, lotteries are able to return about 45% of their ticket receipts to good causes, many make much greater returns. It would be a disincentive to innovation to increase the requirement for the minimum return of 20%, but we do not think it appropriate that large, well-established lotteries should provide only the minimum return to good causes. We therefore recommend for the largest lotteries the reintroduction of a cap of 35% on operating costs other than prizes and money set aside for roll-overs.

We do not consider that the National Lottery is at risk from any of the lotteries currently functioning, but we accept that the potential for competition remains. While we consider that our recommendations will help to reduce the risk of commercial competition under the guise of a society lottery, we remain particularly concerned about the growth of online betting products linked to UK and multi-national lotteries that give an impression that players are taking part in a lottery but are actually a harder form of gambling. We highlight a number of suggestions for tackling this problem, including restrictions on use of the word 'lottery' or any derivatives of it in the name of any such game, and the option of reclassifying these games as lotteries and therefore bringing them within the lottery regime, and we ask the Gambling Commission to research which would be most effective in reducing customer confusion.

1 Introduction

1. While they are a form of gambling, and are therefore regulated under gambling legislation, society lotteries are intended to be primarily a means of raising money for charities and other good causes. The regulatory regime applied to them is accordingly intended to be light, while ensuring that there is adequate protection against the involvement of criminal organisations, or harm to children and other vulnerable groups, and that the gambling itself is conducted in a fair manner (the three principles of protection that guide the Gambling Commission, which regulates the sector). The vast majority of society lotteries are small, often local, and raise sums of money that, though not substantial, are vital for the work of the organisations they support.

2. The move over the last 20 years to a more relaxed approach to gambling in general has also affected the society lotteries regime, principally through changes made by the Gambling Act 2005; but this in itself caused little concern until the advent of some larger, 'umbrella' lotteries,¹ advertised nationally, run by commercial operations and giving close to the statutory minimum percentage of the proceeds of ticket sales to the good causes they supported. Both the Gambling Commission and Camelot, operator of the National Lottery, considered that this development stretched the definition of 'society lottery' beyond the intention of the legislation: the Gambling Commission described the Health Lottery as being "clearly designed to circumvent the proceeds limits—the gambling equivalent of a tax avoidance scheme that exploits loopholes in the legislation" and stated that "the Department [of Culture, Media and Sport] needs to decide whether to block the loophole or allow the limits to be breached and accept the possible damage to The National Lottery".² However, the Gambling Commission could find no reason in law to refuse a licence to such a lottery and, when Camelot sought judicial review of the Gambling Commission's decision, the court found in favour of the Health Lottery.³ At that time, we were conducting an inquiry into the effectiveness of the Gambling Act 2005, and we concurred with both the Gambling Commission and Burton LJ in his judgement that it was for the Government and Parliament to determine whether multiple society lotteries should be permitted.⁴

3. In the autumn of 2012, the Department for Culture, Media and Sport [DCMS] announced it intended to launch a consultation in the following year on whether the proportion of ticket receipts returned to good causes by society lotteries should be increased. No such consultation was launched. The DCMS subsequently explained:

During pre-consultation engagement with stakeholders, and as the impact assessment and consultation options were developed, it became apparent that

¹ See paragraph 14 below for a definition of these.

² Source: Gambling Commission evidence to court in Camelot's application for judicial review of the decision to licence the Health Lottery

³ <http://www.judiciary.gov.uk/judgments/camelot-gambling-commission-judgment-22082012/>

⁴ <http://www.judiciary.gov.uk/judgments/camelot-gambling-commission-judgment-22082012/>; Culture, Media and Sport Committee, *The Gambling Act 2005: A bet worth taking?*, First Report of Session 2012–13, HC 421, paragraph 230 (from now on 'Culture, Media and Sport Committee, First Report')

this complex issue was too narrowly focused and there was significant potential for unintended consequences, for example reducing the amounts raised for good causes by unnecessarily restricting the ability of society lotteries to operate. As a result Ministers agreed we could delay the consultation until 2014 with a view to broadening its scope.⁵

4. By the summer of 2014, the lotteries sector was unhappy that the consultation still had not been announced, and the future regulatory structure for the industry remained uncertain. We therefore decided to hold a brief inquiry ourselves. The terms of reference, published on 24 July 2014, were as follows:

The Committee wishes to examine the role of society lotteries and their place within a system which includes the Health Lottery and the National Lottery. In addition, the following specific issues are relevant to our inquiry:

- How to ensure that the market delivers the maximum benefit to good causes
- Whether there is a case for relaxing the regulatory requirements relating either to the minimum amount of proceeds that a society lottery has to return to good causes or in other areas
- The comparative regulatory positions and protections attaching to society lotteries, the Health Lottery and the National Lottery.

5. We received written evidence from 37 organisations and individuals, 20 of which were charities that ran society lotteries independently and/or benefited from ‘umbrella’ lotteries and a further five of which were groups or organisations representing charities benefiting from society lotteries.⁶ We also took oral evidence from the Health Lottery and People’s Postcode Lottery; the National Council for Voluntary Organisations and members of the Charity Law Association; Camelot and the Lottery Distributor Forum; the Gambling Commission, Mrs Helen Grant, MP, Parliamentary Under-Secretary of State for Sport and Tourism, Department for Culture, Media and Sport, and Mr Rob Wilson, MP, Minister for Civil Society, the Cabinet Office. We are very grateful to all who provided us with evidence.

6. Subsequently, on 11 December 2014, the DCMS launched its consultation with ‘A call for evidence exploring the current balance across society lotteries, The National Lottery

⁵ DCMS ([SOC0034](#)), para 13

⁶ The charities that run their own lotteries are Age UK Enterprises Ltd, the Alzheimer’s Society, the Essex and Herts Ambulance Trust, the Local Hospice Lottery Ltd and the National Trust (though the last of these also benefits from grants from the People’s Postcode Lottery and the National Lottery). Beneficiaries of the Health Lottery via the People’s Health Trust are Adur Voluntary Action, the Conservation Volunteers, Number 1 Hatfield Community Resource Centre, One Voice, the Royal Voluntary Service, Scope, Sustrans and the Youth Skills Network. Beneficiaries of the People’s Postcode Lottery are De Paul UK, the Ellen MacArthur Cancer Trust, Missing People, the Scottish Wildlife Trust and WWF-UK (who sent a joint submission), the Northumberland Wildlife Trust and the Yorkshire Wildlife Trust. We also received submissions from a group of Wildlife Trusts (benefiting from the People’s Postcode Lottery), from the Health Lottery Society Lotteries (the 51 local Community Interest Companies that make up the Health Lottery), the National Council for Voluntary Organisations and the Lotteries Council (whose members benefit from a variety of lotteries) and the National Lottery Forum, representing the groups charged with distributing 94% of National Lottery funding to good causes.

and competing gambling products in raising funds for good causes and maintaining player protection’, asking for responses by 4 March 2015.⁷ The Minister for Sport and Tourism emphasised the need to give the voluntary sector enough time to respond properly—in this case twelve weeks—even though this meant any changes in the law would have to await the next Parliament.⁸

⁷https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/386228/20141210_-_Call_For_Evidence_Document.pdf Referred to from now on as ‘DCMS Call for Evidence, December 2014’

⁸ Qq 153–156

2 Background

Society Lotteries

7. The Gambling Act 2005 sets out three forms of gambling: gaming (games of chance), betting, and lotteries. In simple terms, a lottery is a kind of gambling that has three essential elements: one has to pay to take part; one or more prizes are awarded; and the prizes are awarded by chance.⁹

8. Non-commercial or ‘society’ lotteries are an established way to raise money for charities or other not-for-profit activities (good causes). A ‘non-commercial’ organisation is defined¹⁰ as one established and conducted:

- for charitable purposes
- for the purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity; or
- for any other non-commercial purpose other than that of private gain.

It is not permissible to establish a society whose sole purpose is to facilitate lotteries. Society lotteries have to be either licensed or registered, depending on the size of the operation (see paragraph 12 below). Some society lotteries are very focussed (for the benefit of a single local charity and/or with tickets sold in a small area), while others are sold nationally and/or may be run for the benefit of a broader range of beneficiaries. Society lotteries may take a number of forms including subscription-based draws, one off ‘raffles’, online instant wins and scratch cards, all of which meet the definition of a lottery set out above. They may be promoted and tickets may be sold through face-to-face sales, over the counter, or by post, and via remote means — online, over the phone, or by email.

9. The Gambling Act 2005 also permits a number of classes of exempt lottery (that is exempt from requiring a licence or registration). These are distinct from society lotteries and are not relevant to our inquiry. The main differences between these exempt lotteries and society lotteries are that society lotteries can sell tickets to the general public in advance and outside of specific venues, are subject to less restrictive limits on prizes and expenses and can in all cases be used to raise funds.

10. The National Lottery is not a society lottery governed by the Gambling Act 2005, but a distinct legal entity governed by its own legislation (the National Lottery etc Act 1993), and regulated by the National Lottery Commission, until recently a separate body from the Gambling Commission which regulates all other forms of gambling. While it is not the focus of our inquiry, the fact that it is a lottery and is in competition to some extent for the same type of leisure expenditure as society lotteries means that the legal and regulatory regime for society lotteries potentially affects the National Lottery. In its Call for Evidence

⁹ Gambling Act, section 14. The Act also defines two types of Lottery, simple (where prizes are allocated by a process relying wholly on chance) and complex (where prizes are allocated by a series of processes, the first of which relies wholly on chance). This distinction is not of relevance for this Report.

¹⁰ Under section 19 of the Gambling Act 2005

on lotteries, the Government stated that, because the continuing success of the National Lottery was of vital importance to the arts, culture, heritage, sport and voluntary sectors and charities, “maintaining the health of the National Lottery is now an essential task of Government”.¹¹ Both Ministers who gave evidence to us emphasised that this remained the Government’s position.¹²

11. Although society lotteries have been legal for over 50 years, the Gambling Act 2005 introduced a new, more relaxed, regime for them.¹³ Under this Act, society lotteries are exempt from lottery duty and must apply at least 20% of the proceeds of the lottery (ie the gross ticket receipts) to the purposes of the society. The amount given to the good causes is slightly confusingly known as the lottery’s profit. The rest of the proceeds may be deducted for prizes, for allocation to another lottery as a ‘rollover’, and for “other costs reasonably incurred in organising the lottery”. In addition, the 2005 Act allowed for the sale of tickets by an automated process and removed the maximum price for a lottery ticket.

12. However, in order to protect the position of the National Lottery, the 2005 Act also placed limitations on society lotteries. It created two broad classes of lottery: large society lotteries and lotteries run for the benefit of local authorities (licensed by the Gambling Commission); and small society lotteries, registered with local licensing authorities. Large and small society lotteries have limits placed on them in respect of: ticket receipts or proceeds from a single draw; the aggregated proceeds from all draws held within a (rolling) twelve month period; and the prizes that they may offer.¹⁴ Taking into account subsequent reviews of the limits, currently:

A small society lottery:

- must not sell more than £20,000-worth of tickets for a single draw;
- in any one year, the aggregated proceeds from its lotteries must not exceed £250,000;
- is not permitted to offer a maximum prize of more than £25,000.

A large society lottery:

- has proceeds of more than £20,000 for a single draw. The maximum value of tickets that can be sold by a large single society lottery is £4 million;
- has aggregate ticket sales in excess of £250,000 in any one year. The maximum aggregate value of lottery tickets that can be sold in any calendar year is £10 million;

¹¹ DCMS Call for Evidence, December 2014, para 43

¹² Qq 168 and 174

¹³ For a description of the previous, far more restrictive regime, see Gambling Commission ([SOC0023](#)), para 31

¹⁴ The restrictions on large lotteries are set out in section 99 of, and those on small lotteries in Part 4 of Schedule 11 to, the 2005 Act. As indicated later in this Report, the exact sums specified in the Act have been reviewed and increased since 2005.

- the maximum prize in a single lottery is £25,000 or 10% of the proceeds, whichever is greater. Therefore, a society that sells the maximum number of tickets in a single large lottery (£4 million) could award a maximum top prize of £400,000.

13. As of September 2014 the Gambling Commission had licensed 481 society lotteries, mainly large national charities, hospices and sporting clubs and associations.¹⁵

'Umbrella' lotteries

14. In recent years, societies have started working together to try to maximise the returns to the good causes. This has taken a number of forms, including charities and other good causes joining together to form a single society with multiple beneficiaries, but the most controversial has been the introduction of brand-led lotteries, where a number of societies run lotteries marketed under a single brand to obtain the economies of scale brought by a single marketing campaign. These are sometimes referred to as 'umbrella' schemes. This sort of scheme is not new, but the scale that more recent versions have been able to achieve (in terms of marketing, brand awareness and impact) is new.

15. Promoting multiple society lotteries under a single umbrella brand is not prohibited by the Gambling Act 2005. However, operators doing so must ensure that these schemes are promoted and run compliantly—ensuring amongst other things that:

- each lottery is organised and promoted in such a way as to ensure that the lotteries are not combined to form one single lottery. Each individual society must remain a separate, distinct entity;
- it is clear which society lottery is being promoted under that brand. Each individual society lottery that forms part of a branded scheme must be promoted separately, and it must be clear to a participant in the lottery which society lottery they are being asked to participate in;
- the scheme is structured to ensure that none of the other regulatory requirements, such as limits on proceeds and prizes for each draw and each society, is breached. Each draw must also return the statutory minimum of 20% of the proceeds to the purposes of the society;
- each society must be a genuine society meeting the requirements of a non-commercial society set out in section 19 of the 2005 Act and any publicly available criteria relied upon by the Gambling Commission in assessing compliance with those requirements;
- the proceeds from one society's lottery may not be used to fund any of the prizes or expenses in a different society's lottery promoted under the same brand.¹⁶

¹⁵ DCMS ([SOC0034](#)), para 2

¹⁶ 'Industry Statistics April 2009 to September 2013', Gambling Commission (June 2014), cited in Gambling Commission ([SOC0023](#)), para 27

External lottery managers

16. The National Lottery etc Act 1993 allowed a class of persons licensed by the then regulator, the Gaming Board of Great Britain, to manage society lotteries on their behalf. These ‘External Lottery Managers’ or ELMs were intended to help organisations with no experience of running a lottery, or those wishing to benefit from the economies of scale provided by belonging to a larger umbrella organisation.¹⁷ ELMs may be commercial organisations. The Gambling Commission explains this exception to the principle that society lotteries must be non-commercial by analogy with other businesses that legitimately make a profit from providing services to the lottery societies, such as advertising and marketing businesses.¹⁸ All ELMs must hold a lottery manager’s operating licence issued by the Commission before they can promote a lottery on behalf of a society.

17. Before the Gambling Act 2005, the maximum that could be withdrawn from the proceeds of a lottery for expenses was 35%. The 2005 Act removed the cap, but instead fixed the minimum amount to be returned to good causes as 20%. As expenses are no longer capped and ELMs are paid a fee on terms which both parties decide, as long as it is reasonable under the terms of the Act, this has increased the potential for ELMs to make a profit from managing a society lottery. Members of the Charity Law Association said there were two types of ELM: one was purely a service company, where the charity determined which elements of the lottery it would contract out to the ELM on the basis of an agreed fee; the other was a company that put together a support package with a view to making a profit from this. They said it was not clear how much profit was made and how much, if at all, either type “distorted the market”.¹⁹

18. One model of an umbrella lottery run by an ELM is provided by the People’s Postcode Lottery (PPL). This manages multiple society lotteries on behalf of 13 charitable trusts. It is a subscription-based lottery and is part of Novamedia’s group of fundraising lotteries which operate also in the Netherlands and Sweden.²⁰

19. The most prominent of the umbrella lotteries is the Health Lottery, which—in its current, successful incarnation—was launched in the autumn of 2011 as a nationally promoted brand backed by the Northern and Shell group of companies. The Health Lottery is a collection of 51 Community Interest Companies (CICs) each of which holds a single lottery licence, with an extensive national retail distribution network through newsagents, supermarkets and post offices under the one brand. The operation of the lotteries is contracted out to an ELM, The Health Lottery Ltd, which is part of the Northern & Shell Group, and which provides marketing, the operation of the draw and the management of the retailer network. The Health Lottery Ltd is a commercial company and entitled to make a profit as an ELM. Each week, one CIC promotes “the Health Lottery” of that week and all the proceeds raised by sales for that week’s Wednesday and Saturday draws belong to that CIC. There is rigid segregation of CIC accounts to ensure that, week

¹⁷ An ELM is defined in section 257 of the 2005 Act as someone that makes arrangements for a lottery on behalf of a society or local authority but is not a member, officer or employee of the society or local authority. A society or local authority and an ELM must be separate entities and be able to demonstrate that they are independent of each other.

¹⁸ Gambling Commission ([SOC0023](#)), para 20

¹⁹ Q72

²⁰ PPL ([SOC0007](#)), paras 3.1 and 3.2

upon week, there is no intermingling of funds between CICs but rather all the good cause's proceeds from that week go to a specific CIC. Each of the 51 Community Interest Companies gives 20.34% of its proceeds to the People's Health Trust (a registered charity) to fund charitable causes (20% to the good causes and 0.34% to cover the Trust's administration costs).²¹

Growth of the society lotteries sector

20. According to the Gambling Commission, the society lottery sector continues to grow, with more charities and good causes starting to run lotteries and more ELMs available to support them. The total proceeds from sales by large society lotteries²² have increased each year since 2009; both expenses and the sums provided to good causes have risen during this period. As a proportion of the total proceeds, the proportion returned to good causes increased from 45% to 46%, while expenses decreased from 38% to 37%. Prizes peaked during April 2011-March 2012 and have subsequently fallen back slightly, decreasing from 18% to 17% between April 2012-March 2013 and October 2012-September 2013.

21. A number of our witnesses suggested that the large increase in sales over this period was due in part to greater public awareness of society lotteries owing to the heavy publicity when the Health Lottery was relaunched in 2011 (the Health Lottery said 45% of the increase in sales was due to this), and partly to the increase in maximum prizes that came into effect in 2008.²³ The Charity Law Association working group suggested a broader cause: the significant drop in donations to charities resulting from the 2008 economic crisis led charities to look for other sources of income, such as lotteries, while, at the same time, lotteries had become slightly easier to run as a result of the Gambling Act 2005.²⁴

²¹ See Health Lottery Society Lotteries ([SOC0020](#)), section 4, and Qq 14–20

²² No data is available for small society lotteries

²³ Q30

²⁴ Qq 53–54

Figure 1: Large society lottery proceeds, expenses and prizes £m²⁵

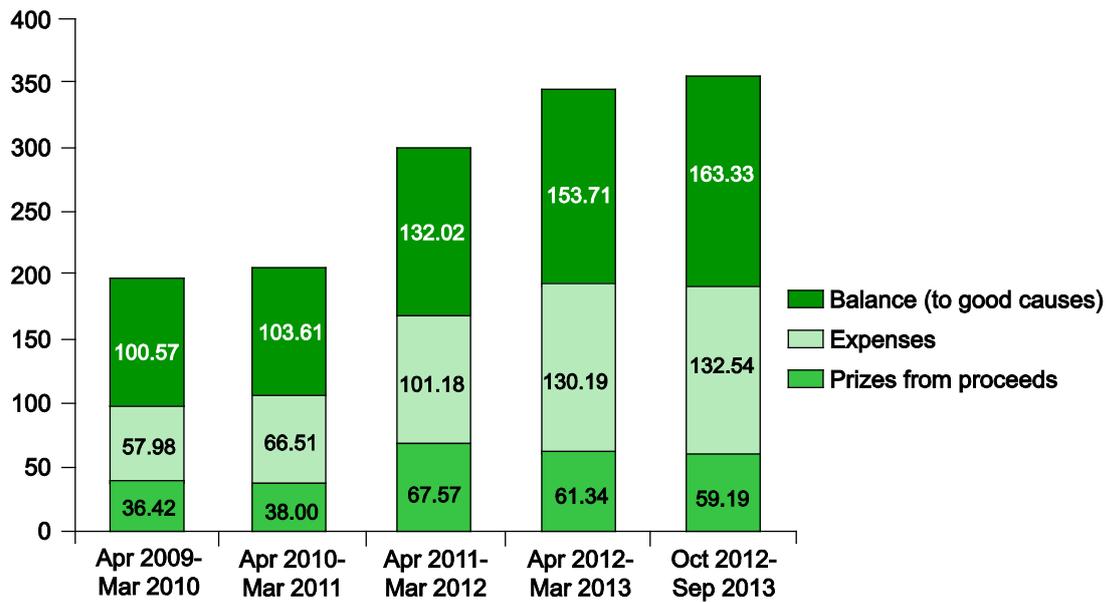
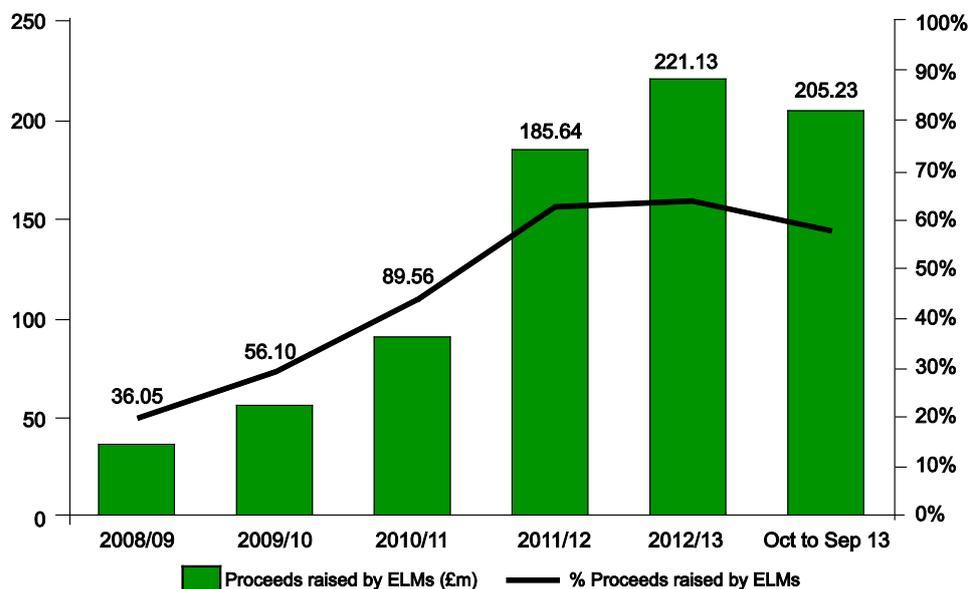


Figure 2 shows the contribution of ELM managed lotteries to this growth, with both the absolute amount and proportion of proceeds raised by ELMs peaking during 2012/13.

Figure 2: Large Society Lotteries - £m Proceeds (and %) Raised by ELM managed lotteries²⁶



²⁵ 'Industry Statistics April 2009 to September 2013', Gambling Commission (June 2014) cited in Gambling Commission (SOC0023), Figure 1

²⁶ 'Industry Statistics April 2009 to September 2013', Gambling Commission (June 2014) cited in Gambling Commission (SOC0023), Figure 2

Table 1: Data on large society lotteries only²⁷

Total lottery proceeds, expenses and prizes (includes ELM managed lotteries) (£m)						
	2008/09	2009/10	2010/11	2011/12	2012/13	Oct 12/ Sep 13
Prizes from proceeds	34.97	36.42	38.00	67.57	61.34	59.19
Expenses	49.54	57.98	66.51	101.18	130.19	132.54
Balance (to good causes)	94.15	100.57	103.61	132.02	153.71	163.33
Total proceeds	178.66	194.97	208.12	300.77	345.24	355.06

Proceeds of above raised by ELMs	36.05	56.10	89.56	185.64	221.13	205.23
% Proceeds from above raised by ELMs	20%	29%	43%	62%	64%	58%

Number of employees						
	at 31 Mar 2009	at 31 Mar 2010	at 31 Mar 2011	at 31 Mar 2012	at 31 Mar 2013	at 30 Sep 2013
Number of employees (ELM)	n/a	678	754	857	826	909

This compares with the following information about the National Lottery in the same period. While the most recent figures show the turnover of society lotteries as £355 million, the turnover of the National Lottery was £6,736 million. Moreover, as the Lotteries Council and a number of our other witnesses pointed out, the growth in the income of society lotteries has not resulted in a fall in income for the National Lottery.²⁸

Table 2: National Lottery Data²⁹

£ millions	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14
Sales	5,149.1	5,476.5	5,824.7	6,503.3	6,977.1	6,736.3
NLDF*³⁰	1,382.6	1,588.0	1,655.3	1,812.6	1,943.9	1,691.6
Prizes	2,627.6	2,797.3	2,984.5	3,379.4	3,697.6	3,636.5
Duty	617.9	657.2	699.3	780.5	837.2	808.4
Retailer Commission	247.7	257.4	270.0	296.3	315.6	304.6

*Including unclaimed prizes and adjustments

²⁷ 'Industry Statistics April 2009 to September 2013', Gambling Commission (June 2014) cited in Gambling Commission (SOC0023), Appendix 1

²⁸ Lotteries Council (SOC0022), paras 6.2-6.3

²⁹ 'Industry Statistics April 2009 to September 2013', Gambling Commission (June 2014) cited in Gambling Commission (SOC0023), Appendix 1

³⁰ National Lottery Distribution Fund (ie the 'good causes' fund)

22. Whilst the money raised by society lotteries has increased year on year, this growth has slowed in recent years. Between October 2012 and September 2013 the sector generated £163 million for good causes, an increase of £10 million (around 6%) on the same period in 2011/12. However, this is down from the previous three years, over which time the sector saw growth of over 50% (from £100 million in 2009/10 to £153 million in 2011/12). The Lotteries Council, a group that represents society lotteries, is concerned that growth in the sector is currently not as strong as it could be due to the regulatory constraints within which its members currently operate.³¹

³¹ All figures cited by the Lotteries Council ([SOC0022](#)), para 7.4

3 Problems with the current legislation

23. In 2010, in the course of our inquiry into the outcomes of the Gambling Act 2005, the Gambling Commission told us that the Act “arguably imposes burdensome requirements on small lotteries that make it harder for small charitable enterprises to use lotteries to raise funds for ‘good causes’”.³² The People’s Postcode Lottery agreed with this and suggested that the limit on proceeds should be abolished altogether. The Lotteries Council argued that society lotteries did not compete with the National Lottery, so there was no justification for limits on society lotteries. It stated, moreover, that “typically 55% of proceeds” from society lotteries went to good causes while the figure for the National Lottery was 28%.³³

24. The same criticisms of the current regulatory regime were made by those who gave evidence to this inquiry. The society lotteries benefiting from the Health Lottery stated that larger sums could be raised for good causes if the regulations were relaxed.³⁴ The PPL argued that the impact of the restrictive regime for society lotteries in Great Britain was demonstrated by the fact that players of its lottery generated £10.2m for good causes in 2013, compared with £101 million in Sweden and £239 million in the Netherlands, both with much smaller populations. It suggested that if its proposed relaxation of limits on ticket sales and prizes were adopted, it would be possible for the PPL to raise as much as £130.2 million per year for good causes.³⁵

25. A number of our witnesses referred to a report by the Centre for Economics and Business Research (Cebr) entitled, ‘*What have we got to lose? How society lotteries could do even more for good causes*’, commissioned by the Lotteries Council and the Institute of Fundraising and published in February 2014.³⁶ This report calculated that if the requirement to return a minimum contribution to good causes were raised from 20% to 28%, this would reduce the money raised for good causes by £35.3 million as a result of 16% of lotteries ceasing to operate. Even lower increases in the 20% requirement were estimated to be likely significantly to reduce the money raised for good causes: an increase from 20% to 23% would result in a loss of £15.4 million, and one from 20% to 25% in a loss of £25.3 million and the closure of 8% of lotteries.³⁷

26. The Cebr also examined a further proposal to cap operational expenditure at 15% of total proceeds, which it concluded would lead to a loss of £88.3 million in donations to good causes. The Cebr report recommended relaxing caps on prizes and on the overall revenue from ticket sales.

³² Culture, Media and Sport Committee, First Report, para 232 quoting Ev 237

³³ *Ibid.*, para 234, quoting Ev W 62 (PPL) and Ev W 99 (Lotteries Council)

³⁴ Health Lottery Society Lotteries (SOC0020), para 7.3

³⁵ PPL (SOC0007), paras 3.2 and 5.6

³⁶ Centre for Economics and Business Research (CEBR); http://www.cebr.com/wp-content/uploads/2014/02/2014-02-26_Society-lotteries-report.pdf (February 2014)

³⁷ Cited in Scope (SOC0013), para 4.1 and also in People’s Health Trust (SOC0008), para 6.2

Potential threat to the National Lottery

27. As already mentioned, the advent of the umbrella lotteries, and particularly the scale and reach of the Health Lottery, has led to fears—not least in Camelot—that the unique national nature of the National Lottery and the funds it raises for good causes are under threat. The 51 society lotteries forming the Health Lottery group argued that this was nonsense: industry figures (cited above in Tables 1 and 2) showed that the whole society lottery sector was still much smaller than the National Lottery; the Health Lottery itself accounted for no more than 11% of the society lottery sector; the current model used for the Health Lottery was the third, the previous two having failed, and had succeeded only because of a significant investment in its launch; and in reality the Health Lottery was merely more visible than other society lotteries, because it sold tickets directly to the public rather than only by subscription to members or to visitors to the society’s website, but it was not different in kind.³⁸ Donald Macrae, promoter of the Health Lottery, emphasised the local aspect of the Health Lottery: “We are not operating at a national level except in terms of advertising. We have a national brand, but that is all.”³⁹

28. The lotteries benefiting from the Health Lottery also noted the suggestion that the Health Lottery model might be attractive to a large commercial organisation capable of competing head-to-head with the National Lottery. They rebutted this argument on the basis that:

The set up costs for new lotteries were prohibitive and similar reach was difficult to achieve;

Given that the Health Lottery, with a network encompassing so many retailers, was still so much smaller than the National Lottery, then even the largest of multiple-outlet retailers could not command the spread and number of outlets needed to pose a threat to the National Lottery;

The returns on investment were limited and not recoverable in a short time-frame (Northern & Shell was “still a long way” from recovering the set-up costs of the Health Lottery);

No society lottery licence holder was permitted to incur anything more than ‘reasonable’ expenses, which acted as a limit to commercial profitability of ELMs.

The Health Lottery group concluded “Investment in society lotteries is not a get-rich-quick scheme...”;⁴⁰ and the Promoter of the Health Lottery described the National Lottery as “pretty well bomb-proof”.⁴¹

29. Camelot, operator of the National Lottery, rejected the idea that big, aggregated society lotteries posed no threat to the National Lottery, stating: “the Health Lottery has in all but

³⁸ Health Lottery Society Lotteries ([SOC0020](#)), paras 2.3–2.4

³⁹ Q20

⁴⁰ Health Lottery Society Lotteries ([SOC0020](#)), para 6.3

⁴¹ Q44

name positioned itself as a competitor to the National Lottery”.⁴² It also noted that the lotteries run by the PPL in the Netherlands and Sweden were significant competitors to those countries’ national lotteries, adding: “They offer multi-million pound prizes in those countries and they do not have a level playing field: they are able to put over 25% of their money into marketing ... 5%, for example, goes as a management fee back to somebody in the Netherlands who owns the licence...”⁴³ Andy Duncan, Camelot’s Chief Executive Officer, said that the two big umbrella lotteries together were spending almost as much in Great Britain on media marketing as the National Lottery; he added that more than 90% of the Health Lottery’s marketing expenditure in the previous twelve months had been paid to other Northern & Shell companies.⁴⁴ He also argued that, if these big umbrella lotteries were aggressively marketed, then the National Lottery would have to increase the amount it spent on marketing (currently 1% of turnover), and this money would have to come either from the prize fund or from the contribution to good causes.⁴⁵

30. Camelot and a number of those representing good causes supported by the National Lottery raised concerns that society lotteries were in an advantageous position over the National Lottery as a result of being required to give only 20% of the proceeds of their ticket sales to good causes, whereas the National Lottery returned around 26% to good causes as well as 12% Lottery Duty to HM Treasury.⁴⁶ Analysis produced by Frontier Economics Ltd at the behest of Camelot compared the Health Lottery with Lotto, the main draw-based game of the National Lottery suite of games, and concluded that:

- the Health Lottery retained 50p of every pound paid in ticket sales in expenses, in comparison to the 5p of every pound that the National Lottery retained;
- the Health Lottery paid a smaller percentage of the proceeds of ticket sales in prizes (24.1% as compared to the Lotto game’s 47.5%);
- the Health Lottery provided a smaller percentage of “returns to society” (defined as payments to good causes plus the return to HM Treasury through Lottery Duty): the Health Lottery was estimated to provide returns to society of 20%, and the Lotto game 41.8%.⁴⁷

⁴² Camelot ([SOC0035](#)), para 1.5

⁴³ Q90

⁴⁴ Qq 100 and 108

⁴⁵ Q 140

⁴⁶ The percentage going to projects depends on the game and the way it is played (online, in store etc). This means that the overall percentage raised for projects across all games fluctuates slightly every week

⁴⁷ The research by Frontier Economics is published as Appendix 1 to Camelot’s written evidence to this inquiry ([SOC0036](#)). The comparison between Lotto and the Health Lottery is made in Appendix 2 to Camelot’s written evidence ([SOC0037](#)).



Source: Camelot, The Health Lottery Website, Frontier analysis⁴⁸

31. Camelot believed that umbrella lotteries had already caused damage to the National Lottery; analysis commissioned by Camelot in 2012 indicated that over 60% of the Health Lottery's sales were "cannibalised" from the National Lottery.⁴⁹ Camelot also listed a number of innovations in the market by the umbrella lotteries, betting operators and retailers launching scratch cards, and by online gambling operators linking betting to lotteries, all of which Camelot claimed, was "causing consumer confusion and clutter in the marketplace".⁵⁰

32. Camelot said that its prime concern was that the high operating costs and expenses obtained by the Health Lottery under the current regulatory regime would encourage other commercial operators to follow the Health Lottery's business model, with the result that society lotteries would be a "profit-making business venture".⁵¹ Members of the Charity Law Association and the National Council for Voluntary Organisations [NCVO] also expressed the fear that society lotteries might become primarily a way of raising money for the profit-making companies running them rather than for the good causes intended as beneficiaries, especially if the rules governing society lotteries were relaxed further. This concern was shared by the National Lottery Forum (the umbrella group for several of the bodies that distribute National Lottery funds to good causes), who believed that society lotteries which operated on a large scale, similar to that of the National Lottery, could bring with them a reputational risk to the lottery sector and that the blurring of a distinction between the National Lottery and other forms of gambling could potentially damage the

⁴⁸ Figure reproduced from Camelot (SOC0035), para 4.26

⁴⁹ Camelot (SOC0035), para 4.20

⁵⁰ Q89

⁵¹ Camelot (SOC0035), para 4.36

National Lottery's reputation and prevent some organisations from applying for funding from it. The Charity Law Association working group noted that, because umbrella lotteries relied much more heavily on ELMs to co-ordinate and operate the common brand, this gave much less control to the constituent charities, and where this occurred "it appears that the spirit of the Gambling Act 2005 is not being followed, even if the activities are technically within the law".⁵²

33. The Government said it wished to:

Maintain an appropriate balance between products raising funds for good causes to allow them to co-exist successfully while raising the maximum amount possible for good causes

Ensure players of all forms of gambling were suitably protected

Continue to support growth and innovation across the gambling markets but not at the expense of the other two aims⁵³

It noted that the National Lottery, society lotteries and commercial gambling markets were becoming more standardised in look and feel,⁵⁴ and concluded: "While we have no specific evidence that the current arrangements are creating any serious problems, or proving disadvantageous to any one sector, we expect the operators to continue to innovate [and] are aware that new products or entrants to the market may change the market in ways we do not anticipate."⁵⁵

34. In our approach to the suggestions of various changes to the regulatory regime for society lotteries, we have been guided by the principle that the purpose of society lotteries is to raise money for good causes. Unlike other gambling products, they are therefore exempt from gambling and lottery taxes; and the regime governing them should be light-touch and encourage the maximum return for good causes. At the same time, the regime should be carefully adjusted to avoid any perception that charities may be being used mainly as devices to further commercial interests.

35. We have also been guided by the clear intention of Parliament in 1993—which we do not perceive to have altered—that there should be one National Lottery. We do not consider that there is any indication that the Lottery is being significantly affected by any of the society lotteries currently operating, but we accept that the potential for a competitor remains, especially if an External Lottery Manager, in addition to receiving the reasonable expenses permitted by the Gambling Commission, can also profit from promoting its lottery.

⁵² Charity Law Association working party ([SOC0032](#)); NCVO ([SOC0029](#)); National Lottery Forum ([SOC0030](#)), section 4

⁵³ DCMS ([SOC0034](#)), para 16

⁵⁴ DCMS Call for Evidence, December 2014, para 25

⁵⁵ DCMS ([SOC0034](#)), para 20

Suggestions for specific amendments to relax the regulatory regime

36. The regulations most often cited by our witnesses as hindering the raising of money through lotteries were:

- The requirement that a minimum of 20% of the proceeds from sales must be given to the good causes;
- The limit on the maximum value of tickets that can be sold for a single draw;
- The limit on the annual proceeds from aggregate ticket sales; and
- The limit on prize values.

Restrictions on ticket sales and prize limits

37. Several of the individual societies commented on the motivation of those who bought their lottery tickets. Age UK Enterprises Ltd stated that the vast majority of its players saw the lottery as a fun way to donate money rather than the chance to win a big sum; while the Local Hospice Lottery Ltd thought players in its weekly draw were motivated by both the cause and the level of prizes.⁵⁶ Essex and Herts Air Ambulance Trust told us that on many occasions, winners had given back to the charity some or all of the prize money.⁵⁷

38. When we asked whether there was any evidence that sales increased in whichever region was benefiting from the Health Lottery that week, we were told “the honest truth is that most players do not care.”⁵⁸ There was no indication on Health Lottery tickets as to which area was being supported, though it was possible to obtain this information by checking at the point of sale.⁵⁹ PPL told us that it was easier to keep its players informed as they had to subscribe to the lottery, and its players were aware of the good causes benefiting from their lottery: a large recent survey of players had shown that just under 82% of players were aware that 25% of the ticket price went to good causes, and could name six good causes that benefited from the lottery.⁶⁰

39. In research undertaken for the DCMS, the Gambling Commission found that consumers continued to perceive society lotteries as a fun way of donating usually small amounts to a specific cause, with the prize being a secondary consideration; whereas the National Lottery was seen mainly as a way of winning a life-changing prize.⁶¹ Camelot accepted that the main motivation for those playing the National Lottery was winning money, though Dawn Austwick of the National Lottery Forum, representing the

⁵⁶ Age UK Enterprises Ltd ([SOC0006](#)) para 5; Local Hospice Lottery Ltd ([SOC0011](#)), para 4.3.1

⁵⁷ Essex and Herts Air Ambulance Trust ([SOC0002](#))

⁵⁸ Q21

⁵⁹ Qq 19–20

⁶⁰ Q23

⁶¹ Gambling Commission, *Market advice on the lottery sectors*, paragraph 24, quoted in DCMS Call for Evidence, December 2014, para 40

organisations distributing National Lottery funds to good causes, argued that a third of players were actively interested in knowing which good causes their money supported.⁶²

40. The Cebr’s survey found that 11% of the members surveyed—particularly the larger society lotteries—wanted the caps on ticket sales relaxed, and 32%—again, in particular the larger societies—wanted prize limits relaxed. The Lotteries Council therefore proposed an increase in the permissible amount of ticket sales for a single draw from £4 million to £10 million, “enabling larger fundraising charities to raise more money with minimal additional cost”; an increase in the annual income cap on any society lottery from £10 million to £100 million “to enable larger charities to reach economies of scale and maximise their fundraising;” and an increase in prize values from £25,000 to £100,000 and from 10% of the proceeds to 50% “to give operators flexibility on prize values in order to maximise the overall amount raised through increased ticket sales.”⁶³ It was supported in this call by the Institute of Fundraising and the majority of the individual charities that gave evidence to us (both beneficiaries of umbrella lotteries and those that ran their own), as well as by the umbrella lotteries.⁶⁴ The PPL differed from the Lotteries Council only in calling for an even greater increase in the individual draw limit, from £4 million to £40 million, arguing that the 2009 increase in draw limits from £2 million to £4 million had increased the amount provided to good causes by 53% in the next two years (from £100 million in 2009/10 to £153 million in 2011/12).⁶⁵ Age UK suggested an individual draw limit of £30 million, or abolishing the limit altogether.⁶⁶

41. The PPL suggested that increasing the annual turnover limit for a single society lottery to £100 million would benefit its members by allowing it to reduce the number of its constituent operational trusts, cutting operational costs and making the link with the charities supported clearer to lottery players, while not affecting in any way the ability of the PPL or remaining trusts to fulfil their obligations to good causes and having no negative impact on the National Lottery or any other society lotteries.⁶⁷

42. The Health Lottery’s main concern was the 10% rule—that prizes must not exceed £25,000 or 10% of the total proceeds of ticket sales, whichever is larger. It explained that, because lotteries had to be sure that their ticket sales would earn at least ten times the maximum prize they wished to offer, lotteries tended to underestimate total sales and therefore ‘underbid’ the prize. The Health Lottery considered that by raising the limit to 50%, the element of risk would be reduced and lotteries would be able to offer higher prizes without actually offering the maximum.⁶⁸

⁶² Q133

⁶³ Lotteries Council ([SOC0022](#)), para 8.1

⁶⁴ See Qq 29–30 (PPL and Health Lottery), People’s Health Trust ([SOC0008](#)), para 5.3; also Adur Voluntary Action ([SOC0003](#)), para 6; Age UK Enterprises Ltd ([SOC0006](#)), paras 8–10; De Paul UK, Ellen MacArthur Cancer Trust, Missing People, the Scottish Wildlife Trust and WWF-UK ([SOC0024](#)); the Local Hospice Lottery Ltd ([SOC0011](#)), sections 3.2.2–3.2.3 and 4.1–4.2; the Northumberland Wildlife Trust ([SOC0026](#)); Number 1 Hatfield Community Resource Centre ([SOC0033](#)); One Voice ([SOC0009](#)), para 2; Scope ([SOC0013](#)), para 4.2; the Yorkshire Wildlife Trust ([SOC0016](#)), para 5; and the Youth Skills Network ([SOC0010](#))

⁶⁵ PPL ([SOC0007](#)), paras 2.2–2.4 See also Q 30

⁶⁶ Age UK Enterprises Ltd ([SOC0006](#)), para 9

⁶⁷ PPL ([SOC0007](#)), para 7.1

⁶⁸ Q31

43. Some witnesses expressed unhappiness that the Government appeared to have abandoned the commitment to a regular triennial review of ticket sale and prize limits, and called for its reinstatement.⁶⁹

44. The Lotteries Council noted that there was already a method of circumventing the existing limits: more than one well-known national charity had taken out two licences in order to run two lotteries to satisfy demand and maximise its return to good causes. It pointed out that, while effective in avoiding the cap, this device resulted in more administration and regulatory burdens.⁷⁰ The Office of the Scottish Charity Regulator, which regulates the PPL, raised this issue, which had come to its attention because of the number of PPL trusts being registered for the same or very similar causes, in effect to enable multiple lottery licences. It commented: “As Regulator, our primary concern is the duplication of registrations does mean that the individual PPL charities are spending a higher proportion of their charitable income on administrative expenses.” It therefore supported relaxation of the regulations for lotteries, especially the £10 million annual cap on ticket sales.⁷¹

45. The NCVO believed it was not possible at present to come to any conclusion on whether a substantial increase in the sizes of prizes or the individual draw and annual proceeds cap was desirable as there was insufficient evidence of how many lotteries were hitting the limits, and would therefore benefit from being able to sell more tickets with higher prizes. It therefore recommended that the Gambling Commission start collecting intelligence on the matter, with a view to increasing the caps in two or three years if it became clear that they were a real hindrance to a significant proportion of society lotteries.⁷² Sterling Management Centre Limited, an ELM working for individual societies, considered there was no evidence that the regime was seriously hindering lotteries in their fund-raising efforts, though the annual limit and the cap on prizes were a problem for some lotteries.⁷³

46. The Charity Law Association working group thought the current limits were “not insubstantial” and commented: “In the working party’s experience, these restrictions have limited adverse impact on society lotteries’ ability to grow.” It noted, however, that there was a case for increasing the percentage limit on the top prize or removing it altogether, which would allow societies and ELMs the freedom to determine the top prize that would be appropriate to promote a particular lottery—a point also made by Age UK Enterprises Ltd. However, both the Charity Law Association and Age UK recognised that raising the prize limit could mean that societies were exposed to a higher level of risk where proceeds from tickets sales failed to cover the cost of increased prizes.⁷⁴

⁶⁹ See, for example, PPL ([SOC0007](#)), para 2.5

⁷⁰ Lotteries Council ([SOC0022](#)), para 4.1 See also Charity Law Association working group ([SOC0032](#)) and Age UK Enterprises Ltd ([SOC0006](#)), para 9 and Qq 35 and 38 (PPL)

⁷¹ Office of the Scottish Charity Regulator ([SOC0004](#))

⁷² NCVO ([SOC0029](#)), paras 12–13

⁷³ Sterling Management Centre Ltd ([SOC0021](#)), paras 4.3

⁷⁴ Charity Law Association working group ([SOC0032](#)) and Age UK Enterprises Ltd ([SOC0006](#)), para 10

47. Unsurprisingly, Camelot ‘fundamentally’ opposed an increase in prize caps in society lotteries, reasoning that this would serve further to blur the distinction between the National Lottery and umbrella lotteries such as the Health Lottery.⁷⁵ The Government noted: “In practice, even the largest society lotteries rarely reach the maximum jackpot amount, while the National Lottery as a matter of course offers jackpots in the multiple millions.”⁷⁶ Camelot confirmed this: “In fact they [the largest lotteries] are currently only offering £100,000 prizes so they are nowhere near the £400,000 limit anyway.”⁷⁷

48. The Charities Trust recommended an alternative approach. While advocating a removal of the cap on ticket sales and prize limits, it was concerned that there should be a stronger link between lotteries and the good causes they represented. The Trust advocated a sliding scale of the percentage of tickets to go to good causes, for example:

- For annual ticket sales of up to £10m, a minimum of 20% to charitable causes
- For annual ticket sales of up to £30m, a minimum of 30% to charitable causes
- For annual ticket sales of up to £50m, a minimum of 40% to charitable causes
- For annual ticket sales over £50m, a minimum of 50% to charitable causes

The Trust suggested: “A sliding scale similar to the above would have the effect of capping prizes (so reducing the risk of making a society lottery appear more attractive than the National Lottery) and of capping profits to commercial organisers of lotteries.”⁷⁸

49. A sliding scale of the percentage of ticket prices to be donated to good causes has some attractions, but we believe that the example suggested by the Charities Trust is too restrictive. We consider that there should be more distinctions between society lotteries, lifting burdens on the smallest and increasing them as the lotteries grow in size.

50. We are sympathetic in principle to the idea that both ticket sale limits and prize limits should be reviewed, but we note the concern expressed by the NCVO and others that society lotteries should not become just another gambling product. We see clear dangers, not least in possibly tempting societies to take risks in advertising prize limits that they cannot afford and in losing contact with their real supporter base. As far as the National Lottery is concerned, though there is a theoretical risk—especially if caps were removed completely—it seems to us that in practice there is no immediate risk of a real rival coming up from the ranks of the society lotteries.

51. Umbrella lotteries, such as those run by the Health Lottery and PPL, are in law groups of individual society lotteries, marketed under a national brand. However, provided that none of the individual lotteries exceeds the current limits on proceeds and prizes, the total amount that the umbrella lottery is permitted to raise is the aggregate of the maximum amounts each of the constituent lotteries may raise: in other

⁷⁵ Camelot ([SOC0035](#)), paras 5.11–5.13 and Q 113

⁷⁶ DCMS Call for Evidence, December 2014, para 31

⁷⁷ Q 147

⁷⁸ Charities Trust ([SOC0027](#)), para 3

words, an umbrella lottery formed of ten large society lotteries would be permitted to raise ten times the maximum £10 million for a single lottery per year. We consider it wrong that the maximum limits on society lotteries should be bypassed in this way.

52. We therefore recommend an amendment to legislation to recognise a class of umbrella lotteries, with its own set of limits on individual draws, annual sales and prizes. A number of options are possible: setting overall limits on the amounts that may be raised or paid out in prizes, limiting the number of individual society lotteries that may join together under an umbrella lottery (and thus limiting the multiplier effect) or stipulating different ‘large society lottery’ limits on the constituent societies. We recommend that the Gambling Commission consult widely on such a change.

53. We note that there have been no increases since 2005 in the caps on sales and prizes for small lotteries. We received no evidence suggesting specific figures for these caps, and accordingly we consider that the Gambling Commission should review the caps on ticket sales (for both a single draw and for the annual aggregated draws) and on prizes for small lotteries, and should make specific recommendations.

54. As far as individual large lotteries are concerned, we note that some of the new limits suggested by the Lotteries Council represent a very rapid rise from the current level. We recommend that the Gambling Commission should consider whether the limits on ticket sales and prizes should be relaxed, bearing in mind that the regime for large lotteries was changed in 2008, more recently than that for small lotteries. We recommend that the Gambling Commission consult on the appropriate levels.

55. We also recommend that the limits on society lotteries be reviewed every three years, and that the Gambling Commission gather and publish information on the annual turnover, single draw size and maximum prize awarded by individual society lotteries to demonstrate the degree to which societies are finding the current limits restrictive.

Requirement for 20% of proceeds to be given to good causes

56. The Lotteries Council argued that the 20% rule created “considerable difficulties, especially for new lotteries, which need to invest heavily to build a player base and gain momentum.”⁷⁹ The Sterling Management Centre Ltd, an ELM, had found no evidence that this rule was a barrier,⁸⁰ but when the Cebr undertook a survey among Lotteries Council members as to what changes they thought would help them to grow their fundraising activities, it found strong support for the view that relaxing the minimum 20% contribution rule for new, smaller society lotteries would be likely to encourage more start-ups and growth in the sector. 41% of the society lotteries who took part in the survey—in particular, the small lotteries—wanted the relaxation of this rule as a top priority.⁸¹

57. Members of the Charity Law Association raised concerns about the ability of societies in practice to negotiate contracts with ELMs if they no longer had the protection of the

⁷⁹ Lotteries Council ([SOC0022](#)), para 4.3

⁸⁰ Sterling Management Centre Ltd ([SOC0021](#)), para 6.4

⁸¹ Cited in Lotteries Council ([SOC0022](#)), para 5.6

statutory minimum of contributions to the good cause. As legal advisers to societies in negotiations with ELMs, they had perceived:

Although in theory societies should have the capacity and confidence to negotiate a significantly more advantageous arrangement with ELMs than receiving the Statutory Minimum, in practice this does not always happen. ELMs often have the upper hand in negotiations and are able to drive down the proportion of lottery proceeds which go to the good causes so that it is at or close to the Statutory Minimum. The working party's concern is that if the Statutory Minimum is lowered then it could assist unscrupulous ELMs to push this lower, which in turn undermines the primary objective of a society lottery. On this basis, there is also a case to be made for *increasing* the Statutory Minimum from 20% to 25%.⁸²

58. Both the NCVO and the Charity Law Association working party were very concerned about the impact that a relaxation of the minimum contribution would have on the defining characteristic of society lotteries, that they were intended to raise funds for good causes. They feared that a diminution of this might not only change public perceptions of lotteries but also result in reputational damage to the good causes themselves. They therefore urged caution.⁸³

59. The Lotteries Council proposed an amendment to the present 20% minimum rule to allow newly created small society lotteries to spread the requirement for draws over an extended period (possibly up to three years), thereby removing barriers to entering and reducing the risks associated with setting-up and recruiting players.⁸⁴ They were supported in this call by the Institute of Fundraising, Camelot, the People's Health Trust, the Health Lottery, the National Trust, the Local Hospice Lottery Ltd and the Northumberland Wildlife Trust.⁸⁵ The Charity Law Association also supported an element of flexibility in this requirement for the first months or years of the operation of a society lottery, while acknowledging the practical problems that this could bring about:

if the return to good causes is an average over a specified time period then the society lottery must operate for the entire time period. A mechanism would be required to ensure that the return to good causes is not reduced because a society lottery does not run for the specified time period (for example, if the ELM ceases to exist during the time period); and

this approach may require statute to draw a distinction between ad hoc raffles and subscription lotteries with regular draws over an extended period

⁸² Charity Law Association working group ([SOC0032](#)); see also Q57 (Charity Law Association)

⁸³ See, for example, the National Council of Voluntary Organisations (NCVO) ([SOC0029](#)), paras 2 and 9–10 Also, the Charity Law Association working group ([SOC0032](#))

⁸⁴ Lotteries Council ([SOC0022](#)), para 8.1

⁸⁵ Cited by People's Health Trust ([SOC0008](#)), para 5.3 See also Qq 39 (Health Lottery) and 103 (Camelot); National Trust ([SOC0014](#)), para 4.3; Local Hospice Lottery Ltd ([SOC0011](#)), para 3.1; Northumberland Wildlife Trust ([SOC0026](#))

of time. The current statutory definition of a lottery, set out in section 14 of the Act, does not make this differentiation.⁸⁶

They suggested that one approach to the first problem would be to make it a condition that the holder of a society lottery licence should use their ‘best endeavours’ to raise as much money as possible for the good cause; it would then be for the Gambling Commission to decide, in the case of a short-lived lottery, whether this had been the case.⁸⁷

60. We understand that the requirement for at least 20% of the ticket receipts for each lottery to be given to the good cause from the offing may well deter societies from running lotteries, when many of the expenses (for organising the lottery and recruiting players) will also be incurred at the start. We therefore recommend the amendment of the present 20% minimum requirement to allow newly-created small society lotteries to spread it over an extended period, possibly three years.

61. We recommend that the Government draft an amendment to the Gambling Act 2005 to achieve this, taking into account the issues raised by the Charity Law Association about distinguishing between repeat and one-off lotteries, and the need to make provision for lotteries that do not survive for the full three years. We note the suggestion that this could be achieved by requiring lottery licence holders to use their ‘best endeavours’ to ensure a return of 20%, and by requiring the Gambling Commission to ensure that its licensing processes filter out any would-be ‘phoenix’ lotteries, being set up with the intention of folding within three years. We consider that the Government should look at these and other options.

62. The Alzheimer’s Society suggested a wider scope to the amendment, to average the 20% minimum contribution requirement across several draws. It wanted the 20% limit to apply to the year as a whole, rather than to each draw, to enable charities to develop their lottery programmes by carrying out smaller scale, test raffles.⁸⁸ Rachel Wellman, a member of the Charity Law Association, suggested an alternative approach: to enable societies to hold both a large and a small lottery licence simultaneously, so that they could carry out deliberately small-scale lotteries if they wished.⁸⁹ **Of these two options, we think the second appears more attractive; but we ask the Gambling Commission to consider the advantages and disadvantages of these suggestions, and any others in this area, and make recommendations to Government accordingly.**

63. Camelot suggested that the minimum contribution to good causes should be increased from the current rate of 20%, to align it more closely with the returns delivered by the National Lottery—in other words, 32% (the 20% minimum plus 12%, representing Lottery Duty but going instead to the good causes).⁹⁰ Donald Macrae, promoter of the Health Lottery, argued that if the limit were raised from 20% to 25%, then the 5% would probably come from the marketing budget, which might well lead to a reduction in sales. In his view,

⁸⁶ Charity Law Association working group ([SOC0032](#)) and Qq 62 and 85

⁸⁷ Q86

⁸⁸ Alzheimer’s Society ([SOC0028](#)), paras 2–3; see also Local Hospice Lottery Limited ([SOC0011](#)), para 3.12

⁸⁹ Rachel Wellman ([SOC0012](#)), para 8

⁹⁰ Qq 114–116

the key point was not the percentage of the ticket sales remitted to the good cause but the total amount. He compared the National Lottery to a hospice lottery—“28% of £6.7 million is a lot more valuable than 50% of £1 million”.⁹¹ The concept of raising the 20% limit was vehemently opposed by several of the beneficiaries of the Health Lottery, fearing it would lead to less money being available for good causes.⁹² The NCVO and others pointed out that, according to figures compiled by the Gambling Commission, society lotteries gave an average of 44.5% to good causes over the years 2009–13 anyway.⁹³ The NCVO intended that its lottery would return 40% to its members from the start.⁹⁴ Many—especially among the small and single cause lotteries—gave much more: the National Trust told us that over 80% of the ticket sales from its own lottery was ‘profit’ to be used for its charitable purpose, and the Essex and Herts Air Ambulance Trust returned on average 60% of the ticket sales to its good cause.⁹⁵

64. The Lotteries Council stated that information on the actual amount of money that would be donated to the designated good cause is “clearly available to customers and is included on promotional material, on the website and in welcome packs and is, of course, subject to the minimum 20% rule.”⁹⁶ However, the NCVO suggested that information on the breakdown of a society lottery’s ticket among prizes, expenses and good causes can be “difficult and in some cases impossible to find.” Noting that this could have negative consequences on how the public understood the role of charities and other organisations in running society lotteries, and could lead to unhelpful speculation on how much money went to good causes, the NCVO proposed that society lotteries should print the breakdown of lottery proceeds going towards prizes, expenses and good causes on their lottery tickets, as well as including this information within their written terms and conditions.⁹⁷ There was some divergence of opinion on such transparency in the absence of further information: while Stephen Ravenscroft of the Charity Law Association wondered whether publishing the fact that only 20% of the cost of the ticket went to a good cause would damage the reputation of the charity and fund-raising in general, Karl Wilding, Director of Public Policy for the NCVO, thought the greater danger came from public ignorance of this fact.⁹⁸

65. The NCVO also argued that the Gambling Commission should maintain up-to-date and publicly available data tables that showed the proportion of its sales each lottery gave to its good causes, prizes and expenses.⁹⁹

66. We agree that there is a public interest in transparency, and we therefore endorse the recommendation that information about the proportion of lottery receipts given to

⁹¹ Q 28

⁹² Adur Voluntary Action ([SOC0003](#)), paras 1-2; the Conservation Volunteers ([SOC0005](#)), Number 1 Hatfield Community Resource Centre ([SOC0033](#)), One Voice ([SOC0009](#)), paras 1 and 4; Scope ([SOC0013](#)), para 4.1; the Youth Skills Network ([SOC0010](#))

⁹³ ‘Industry statistics April 2009 – September 2013’, Gambling Commission (June 2014) cited in NCVO ([SOC0029](#)), para 4

⁹⁴ Q 59

⁹⁵ National Trust ([SOC0014](#)), para 2.3; Essex and Herts Air Ambulance Trust ([SOC0002](#))

⁹⁶ Lotteries Council ([SOC0022](#)), para 10.1.3

⁹⁷ NCVO ([SOC0029](#)), para 11

⁹⁸ Qq 57–61, 68–70

⁹⁹ Qq 56–57

the good causes, distributed in prizes and used for operational expenses should be clearly shown on each ticket. We also recommend that the Gambling Commission should maintain a database of this information for each lottery on its website, so that the public can make informed decisions about whether or not they should take part in a lottery.

67. However, transparency alone may not be enough. Instead, Camelot recommended the reintroduction of a cap on expenses, adding that expenses should be capped at 15% for large lotteries.¹⁰⁰ This was opposed by both the Health Lottery and the PPL, which argued that the Gambling Commission already had significant powers in limiting ‘expenses’ to what it considered reasonable, and lotteries needed to spend considerable sums on marketing and recruiting new players just to survive, let alone expand. Moreover, the umbrella lotteries emphasised that their model exploited the efficiencies of scale in operating expenses.¹⁰¹

68. The cap on expenses established by the Betting, Gaming and Lotteries Act 1963 was set at either the actual expenses incurred or 10% of the whole proceeds of the lottery, whichever was less.¹⁰² By 2005 this had risen to 35% of the lottery proceeds, but the Gambling Act 2005 removed this cap and instead put in place the provision that the minimum amount to be returned to good causes was 20%.¹⁰³

69. Many smaller lotteries return a greater percentage of their total lottery proceeds to their good cause than larger ones, but lotteries often grow through spending more on marketing in order to recruit more players. The Lotteries Council told us that, on average, its members donate 45% of their lottery ticket income to the good cause, spend 38% of it on expenses (including direct marketing and mail shots) and hand out 18% in prizes. It added that there were large variations in this, mostly reflecting for how long the society had been operating and whether it had recovered its start-up costs.¹⁰⁴

70. The Chief Executive of the Gambling Commission confirmed that it carefully reviewed the expenses claimed by ELMs, and that much of the ‘operational’ overhead was attributable to marketing and upfront IT costs. She added that this illustrated the question of whether it was efficient to allow a number of big lotteries to compete, as opposed to limiting the market to a monopoly provider.¹⁰⁵

71. We accept that lotteries have to invest in order to grow, and that the total money raised is important, but we remain of the view that, to be society lotteries, they must show a substantial return to their good cause. We have ruled out an increase in the minimum contribution to good causes rule, in the light of the need of newer and innovating lotteries for greater flexibility, but we do not consider it appropriate that large, well-established lotteries should provide only that minimum. We therefore

¹⁰⁰ Q 113

¹⁰¹ Q36 (PPL)

¹⁰² Part 3, Section 45 of the Betting, Gaming and Lotteries Act 1963, cited in Gambling Commission ([SOC0023](#)), para 31

¹⁰³ DCMS ([SOC0034](#)), para 7

¹⁰⁴ Lotteries Council ([SOC0022](#)), para 4.4

¹⁰⁵ Q 187

recommend a return to a cap, to apply only to the largest lotteries, for all operating costs other than prizes and money set aside for roll-overs. From the information provided by the Lotteries Council, we think the initial rate should be set at 35%. This rate also should be subject to regular, three-yearly reviews by the Government.

72. The Minister for Civil Society told us: “I am not in favour of society lotteries being commercial activities, so if they were to become commercial activities they should be taxed in the same way as the National Lottery”.¹⁰⁶

73. In the event that the Government decides not to re-introduce a cap on operating costs, we recommend that the largest lotteries be made subject to Lottery Duty on the same basis as the National Lottery, unless they are giving at least 32% of their proceeds to good causes.

Other measures

Regulations regarding set up

74. The NCVO argues that the process of setting up a society lottery is onerous, and that this disadvantages smaller organisations with fewer resources the most. It considers that simplifying this process would allow more organisations to start and maintain their own lotteries.¹⁰⁷ Other restrictions also appear too burdensome for the benefit gained: for example, the Local Hospice Lottery Limited noted that it was not permitted to sell tickets in a town centre unless the vendor was located in a booth—presumably to make it easier to distinguish between ‘legitimate’ lottery ticket sellers and fraudsters. It is not clear, however, how effective this may be.¹⁰⁸ Several witnesses, including Camelot, suggested that a common licence for both online and traditional society lotteries might be helpful.¹⁰⁹ **We recommend that the Gambling Commission look again at whether the administrative burdens of applying for a licence could be simplified any more for small, start-up lotteries, and at whether other regulations on lotteries are disproportionately burdensome for the benefit produced.**

Allowing the private sector to run lotteries on behalf of good causes

75. More radically, members of the Charity Law Association and the Charities Trust suggested that societies should be allowed to operate with a commercial partner without the commercial partner requiring an ELM licence, where the commercial business wished to donate goods or run a lottery on behalf of a charity, as part of its own programme of charitable giving or corporate social responsibility. This might be in the form of running a lottery among its staff for the benefit of a local charity. Another example would be a national supermarket company that donated some vouchers for its goods as prizes in a draw that could be entered by the customers who were willing to add a discretionary small sum onto their grocery bill. The bill would act as a lottery ticket, and the administration of

¹⁰⁶ Q 181

¹⁰⁷ NCVO ([SOC0029](#)), para 14

¹⁰⁸ Local Hospice Lottery ([SOC0011](#)), section 4.4

¹⁰⁹ Q 113 (Camelot)

the operation could be dealt with by the company at little or no cost to the charity. The Charity Law Association working group suggested: “With no ELM or licensing costs, the proportion of proceeds going to good causes is likely to be far above the minimum 20%.” However, it recognised that safeguards would be needed, in particular compliance with strict codes of conduct to ensure transparency and accountability.¹¹⁰

76. We recommend that the Government and Gambling Commission consider whether this proposal is feasible, given the potential major benefits to good causes. It may be the case that commercial entities would have to be licensed to run such lotteries, but it may be possible to establish a relatively light-touch regime for existing companies for which the running of a lottery is clearly part of their corporate social responsibility activities rather than a commercial opportunity.

77. A proposal allied to this was put forward by Rachel Wellman, a member of the Charity Law Association, in her personal written evidence to us.¹¹¹ She suggested that any society lottery should be able to raise money for another good cause: she cited a sports club that might wish to raise money for a health charity if one of its members was diagnosed with a disease or was injured. This would require an amendment to the Gambling Act 2005,¹¹² and she suggested that the amendment should require the licence holder to state which charity would receive the funds from a specific lottery. **We endorse this suggestion.**

The overlap between society lotteries and betting

78. The Government told us that one of the developments since it first announced that it would consult on regulations for society lotteries was the appearance of a series of new gambling products looking and feeling like lotteries, but with different characteristics and no obligation to return any money to the good causes.¹¹³ The Minister and Camelot explained to us that betting on the outcome of the National Lottery is illegal, but for many years in betting shops it has been possible to place bets on the outcome of international lotteries and lottery-style draws conducted specifically for the purposes of betting.¹¹⁴ Concerns about this have risen recently because this trade is now possible online, where the demarcation between lotteries and the sort of gambling undertaken in betting shops is blurred, and there is greater potential for confusing the consumer, especially where the products look similar (low stakes, frequency of play, large jackpots), and gaming or betting is offered under the same brand as lotteries. The Government is also worried that the confusion between lotteries and other forms of gambling online may attract young adults (aged 16 or 17) who are permitted to take part in lotteries but not gaming or betting.¹¹⁵

79. Camelot offered a number of examples of games, including ‘MyLotto24.co.uk’, run by Tipp24, which bets on the outcome of EuroMillions and German Lotto games with the chance of winning multi-million pound jackpots. Tipp24 also offers to bet on the outcome

¹¹⁰ Charity Law Association working group ([SOC0032](#)). See also Rachel Wellman ([SOC0012](#)), paras 2–7

¹¹¹ Rachel Wellman ([SOC0012](#)), para 9

¹¹² Schedule 11, Part 4, para 32

¹¹³ DCMS ([SOC0034](#)), para 14

¹¹⁴ See especially Camelot ([SOC0035](#)), paras 6.2–6.4

¹¹⁵ DCMS Call for evidence, December 2014, paras 54–57

of the German Lotto game on behalf of sports clubs, foundations and charities: this is known as Lotto Network and is marketed to consumers under titles such as Arsenal Lotto or Aston Villa Lotto, which, Camelot argued, makes it appear to be a lottery-type game with a large jackpot. Camelot noted that Lotto Network was promoted to clubs as “a forward-thinking alternative to the traditional lottery model”: in contrast to the latter’s ‘uncompetitive’ prizes and capped annual incomes, Lotto Network is said to offer “supercharged multi-million-pound jackpots”, no upfront fees or licences, and 26% of the revenue of the game. Other examples were the Jackpot Millions game (in which the Health Lottery was the marketing partner for Lotto Network), Cashcascade, Health Lottery Bet (a partnership between the Health Lottery and Coral to bet on the outcome of the Health Lottery, offering a jackpot of £1 million); and Health Jackpot (a bet on the outcome of the German Lotto game launched by the Health Lottery under a licence granted by the Alderney Gambling Control Commission).¹¹⁶

80. Camelot argued that all these developments reduced the ‘clear blue water’ between lotteries and other forms of gambling. In research conducted in relation to a EuroMillions betting product, only 14% of respondents understood that it was a betting product while 61% thought it was a way of participating in the EuroMillions Lottery.¹¹⁷ Camelot suggested three options for addressing this:

(i) Prohibition of betting on lotteries either in betting shops or online. The ‘loophole’ which allows operators to offer bets on the EuroMillions draw as promoted in another country should be closed; and the ban on betting on the National Lottery should be extended to all UK licensed lotteries.

(ii) Improved clarity of marketing. Camelot noted that the Health Lottery changed its betting product’s name to Health Lottery Bet shortly after its launch, and that High Street bookmakers have included the term ‘bet’ in the name of their products based on betting on the outcome of lotteries, for example Irish Lotto ‘Bet’. It considered this approach to be helpful in reducing customer confusion, and argued that all products offering bets on lotteries or lottery-style draws should be marketed only on the basis that they were bets (and as a minimum must clearly include the word ‘bet’ in their title, and preferably must not use ‘lotto’ or ‘lottery’ or similar wording at all).

(iii) Re-define all bets on lotteries as ‘pure’ lotteries. These fall within the definitions of both ‘betting’ and ‘lotteries’ for the purposes of the Gambling Act 2005, and the Secretary of State has the power¹¹⁸ to make regulations to specify that such transactions should be classed—and therefore must be regulated—as lotteries under the Act.

Camelot recommends that all betting transactions on lotteries or lottery-style draws should be classed as lotteries, and therefore the operators would have

¹¹⁶ Camelot ([SOC0035](#)), paras 6.5–6.11

¹¹⁷ Q 149

¹¹⁸ Under section 14(7) of the Act

to acquire a lottery licence and comply with all the restrictions applicable to lotteries.

81. Subsequently, Camelot also raised concerns about another betting industry product, a range of scratchcards launched by Coral, which made a donation of 20% of the card price to the charity Children with Cancer UK. The cards carried images of horseracing and card games. Camelot considered that these images, together with the donation to charity, further blurred the line between betting and lotteries.¹¹⁹

82. MyLotto24 responded to the case made by Camelot by emphasising the extent to which it worked with the Gambling Commission to ensure that its products were marketed distinctly as bets and not lotteries.¹²⁰ It also argued that there was no evidence that it ‘poached’ from the National Lottery: when the latter’s tickets doubled in price, there had been no significant change in the number of people betting on MyLotto24 products.¹²¹

83. We asked the Gambling Commission about these products and the difficulty of preserving the distinction between betting and lotteries. The Chief Executive told us that both the Government and the Gambling Commission were already reviewing advertising to ensure that customers understood whether they were betting or buying a lottery ticket, and the current call for evidence on the general regulatory requirements would, she believed, help to identify how to keep the distinctions between the National Lottery, society lotteries and betting products. She considered that the Commission itself had wide enough powers at present to make sure that licensing conditions upheld its three core principles of protection. However, she conceded that there were difficult issues to address, such as that raised by the ability to bet on EuroMillions draws outside the UK, where any changes might have significant consequences, so it was better to proceed with caution.¹²²

84. Like Camelot and the Gambling Commission, we are concerned that the evolution of online gambling is removing the distinction between society lotteries and betting. We recommend that the Gambling Commission advise the Government on all three measures recommended by Camelot, to determine which would be most effective in reducing consumer confusion.

85. We think that the value of society lotteries to the charitable and voluntary sector means that the changes to the regime we have recommended are important. We see no reason why the Gambling Commission and the DCMS should not press ahead to be ready with proposed changes for the new Government soon after the general election, given the lack of party political divisions in this area.

¹¹⁹ Camelot ([SOC0039](#))

¹²⁰ MyLotto24 ([SOC0038](#)), paras 1.5, 2.2 and 3.3

¹²¹ MyLotto24 ([SOC0038](#)), para1.3

¹²² Qq 183–184 and 190–191

Conclusions and recommendations

1. In our approach to the suggestions of various changes to the regulatory regime for society lotteries, we have been guided by the principle that the purpose of society lotteries is to raise money for good causes. Unlike other gambling products, they are therefore exempt from gambling and lottery taxes; and the regime governing them should be light-touch and encourage the maximum return for good causes. At the same time, the regime should be carefully adjusted to avoid any perception that charities may be being used mainly as devices to further commercial interests. (Paragraph 34)
2. We have also been guided by the clear intention of Parliament in 1993—which we do not perceive to have altered—that there should be one National Lottery. We do not consider that there is any indication that the Lottery is being significantly affected by any of the society lotteries currently operating, but we accept that the potential for a competitor remains, especially if an External Lottery Manager, in addition to receiving the reasonable expenses permitted by the Gambling Commission, can also profit from promoting its lottery. (Paragraph 35)
3. A sliding scale of the percentage of ticket prices to be donated to good causes has some attractions. We consider that there should be more distinctions between society lotteries, lifting burdens on the smallest and increasing them as the lotteries grow in size. (Paragraph 49)
4. We are sympathetic in principle to the idea that both ticket sale limits and prize limits should be reviewed, but we note the concern expressed by the NCVO and others that society lotteries should not become just another gambling product. We see clear dangers, not least in possibly tempting societies to take risks in advertising prize limits that they cannot afford and in losing contact with their real supporter base. As far as the National Lottery is concerned, though there is a theoretical risk—especially if caps were removed completely—it seems to us that in practice there is no immediate risk of a real rival coming up from the ranks of the society lotteries. (Paragraph 50)
5. Umbrella lotteries, such as those run by the Health Lottery and PPL, are in law groups of individual society lotteries, marketed under a national brand. However, provided that none of the individual lotteries exceeds the current limits on proceeds and prizes, the total amount that the umbrella lottery is permitted to raise is the aggregate of the maximum amounts each of the constituent lotteries may raise: in other words, an umbrella lottery formed of ten large society lotteries would be permitted to raise ten times the maximum £10 million for a single lottery per year. We consider it wrong that the maximum limits on society lotteries should be bypassed in this way. (Paragraph 51)
6. We therefore recommend an amendment to legislation to recognise a class of umbrella lotteries, with its own set of limits on individual draws, annual sales and prizes. A number of options are possible: setting overall limits on the amounts that may be raised or paid out in prizes, limiting the number of individual society

lotteries that may join together under an umbrella lottery (and thus limiting the multiplier effect) or stipulating different 'large society lottery' limits on the constituent societies. We recommend that the Gambling Commission consult widely on such a change. (Paragraph 52)

7. We note that there have been no increases since 2005 in the caps on sales and prizes for small lotteries. We received no evidence suggesting specific figures for these caps, and accordingly we consider that the Gambling Commission should review the caps on ticket sales (for both a single draw and for the annual aggregated draws) and on prizes for small lotteries, and should make specific recommendations. (Paragraph 53)
8. As far as individual large lotteries are concerned, we note that some of the new limits suggested by the Lotteries Council represent a very rapid rise from the current level. We recommend that the Gambling Commission should consider whether the limits on ticket sales and prizes should be relaxed, bearing in mind that the regime for large lotteries was changed in 2008, more recently than that for small lotteries. We recommend that the Gambling Commission consult on the appropriate levels. (Paragraph 54)
9. We also recommend that the limits on society lotteries be reviewed every three years, and that the Gambling Commission gather and publish information on the annual turnover, single draw size and maximum prize awarded by individual society lotteries to demonstrate the degree to which societies are finding the current limits restrictive. (Paragraph 55)
10. We understand that the requirement for at least 20% of the ticket receipts for each lottery to be given to the good cause from the offering may well deter societies from running lotteries, when many of the expenses (for organising the lottery and recruiting players) will also be incurred at the start. We therefore recommend the amendment of the present 20% minimum requirement to allow newly-created small society lotteries to spread it over an extended period, possibly three years. (Paragraph 60)
11. We recommend that the Government draft an amendment to the Gambling Act 2005 to achieve this, taking into account the issues raised by the Charity Law Association about distinguishing between repeat and one-off lotteries, and the need to make provision for lotteries that do not survive for the full three years. We note the suggestion that this could be achieved by requiring lottery licence holders to use their 'best endeavours' to ensure a return of 20%, and by requiring the Gambling Commission to ensure that its licensing processes filter out any would-be 'phoenix' lotteries, being set up with the intention of folding within three years. We consider that the Government should look at these and other options. (Paragraph 61)
12. We were given two options for enabling other lotteries to benefit from some flexibility in developing new products. We ask the Gambling Commission to consider the advantages and disadvantages of these suggestions, and any others in this area, and make recommendations to Government accordingly. (Paragraph 62)

13. There is a public interest in transparency, and we therefore endorse the recommendation that information about the proportion of lottery receipts given to the good causes, distributed in prizes and used for operational expenses should be clearly shown on each ticket. We also recommend that the Gambling Commission should maintain a database of this information for each lottery on its website, so that the public can make informed decisions about whether or not they should take part in a lottery. (Paragraph 66)
14. We accept that lotteries have to invest in order to grow, and that the total money raised is important, but we remain of the view that, to be society lotteries, they must show a substantial return to their good cause. We have ruled out an increase in the minimum contribution to good causes rule, in the light of the need of newer and innovating lotteries for greater flexibility, but we do not consider it appropriate that large, well-established lotteries should provide only that minimum. We therefore recommend a return to a cap, to apply only to the largest lotteries, for all operating costs other than prizes and money set aside for roll-overs. From the information provided by the Lotteries Council, we think the initial rate should be set at 35%. This rate also should be subject to regular, three-yearly reviews by the Government. (Paragraph 71)
15. In the event that the Government decides not to re-introduce a cap on operating costs, we recommend that the largest lotteries be made subject to Lottery Duty on the same basis as the National Lottery, unless they are giving at least 32% of their proceeds to good causes. (Paragraph 73)
16. We recommend that the Gambling Commission look again at whether the administrative burdens of applying for a licence could be simplified any more for small, start-up lotteries, and at whether other regulations on lotteries are disproportionately burdensome for the benefit produced. (Paragraph 74)
17. We recommend that the Government and Gambling Commission consider whether it would be feasible to allow the private sector to run lotteries on behalf of good causes, given the potential major benefits to good causes. It may be the case that commercial entities would have to be licensed to run such lotteries, but it may be possible to establish a relatively light-touch regime for existing companies for which the running of a lottery is clearly part of their corporate social responsibility activities rather than a commercial opportunity. (Paragraph 76)
18. We endorse the suggestion that any society licenced to run a lottery should be enabled to run a lottery on behalf of another good cause, as long as the customers were clearly informed of the ultimate beneficiary. (Paragraph 77)
19. Like Camelot and the Gambling Commission, we are concerned that the evolution of online gambling is removing the distinction between society lotteries and betting. We recommend that the Gambling Commission advise the Government on all three measures recommended by Camelot, to determine which would be most effective in reducing consumer confusion. (Paragraph 84)

20. We think that the value of society lotteries to the charitable and voluntary sector means that the changes to the regime we have recommended are important. We see no reason why the Gambling Commission and the DCMS should not press ahead to be ready with proposed changes for the new Government soon after the general election, given the lack of party political divisions in this area. (Paragraph 85)

Formal Minutes

Tuesday 17 March 2015

Members present:

Mr John Whittingdale, in the Chair

Mr Ben Bradshaw
Angie Bray
Conor Burns
Tracey Crouch
Philip Davies

Paul Farrelly
Steve Rotheram
Jim Sheridan
Mr Gerry Sutcliffe

Draft Report (*Society Lotteries*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 85 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee's inquiry page at www.parliament.uk/cmscom.

Tuesday 18 November 2014

Question number

Jo Bucci, Managing Director, People's Postcode Lottery, **Grant Baskerville**, Head of Public Affairs, People's Postcode Lottery, **Donald Macrae**, Promoter, The Health Lottery, and **Professor Jennie Popay**, Chair of the People's Health Trust

[Q1-51](#)

Karl Wilding, Director of Public Policy, National Council for Voluntary Organisations, **Stephen Ravenscroft**, **Benjamin James**, and **Sophie Pughe**, Members of the Charity Law Association

[Q52-87](#)

Tuesday 16 December 2014

Andy Duncan, Chief Executive Officer, Camelot, **Daniel Dyball**, Head of Policy and Regulatory Affairs, Camelot, and **Dawn Austwick**, Chief Executive, Big Lottery Fund, and **Carole Souter**, Chief Executive, Heritage Lottery Fund, representing the Lottery Distributor Forum

[Q88-150](#)

Mrs Helen Grant MP, Parliamentary Under-Secretary of State for Sport and Tourism, Department for Culture, Media and Sport, **Mr Rob Wilson MP**, Minister for Civil Society, Cabinet Office, and **Jenny Williams**, Chief Executive, Gambling Commission

[Q151-201](#)

Published written evidence

The following written evidence was received and can be viewed on the Committee's inquiry web page at www.parliament.uk/cmscom. INQ numbers are generated by the evidence processing system and so may not be complete.

- 1 Adur Voluntary Action ([SOC0003](#))
- 2 Age UK Enterprises Limited ([SOC0006](#))
- 3 Alzheimer's Society ([SOC0028](#))
- 4 Association Of Charity Lotteries In The European Union ([SOC0018](#))
- 5 Camelot UK Lotteries Ltd ([SOC0035](#)) Appendix 1: ([SOC0036](#)) Appendix 2: ([SOC0037](#)) ([SOC0039](#))
- 6 Charities Trust ([SOC0027](#))
- 7 Charity Law Association ([SOC0032](#))
- 8 Department for Culture, Media and Sport ([SOC0034](#))
- 9 Essex and Herts Air Ambulance Trust ([SOC0002](#))
- 10 Gambling Commission ([SOC0023](#))
- 11 Health Lottery Society Lotteries ([SOC0020](#))
- 12 Local Hospice Lottery ([SOC0011](#))
- 13 Missing People, WWF-UK, Ellen MacArthur Cancer Trust, Scottish Wildlife Trust and DePaul UK ([SOC0024](#))
- 14 Mylotto24 Limited ([SOC0038](#))
- 15 National Council of Voluntary Organisations (NCVO) ([SOC0029](#))
- 16 National Lottery Forum ([SOC0030](#))
- 17 National Trust ([SOC0014](#))
- 18 Northumberland Wildlife Trust Ltd ([SOC0026](#))
- 19 Number 1 Hatfield Community Resource Centre ([SOC0033](#))
- 20 Office of the Scottish Charity Regulator ([SOC0004](#))
- 21 One Voice ([SOC0009](#))
- 22 People's Health Trust ([SOC0008](#))
- 23 People's Postcode Lottery ([SOC0007](#))
- 24 Rachel Wellman ([SOC0012](#))
- 25 Royal Voluntary Service ([SOC0015](#))
- 26 Scope ([SOC0013](#))
- 27 Sterling Management Centre Ltd ([SOC0021](#))
- 28 Sustrans ([SOC0001](#))
- 29 The Conservation Volunteers ([SOC0005](#))
- 30 The Lotteries Council ([SOC0022](#))
- 31 The Wildlife Trusts ([SOC0025](#))
- 32 Yorkshire Wildlife Trust ([SOC0016](#))
- 33 Youth Skills Network ([SOC0010](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at www.parliament.uk/cmscom.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2012-2013

First Report	The Gambling Act 2005: A bet worth taking?	HC 421
Second Report	Racism in football	HC 89
Third Report	Library Closures	HC 587
Fourth Report	Football Governance Follow-Up	HC 509
Fifth Report	Scrutiny of the Draft Public Bodies (Merger of the Gambling Commission and the National Lottery Commission) Order 2013	HC 1104
Sixth Report	Pre-legislative scrutiny of the draft Gambling (Licensing and Advertising) Bill	HC 905

Session 2013-2014

First Special Report	Football Governance Follow-Up: Government Response to the Committee's Fourth Report of Session 2012-13	HC 156
First Report	Scrutiny of the draft Public Bodies (Abolition of the Registrar of Public Lending Right) Order 2013	HC 506
Second Report	Scrutiny of the draft Public Bodies (Merger of the Gambling Commission and National Lottery Commission) Order 2013	HC 256
Second Special Report	Scrutiny of the draft Public Bodies (Merger of the Gambling Commission and National Lottery Commission) Order 2013: Government Response to the Committee's Second Report of Session 2013-14	HC 646
Third Report	Supporting the creative economy	HC 674
Fourth Report	Nuisance Calls	HC 636
Third Special Report	Supporting the Creative Economy: Government Response to the Committee's Third Report of Session 2013-14	HC 945
Fifth Report	Pre-appointment hearing with the Government's preferred candidate for the Chairman of Ofcom	HC 933
Sixth Report	Online safety	HC 729
Fourth Special Report	Nuisance calls: Government Response to the Committee's Fourth Report of Session 2013-14	HC 1211

Session 2014-2015

First Special Report	Online safety: Responses to the Committee's Sixth Report of Session 2013-14	HC 517
First Report	Women and Sport	HC 513

Second Report	Pre-appointment hearing for the Government's preferred candidate for Chair of the BBC Trust	HC 637
Second Special Report	Women and Sport: Government Response to the Committee's First Report of Session 2014-15	HC 740
Third Report	Work of Arts Council England	HC 279
Fourth Report	Future of the BBC	HC 315