

NCVO submission to the Department for Culture, Media and Sport

Call for evidence

Executive summary

- Society lotteries are an increasingly important income stream for charities. We support our members' call to enable their continued growth.
- The dramatically changing lottery landscape has blurred the lines between charity society lottery and commercial gambling products. We would like to see increased transparency and a clearer distinction between the different products available, so players are clear about how much money is going to good causes and are able to make an informed decision.
- It should be easier to set up a society lottery. A simplification of the process of setting up a society lottery could enable more organisations and smaller organisations to set up their own lotteries. Currently many feel the need to recruit an ELM, who by retaining some of the proceeds decreases the amount going to the good cause.
- The 20% statutory contribution to good causes can be difficult for some lotteries to meet when starting up. Allowing society lotteries to meet the 20% minimum contribution to good causes over the course of their first year, rather than for every draw, would make it easier for organisations to start their own lotteries.
- NCVO acknowledge that the annual proceeds cap has not been revisited since the Gambling Act 2005. We therefore consider it appropriate to increase the cap in line with inflation, from £10m per calendar year, to £15m.
- However, we do not believe there is sufficient evidence to substantially increase the size of the annual proceeds, individual draw and prize caps, as called for by some other bodies. We are concerned that such considerable changes could have an impact on the way the public views society lotteries, and in turn the charities associated with them.
- We think the public should be empowered to decide which charity lotteries best deliver the charitable outcomes they are seeking by playing. Charities and other bodies running society lotteries should clearly communicate information such as the breakdown of proceeds going to good causes, prizes and expenses. The Gambling Commission should also make more information available, by publicly releasing data on the ticket breakdowns of each society lottery. We believe this will help ensure that the public makes more informed decisions.
- The concept of multiple society lotteries being operated under a single brand does not appear to be envisaged by Parliament when the Gambling Act 2005 became law. The question of

whether such arrangements are within the spirit of the law is a political one and as such we would urge the Government and Parliament to determine the answer.

- NCVO's priority is to ensure the maximum amount of money is returned to good causes. There is conflicting evidence about the impact society lotteries and umbrella lottery schemes have on the National Lottery. We therefore do not believe there is sufficient argument to suggest a rebalance of the market would offer higher returns to good causes.

We believe that transparency will bring trust. Part of the charity sector and a proportion of the public aren't comfortable with any form of gambling and there is a concern that by being associated with gambling, the public's trust in charities might be damaged. Further transparency and clearer information about betting, gaming and lottery products would ensure charities aren't unwillingly associated with gambling products.

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Introduction

Established in 1919, the National Council for Voluntary Organisations (NCVO) represents over 11,000 organisations, from large 'household name' charities to small voluntary and community groups involved at the local level. NCVO's strategic aims are to champion and strengthen civil society and volunteering, and to strengthen voluntary organisations.

It is important to disclose that NCVO holds its own lottery licence and began operation of a lottery in February.¹ Further, we estimate that within our membership around one hundred organisations hold a society lottery licence themselves. The following submission for the Department for Culture, Media and Sport Call for Evidence has been informed by conversations we have had with key informants, NCVO's members, and charities that run and receive money from society lotteries.

From talking with our members and the rest of the sector, it is clear that the money voluntary organisations receive from lotteries is incredibly valuable to them. This is true for those that host their own raffles and lotteries, as well as those that receive funding from larger umbrella schemes and the National Lottery. This funding goes towards innovative and grassroots projects that have a huge impact on the communities involved, and which might not have otherwise found funding.

In addition, the nature of society lottery funding is mainly unrestricted, meaning that it can be used in any way that helps achieve the organisation's charitable purposes. For these reasons, NCVO supports the aim of ensuring that lotteries are able to thrive and deliver the maximum benefit to good causes.

¹ See appendix

Section 1: The lottery landscape

Q1. Are the relative market shares of the National Lottery, society lotteries and commercial gambling markets appropriate? Does any action need to be taken to change the current balance or retain equilibrium?

In recent years, the lottery landscape has changed dramatically. With the emergence of umbrella schemes and general growth of society lotteries, as well as the rise of gambling products alongside society lotteries, there is a much wider range of products available on the market. The number and diversity of products has sometimes blurred the lines between what is a charity society lottery and a commercial gambling product.

NCVO believes increased transparency is needed. In particular, there should be a clear distinction between National Lottery, society lottery and commercial gambling products and better information about how much money is going to the good causes. We believe that this would not only enable a better understanding of the current lottery landscape, but also ensure that players can make an informed decision when buying a product.

Section 2: Society lotteries

2. Are the current regulations governing society lotteries returns to good causes appropriate?

NCVO's main objective is to ensure that the resources that go to good causes are maximised. There are a number of measures that NCVO believes could further maximise the amount going to good causes and allow society lotteries to flourish. These measures are mainly targeted at small society lotteries, and their purpose would be to enable smaller organisations to set up society lotteries.

Setting up a lottery

We believe that more money for good causes could be achieved by reducing the resources needed to run lotteries and the regulatory burdens involved in starting society lotteries. The process of setting up a society lottery is onerous and smaller organisations with fewer resources often struggle the most. NCVO members have reported that they don't have the knowledge or expertise to set up a lottery without the aid of an External Lottery Manager. The costs of recruiting an ELM are deducted from the overall proceeds of a lottery, which could have otherwise been returned to the good cause.

Simplifying the start-up process, so that organisations do not have to resort to an ELM, would allow more charities to enter the market and maintain their own lotteries.

Statutory contribution to good causes

We recognise that starting a society lottery is expensive and it may not be possible to immediately meet the 20% statutory contribution for every single draw. The Gambling Commission should consider

allowing organisations starting up society lotteries to spread the 20% statutory contribution to good causes over a year.² This would make it easier for charities, especially smaller ones, to enter the market.

However, we recommend that this should only be an option for new society lotteries starting out, and would expect that within the second year of operation lotteries are able to meet the 20% minimum contribution at every draw. If the public perceive society lotteries to be a fundraising exercise we are of the view that there should be a de minimis level to protect public trust and confidence in society lotteries. We would not support any reduction of the statutory contribution to good causes going below 20%.

Annual proceeds cap

As well as deregulation for smaller organisations, we have examined the arguments for deregulation for larger society lotteries. We are aware that some of the larger charities running their society lottery are coming close to the £10m cap on annual proceeds in a calendar year. Some organisations are therefore calling for the £10m annual proceeds cap, as well the individual draw and prizes cap, to be substantially increased.

NCVO is concerned that legislation that substantially changes the way society lotteries operate could also change the way the public view the lotteries and good causes associated with them. Society lotteries are inherently linked to the good causes they were set up for, and therefore when considering substantial changes to the legislation on society lotteries, Government must be mindful of the possible impact on public trust and confidence in charities.

We believe the caps should be increased. The £10m cap currently in place has not been revisited since the Gambling Act 2005 came into effect and NCVO believes there is scope for a modest increase in line with inflation.

By taking the increase of inflation into account since 2005, £10m would now be worth £13.3m³. On the understanding that society lottery regulation is an issue that so far has not been regularly monitored and subjected to reviews, we would also recommend increasing the annual lottery proceeds cap by a projection of inflation over the next five years. By taking into account the average inflation of the last five years, and projecting this into the future⁴, NCVO would view it as appropriate to increase the annual proceeds cap to £15.2m per calendar year.

² In its guidance, the Gambling Commission already allows for the start-up costs of a lottery to be spread out over a number of draws, recognising that these can be expensive. This sort of guidance is helpful to smaller organisations setting up lotteries, and a similar concession could be made with regards to the 20% requirement.

³ Bank of England Inflation Calculator.

⁴ With historical annual rate of inflation projections (2011 – 2014) added for the next five years to £13,336,855:

- plus five years minimum annual inflation (1.5% pa): £14,337,119;
- plus five years average annual inflation (2.92% pa): £15,284,035;
- plus five years maximum annual inflation (4.5 % pa): £16,337,647.

However, NCVO believes that there is insufficient information available to reach any conclusion on whether to dramatically increase (ie tenfold, as suggested by some) the sizes of prizes or the individual draw and annual proceeds caps. We recognise some of the largest charities might be close to the caps but we cannot determine how many are close or how close they are coming. Without clear evidence of how many lotteries are hitting the prize limits or the individual draw and annual caps, or evidence of the impact this would have on public trust and confidence, we cannot recommend a substantial change in policy.

Transparency

NCVO is committed to increased transparency and believes that charities and other civil society organisations should communicate clearly with the public about their activities. Fundraising and other income generating methods are of particular public interest, with the public wanting more information about how much money goes towards charitable activities and how much goes towards administration costs.

We think the public should be empowered to decide which charity lotteries best deliver the charitable outcomes they are seeking by playing. Information on the breakdown of a society lottery's ticket towards prizes, expenses and good causes can be difficult and in some cases impossible to find. NCVO recommends that society lotteries should communicate more clearly the breakdown of lottery proceeds going towards prizes, expenses and good causes, for example by printing this information on their lottery tickets, or including it within their written terms and conditions.

Making this information clear on an individual lottery basis will increase transparency overall and enable the public to make informed decisions about where their money was going. With regards to society lotteries, we would like to see the proportion going to charity being the defining characteristic that attracts the public to play. This would not only allow public to make an informed decision on which lottery to support, but also naturally encourage lotteries to maximise the amount going to good causes.

The Gambling Commission, as the responsible regulatory body, has a duty to ensure that the market operates efficiently and effectively. We would like to see the Commission maintain up to date and publicly available data tables that show the proportions each lottery divides between good causes, prizes and expenses.

We would also recommend that the Gambling Commission start collecting intelligence on how the market is currently operating, including on whether society lotteries are struggling to stay within the annual proceeds cap. This would provide a better evidence base to assess whether changes to the current framework are required.

3. Are the regulations from the 2005 Gambling Act still fit for purpose in dealing with umbrella society schemes?

The High Court decision on the Health Lottery has stated that umbrella society lottery schemes are within the letter of the law⁵.

However, the concept of multiple society lotteries being operated under a single brand does not appear to have been envisaged by Parliament when the Gambling Act 2005 became law. Many therefore view this as a loophole, meaning that legislation does not mirror the intention and will of Parliament.

In our view, the question of whether multiple society lotteries should be permitted is a political one, which we would urge the Government or Parliament to determine.

4. Is there a risk that Society Lotteries and Umbrella Societies schemes adversely impact on the National Lottery? If so, how should this be countered?

NCVO's priority is to ensure the maximum amount of money goes to good causes. Our membership have told us that the money they receive from National Lottery grants, as well as those from umbrella lottery schemes and their own society lotteries is of incredible value. In 2013/14 the National Lottery raised £1.57bn for good causes⁶, with large society lotteries generating £175m over the same period⁷.

At the moment there is conflicting evidence on the impact society lotteries and umbrella schemes have on the National Lottery, and how to ensure the maximum returns to good causes. Therefore, NCVO does not believe there are sufficient arguments to suggest an alternative system or rebalancing the market would offer higher returns to good causes.

Section 4: Betting and gaming products

7. Does the emergence of lottery-like betting products and betting on lotteries (in permitted circumstances) create risks or opportunities that need to be addressed?

A number of NCVO members have expressed concerns regarding the increase and availability of gambling products associated with charities, be that society lotteries, betting on lotteries or instant wins and bingo products. A proportion of the public and part of the charity sector aren't comfortable with any form of gambling and as such there is a worry that by being associated with gambling, the public's trust in charities might be damaged.

⁵ <http://www.judiciary.gov.uk/wp-content/uploads/JCO/Documents/Judgments/camelot-gambling-commission-judgment-22082012.pdf>.

⁶ Gambling Commission Industry Statistics April 2009 to March 2014, The National Lottery.

⁷ Gambling Commission Industry Statistics April 2009 to March 2014, Large Society Lotteries.

In our view some of these concerns can be addressed with better transparency, following our recommendations on providing more information about the amount going to good causes and more clarity on the type of product. This would have the benefit of allowing consumers to make an informed choice and ensure charities aren't unwillingly associated with gambling products.

Appendix

NCVO's lottery – Give and Win

NCVO launched a new online lottery, Give and Win, in February 2015, with the help of Capen, an external lottery manager. Any of NCVO's members can sign up for free to join the lottery with 50% of the proceeds going back to the charities. Tickets cost £2 and players can choose which participating charity their good cause contribution will go to; with charities that are part of the lottery invited to promote the lottery to their own supporters.

It is expected that NCVO's lottery will benefit mainly smaller organisations who would struggle to set up their own society lotteries, 35 have already signed up to participate. Whilst the expected returns will initially be relatively small the hope is eventually that we can enable some organisations to embark on new projects that they wouldn't otherwise have been able to afford.