Questions 1-87

Witnesses: 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, gave evidence.

Q1 Chair: Good morning. I welcome you to the first session of the Committee’s new inquiry into society lotteries. I would like to welcome Jo Bucci, the Managing Director, and Grant Baskerville, the Head of Public Affairs of the People’s Postcode Lottery; Donald Macrae, the promoter of the Health Lottery; and Professor Jennie Popay of the People’s Health Trust. John Leech is going to start.

Mr Leech: First of all, to the People’s Postcode Lottery, yours is a postcode-based subscription lottery. For those people who do not play the Postcode Lottery, can you explain how it operates and how it is different from the Health Lottery?

Jo Bucci: Yes. People play with their postcode and pay £10 a month to enter five draws a month. We are 100% subscription, so I would think that the
critical difference is that we are a subscription-based lottery rather than retail-based.

**Grant Baskerville:** Just to add, players generally sign up online or over the telephone.

**Q2 Mr Leech:** In 2013 you raised £10.2 million for good causes. What were the total proceeds made in ticket sales?

**Jo Bucci:** £46 million.

**Q3 Mr Leech:** What percentage is paid out in prizes?

**Jo Bucci:** In prizes, 40%.

**Q4 Mr Leech:** What proportion goes on administration?

**Jo Bucci:** 35%.

**Q5 Mr Leech:** As far as the Health Lottery is concerned, what were your proceeds from sales last year?

**Donald Macrae:** Last year the overall proceeds were £82 million.

**Mr Leech:** In sales?

**Donald Macrae:** Sales, yes. The operating costs came to 41.4%. The donation to good causes was 20.34%, but we also paid VAT of 6.7%. In terms of the breakdown that Camelot was suggesting about returns to society, perhaps that could be added into the donations. We also had commission of 4.2%. The operating costs were 41.4%, but we have very large operating costs because of our model.

**Q6 Mr Leech:** Can you explain why your model makes the operating costs so high?

**Donald Macrae:** It is because our model is a very simple one of selling directly to the public, and that means it is retailer-based. It means that we need to have a lot of advertising. It means that we need to have a very large retail network. In terms of the scale of operation at the retailer level, we are comparable with the National Lottery in terms of the number of outlets that we have. Just to illustrate that, within the last few weeks we revoked 10,000 retail outlets in order to make the network more efficient, and we still have 32,686 outlets. It is a very large operation because it is trying to sell directly to the general public.

As I said in the submission, we are very visible and, therefore, people can have a lot of misconceptions of what the Health Lottery is about because they see, we hope, all our advertising and they buy the tickets directly. That is not a common model in the society lottery sector. Very often it is subscription.
**Q1** Mr Leech: How much do you both spend on advertising each year?

*Jo Bucci:* It varies. From our perspective, 76% of our costs is in marketing. In that particular year, to be accurate—I would have to do the sum—

*Grant Baskerville:* It is 76% of the £16.2 million.

**Mr Leech:** 76% of—

*Jo Bucci:* £16 million.

**Mr Leech:** So about £12 million?

*Jo Bucci:* Yes, and the balance being back-office, IT support and customer care.

**Q2** Mr Leech: What about the Health Lottery?

*Donald Macrae:* We spend around £30 million, but I should also point out that the Health Lottery operates at a loss. It operates at a very significant loss. It has not proved to be a particularly attractive commercial model at all. Because of the scale of the operation, because of the retailer network, we do have enormous costs, and for the last three years we have been running, each year the ELM, the external lottery manager, has made a very significant loss. I can run through the figures if you would find that helpful.

**Q3** Mr Leech: I would be interested to know what proportion of the advertising is spent in newspapers or publications owned by Mr Desmond, who obviously owns the Health Lottery as well.

*Donald Macrae:* I do not know exactly what proportion is spent on these titles. The advertising is spread across a very wide range. There is obviously advertising within the Northern and Shell Group, as you would expect.

**Q4** Mr Leech: Would you be able to provide that information to the Committee? I have personally requested this information before, and I was told that the Health Lottery would not provide that information.

*Donald Macrae:* The Health Lottery does see it as commercially sensitive, and we would argue that the important thing is to look at what the total spend is and particularly look at the proportion that is a loss. Out of the overall costs, the 41.4% that I mentioned, it is roughly about £30 million, but the operating loss was also about £30 million.

**Q5** Mr Leech: Would you not accept, though, that when the Health Lottery continually states that it runs at a loss yet will not say how much of its advertising revenue is spent on publications that are owned by the owner of the Health Lottery, it is not very transparent?

*Donald Macrae:* I take your point about transparency, and I will see what can be done about providing further figures.
Q12 Chair: You told us the number of outlets you have, which was?
Donald Macrae: 32,000.

Q13 Chair: You told us about the total revenue and the proportion of that that is operating costs. What you describe is a national lottery, is it not?
Donald Macrae: There are similarities in terms of the model of selling tickets directly to the public. There are similarities in terms of the size of the retailer network. Where the similarities end are in the comparative advantages of the two organisations. The National Lottery has very significant advantages in terms of the assistance with the original start-up costs and obviously the place in the market that it has built, quite rightly, over the years. The most graphic illustration is when you look at the size of the sales. We average about 1.5 million sales a week. The National Lottery averages 130 million. So at 1.5 million against 130 million, we are not a national lottery.

Q14 Chair: Let us take a different sector. The Sun sells several million copies. The Daily Express, which may be known to your proprietor, sells far fewer but they are both national newspapers. The fact that the National Lottery sells more tickets than you does not mean that you are not a national lottery.
Donald Macrae: I take your point, and I missed it in the previous answer. It is a national brand. The Health Lottery is a brand, and it is a brand that covers 51 society lotteries. Now these 51 society lotteries are what I represent, and I am the promoter of each of these 51 society lotteries, so it is my name on every ticket that is under the Health Lottery brand. The society lotteries own the Health Lottery.

You mentioned the proprietor. He is a proprietor of our external lottery manager, but we have a structure of the 51 society lotteries who are the licence holders and who are the promoters. We have the People’s Health Trust, who we work closely with to pursue our strategy of tackling health inequalities across the UK, and we have our external lottery manager. I know there will be a lot of attention paid this morning to the external lottery manager, but I hope we also can look at what we are set up to do.

The society lotteries do not exist to run lotteries. They exist to tackle health inequalities across Great Britain, and that is something we originally started in 2008. This predates the involvement of Northern and Shell quite considerably and, in fact, Northern and Shell is our third attempt to try to get this idea off the ground. We are very grateful to Richard Desmond for having decided to back it, but he came to something that was already in place; something that already had some history. I hope that is helpful.

Professor Popay: Could I add to that, if that is possible? An important issue here is that the focus of the community interest companies and the People’s Health Trust is on health inequalities. We are the only charity that is directly funding work on health and the upstream causes of health inequalities, by which I mean poverty, poor material circumstances, difficult neighbourhoods, and that is not an easy issue to raise money for. In fact, the lottery model is probably the only way of raising sustainable, reasonably significant amounts
of money for that, because these places and these people are stigmatised. It is not the same as Children in Need. It is not the same as disease categories. That is important in terms of your interest in maximising income for good causes. Health inequalities are a good cause.

The other part of this model, which is really important from that perspective, is that these 51 societies, the areas, are not in competition for the money. Every week the lottery resources go to one of these areas, and there is an element of redistribution there. These very disadvantaged places, if we had an individual society lottery in each of them, would have much lower capacity to raise income. This way, the society lotteries collaborate each week on raising money for one of their society areas, which maximises the good-causes money going to each society.

**Q15 Chair:** Basically, each area receives one payout a year.

**Professor Popay:** About that, yes. We focus on disadvantaged neighbourhoods in those areas. We are targeting this resource at people who have the worst health. These inequalities are extreme, as you probably know. It is 17 years’ difference in healthy life expectancy between the most advantaged and the most disadvantaged neighbourhoods.

**Q16 Chair:** I do not think any of us would argue that there are good-causes benefits.

**Professor Popay:** They have had about £1 million.

**Chair:** It is £1 million once a year, basically, going to each?

**Professor Popay:** Over the three years they have had about £1 million.

**Q17 Chair:** How much per year goes to each region roughly?

**Professor Popay:** It is probably about £300,000.

**Q18 Chair:** Just coming back to this difference between you and the National Lottery, you listed a large number of similarities, but apart from the fact you sell fewer tickets, there is one other very clear difference, which is that they have to pay national lottery duty and you do not. Do you not think that, since you are essentially a national lottery, you should perhaps have to pay national lottery duty as well?

**Donald Macrae:** Coming back to the question of whether it is correct to describe us as a national lottery, Professor Popay has just described how we are distributed across the country. We do not operate nationally in that way. We are a collection of 51 different societies, each covering a different area of Great Britain, and we work very much at community level. We are very much a local lottery rather than a national lottery, because the funds raised in any

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1 The figure of £300,000 was later confirmed.
one draw are raised for a specific area of Great Britain. They are not raised generally for the whole of Great Britain.

**Q19 Chair:** When I buy a ticket in the Health Lottery it does not say I am supporting Cumbria this week, does it?

**Donald Macrae:** You can get that information.

**Q20 Chair:** How do I check?

**Donald Macrae:** You can check at the point of sale. You will see a list of all the different society lotteries. You will see the rotation of the lotteries through the year, and it is very easy to find out which lottery is operating that week, so you will be able to know exactly which area your pound will benefit. We are very careful to avoid any intermingling of funds. We are also regulated by the CIC Regulator, not just by the Gambling Commission, and we have to ensure that any money raised for one community has to be spent for the benefit of that community. That does make us a lot more local.

We have recently had some successful results in our long-term approach of trying to support individual neighbourhoods. We have said we are trying to empower communities from the bottom up, because that is the way to tackle health inequalities—to give communities control over their own circumstances. In one of our CIC areas we have recently awarded over £230,000 to each of three neighbourhoods. It has taken us three years to get there in trying to identify where the areas of maximum deprivation are and where we can do most good. We are now putting money in there, and the money is being controlled by the neighbourhood itself. It is not something that is being determined from London. It is not something that is being determined by academics or by theory. It is responding to what the people in that community themselves see as their needs.

Thank you for listening so patiently to this, because this is our defence in saying we are not a national lottery. We are not operating at a national level except in terms of advertising. We have a national brand, but that is all.

**Q21 Chair:** You say the purchaser of a ticket can very easily find out whether it is their area. Is there any evidence that sales in the particular region that is benefiting that week go up in that area?

**Donald Macrae:** No, there is not, because the honest truth is that most players do not care.

**Chair:** Most players do not have a clue.

**Donald Macrae:** It is vitally important to us, but it is not really a factor for the players. The motivation of players of lotteries is a very complex one. It is a mix of an interest in the good causes and an interest in whatever the prize structure is, and that will vary from individual to individual. It is an enormously diverse sector.
Q22 Chair: Is it the case that you may be launching scratchcards soon? Donald Macrae: I think it is unlikely. We have been running a pilot on scratchcards with WHSmith, and we have been looking at other possibilities of scratchcards. I do not want to give away too much in terms of commerciality, but it is not looking good. I think it is unlikely that we will be launching scratchcards.

Q23 Mr Leech: One of the big criticisms of the National Lottery is that the areas that buy the most tickets do not see the most benefit going back to them. How do you two do in terms of making sure that, where tickets are bought, the money is then invested? Jo Bucci: It is obviously slightly easier from our perspective because we are subscription, so we do have a very close relationship with the player. There are two answers to that. We inform the trusts closely on where the player base is, and certainly you can answer that in terms of delivering into communities as much as possible through the grant giving and smaller projects funds. Of course, there are some charities that are supported that are national, so they make sure of that.

What is interesting for us is that, because we have a relationship with the player, we are able to ask the player about their knowledge of the lottery, and we now run two 10,000 surveys of players a month, the latest of which was interesting. Just under 82% were fully aware that 25% of their ticket price goes to the good causes and could name, quite clearly, six good causes that it was going to. The consumer is better informed, and certainly we are able to say that because we have such a conversation with them by being a subscription lottery.

Donald Macrae: For the Health Lottery, I was explaining that the money raised in one weekly draw has to go for the benefit of the community whose lottery it was. That would lead to a fairly equal distribution, but it is up to us to decide the rotation throughout the year, and some weeks are better than others. There is a seasonal effect in lottery sales. We do try to be sensitive to the areas where most of the money is needed and take that into account when we are working out the rotation.

Q24 Mr Leech: But how is it decided which health charities you are supporting? Professor Popay: The focus, as I said, is on health inequalities. We are very clear in all our advertising and all our public statements that what we are trying to do is support local action to reduce health inequalities, and that means we are focusing on communities and groups in the poorest health, which means they are in the poorest social circumstances. We do target. Within society lottery areas we target very small community groups. Some of the groups we fund have £500 turnovers. We are funding small local groups to act on issues, but it is targeted. It is targeted at people experiencing health disadvantage, and we are very open about that.
Q25 Mr Leech: Hypothetically, though, you could have a town where you have the highest proportion of ticket sales in the country, but there might not be a charity locally that is benefiting from that. How do you ensure, in those circumstances, that the money those local people are putting in is going to support local people in need in that area?

Professor Popay: We don’t, because we are very clear that we are focusing on health disadvantage. We do not wait for applications—we are also quite proactive locally. We have a lot of local conversations with directors of public health, who are now focused in local authorities and who have the brief around health and wellbeing. We have those kinds of conversations.

If, in that hypothetical town you are talking about, there were particular neighbourhoods with disadvantages, which is almost certainly the case because these disadvantages are apparent at all geographical levels, then it is likely that at some point—we have only been going three years—we will be focusing resources in that area, but it would be because there was health disadvantage there, not because that area had bought more tickets. It is not uncommon in society lotteries around the country that have a particular focus that they will target their resources. Palliative care will do that. Cancer charities do that. An element of altruism and an element of redistribution is not uncommon in the good-causes money generated by society lotteries. Indeed, it probably underpins the notion of society lotteries.

Q26 Mr Sutcliffe: I am not sat on my own because I am a supporter of society lotteries, but there is a lot of confusion out there. One of the important things about today is to clear up some of that confusion in terms of the relationships. As you have said, Mr Macrae, the Health Lottery does not make a profit and so there is no return to shareholders. What is the situation with the Postcode Lottery? Do you make a profit? Who is it given to?

Jo Bucci: Sorry, if I may I will just give you a bit of background. We are part of Postcode Lotteries that are also in the Netherlands and in Sweden and, collectively, the three lotteries make up the second largest private funder in the world. We are very much driven to wherever there is some efficiency to return that to the good causes. So absolutely not—of course we are commercial, because selling lottery tickets is commercial, but perhaps the best phrase to use is that we are not for commercial gain. Wherever we can deliver better returns, the better returns go to the charities. Does that answer the question?

Q27 Mr Sutcliffe: That is fine, yes. The difference between you and the National Lottery is they do make a profit and that profit is returned to the company. Would that be fair?

Jo Bucci: Yes.

Q28 Mr Sutcliffe: On that, the criticism by the National Lottery of you is that you retain more of the ticket proportion than they do, and that it is wrong—in some cases they come up to 50%. What do you say about that?
Donald Macrae: There is an argument about efficiency in lotteries, and this is very much an economist’s argument. They are trying to look at efficient markets and trying to get a balance between supply and demand. Therefore, in an ideal world, you would give your money to the lottery that returns the biggest amount to charities, in which case you would probably support your local hospice. What you certainly would not do is support the National Lottery, which only gives 28%, whereas your local hospice lottery will give 50%. Obviously that is not a good enough argument.

Just trying to say that the percentage that goes to good causes is the main criterion misses the point. What matters is the amount, not the percentage. It is very easy to get caught up with the possible power of this 20% figure, and it is the usual difficulty of a policy maker of thinking they have a lever they can pull; that if they increase the 20% to 25% then more money will go to good causes. It does not work that way. If they increase it from 20% to 25% then that 5% has to come out of something else, and what it would probably come out of is marketing, which can lead to a reduction in sales. The CEBR report that the Lotteries Council commissioned earlier this year came to the conclusion that if you raise the 20%, then the likely effect is to significantly reduce the amount going to good causes. It is trying to raise the 100% rather than raise the 20%, and the easiest illustration is comparing the National Lottery with a hospice lottery—28% of £6.7 billion is a lot more valuable than 50% of £1 million.

Q29 Mr Sutcliffe: What do you think you could do better to make your ticket players understand more how your money goes to good causes?

Donald Macrae: We are doing the best we can. We are trying as hard as we can to get out the message that the Health Lottery is not about people in coloured wigs. The Health Lottery is about community empowerment. It is about trying to help these deprived communities get control of their own lives, but it is a balance between attracting enough public interest to sell the tickets in order to generate the money. The sorts of messages that will be successful in selling tickets are very different from the sorts of messages that Professor Popay and I are trying to put across today. It is a difficult sell.

Jo Bucci: Also remember that often lotteries are used to raise funds for some concerns that are difficult to raise funds for. If I could, I will just give two examples that I know from when we have spoken with players they are very proud of, and they are two quite extreme examples. One is the child rescue alert system that Missing People have just launched. Without the players of People’s Postcode Lottery that would not have happened. I will not explain too much, because I think it is quite self-explanatory, but it is a similar system to the AMBER alert system that is run in America. When you hear the voice of someone like April Jones’s mum saying, “Had that been in place then I might have been in a different position”, is powerful for the players. We do a lot to communicate that with the players and make them understand and share with them how far their funds go.
The other example I would like to give you is a very small example where a grant of £1,600 was given to an organisation called, I think, Sefton Women’s Aid.

**Grant Baskerville**: Women’s and Children’s Aid.

**Jo Bucci**: Sefton Women’s and Children’s Aid. I asked them the question, “How far does £1,600 go?” They said it gave a home to 17 families in very bad circumstances. Now, these charities are hard to fundraise for, and the opportunities for these charities to raise funds via lotteries is great. At the moment, as we know—this is also hopefully an area we are going to discuss today—we are at the moment capping that opportunity. My big ask is: why would society lotteries be the only form of fundraising with a limit? We are working so closely with these groups that are saying, “Is there any more money?” There is plenty more demand.

We have a great example in one of our grant-giving trusts that we run a lottery for, which had a forecast demand this year of £29 million-worth of applications. Under the current limits, even at 25%—let us say I work very hard and get that to 50%—it means £2.5 million or a maximum of £5 million available for them. The demand is there. It is just capped, and we are looking at it from the perspective of being a threat to the National Lottery. Are we competitors? Of course we are. By the very nature of the fact that we are running lotteries we are going to be competitive with each other. Is it a threat, given the scale, and is it right if we all want to maximise the returns to good causes that we are putting a limit on that? We are saying, “This is all that is available”.

**Q30 Mr Sutcliffe**: I understand that argument, and I am interested about the cap and whether the cap should be higher, but isn’t the other side of that argument that you will then hit even smaller lotteries that are not part of your organisations that do well?

**Grant Baskerville**: May I touch on that point? What is quite interesting that has happened in the last two and a half years, since the Government first announced its intention to hold a consultation, is that there has been a huge amount of collaboration across the sector. A lot of the proposals that have been presented to the Committee in the form of evidence from the Lotteries Council, in particular, show a very cohesive sector. That is a joint position from the Hospice Lotteries Association, the Lotteries Council and the Institute of Fundraising. We would certainly not do anything in terms of proposals that would damage any part of the sector. The broad principle is a package of measures that will better support the fundraising potential of society lotteries.

**Donald Macrae**: Can I possibly add to that? There is very clear evidence, which you will see in the submission that I put in for the Health Lottery in the graph, of the statistics from the Gambling Commission on the total proceeds of the entire society lotteries sector over a period of years. It is quite clear that there was a sudden explosion in the sector and, over a period of about two to three years, the size of the sector increased by 50%. This was at the time of the launch of the Health Lottery. What happened was that the Health
Lottery and its massive advertising campaign acted as a catalyst for the entire sector. In fact everybody benefited. The increase is not attributable simply to the direct sales of the Health Lottery. That only accounted for about 45% of the increase—not the total sales, just the increase. In the second year our sales were starting to decline, but the sector’s sales kept going.

We saw this enormous increase right across the entire sector because of the catalytic effects of the Health Lottery—including the National Lottery. The National Lottery’s figures also went up roughly in line with the same increase in the society lottery sector. The evidence that we have is that where the sector booms there is something there for everybody. Jo mentioned the word “competitor”. “Competitor” suggests losers. We have this amazing situation that we only appear to have winners. Somehow or another we have tapped into a generosity in the British public to give to lotteries once they are prompted to do so, because there are no other sectors I can think of in the economy that have seen a 50% growth in the last four years.

Grant Baskerville: If I may just briefly add to that. Another major contributing factor was that in 2008-09 there was an increase in the draw limits imposed on society lotteries, so they increased from £2 million to £4 million. That also had an impact on the maximum single prize that you could effectively offer as well, which is 10% of the draw. The brief example that we have of very modest deregulation in the sector has effectively led to an increase of over 60% in proceeds to good causes, no negative impact on the National Lottery—quite the contrary—and no negative impact on social responsibility either.

Q31 Mr Sutcliffe: If the Government do eventually agree to raise the cap, do you accept that there will be stronger regulations around the return? Are you expecting that? What would your argument be in terms of if the Government did, without affecting the National Lottery in the way that you said? Would you expect legislation to further help in terms of operating costs and things like that? What would your view be if that was the argument that was put?

Donald Macrae: What we would like to see, and what we are supporting in terms of the Lotteries Council submission, is a general deregulation. We are not talking about complete deregulation. We think it is a sector that requires some regulation, but it is unusual to be putting all these constraints on how to raise money for good causes. We are looking at what we would describe as fairly modest deregulation.

The main deregulatory measure that the Health Lottery brand is looking for is a relaxation of the 10% rule. If I can explain, the 10% rule says that you can only offer a prize that is a maximum of 10% of what you bring in in sales. The problem there is that you are taking a considerable risk as soon as you announce the prize that you are offering, because whatever prize you offer, you have to bring in 10 times that amount in sales. If you cannot, you cannot offer the prize. That means that society lotteries tend to underbid in terms of what the overall prize they are going to offer is, because of this very severe risk of not being able to sell 10 times that many tickets.
When we say we think the 10% should be increased to 50%, that is not so much because we have plans to suddenly shoot our prizes up that amount. It is to remove that element of risk, because if you take away the risk what you are still left with is the risk of whether you can afford to pay the prizes. The market will determine the prize limits rather than the rules or the regulation. It would remove the risk so the society could make its own decision based on its own resources and what it thinks is a reasonable estimate of the sales, to then perhaps offer a slightly greater prize. All the evidence is that the higher the prize the more sales you get, broadly.

Jo Bucci: Maybe I could just add to that. The Lotteries Council have put a plea out to the industry to be more transparent, and I, for one, would certainly be a big supporter of that. I think the industry is quite transparent anyway, but if it requires a voluntary register to say, “How much are you as a percentage?” if that protects somebody’s commercialism, or “How much currently is your breakdown of prizes, operational costs and returns to the good causes?” then that would give people a level of comfort that it was clear to them. Certainly I will be supporting it, but it is a very early request from the Lotteries Council to the rest of the membership. But I cannot see any reason why people would not support that.

Q32 Mr Sutcliffe: Chair, may I just declare an interest? I am a trustee of the Responsible Gambling Trust. Do you both contribute to the Trust?

Jo Bucci: Yes.

Q33 Chair: You referred to the huge increase in revenues and I think, Mr Macrae, you described it as a win-win situation. Is there any evidence that the growth in lottery expenditure has been as a result of funds going into that, which might otherwise have gone in direct giving to charities?

Grant Baskerville: We shared with the Select Committee a piece of independent economic research that we asked the Centre for Economics and Business Research to undertake. One of the primary findings of that report was that, because of the nature of our clear support, because it is largely unrestricted, the charities that benefit from that income are able to leverage that money to generate even more income for themselves. For every £1 in income they receive from a player they are able, on average, to generate another £1.70 in additional income. That could be anything from hiring a new fundraiser to spending money on core services or whatever. That means that, in all, that has a multiplier of 2.7, and that is only an average. The only evidence that we have to date basically is very clear—that using People’s Postcode Lottery as an example, our player support helps crowd in other forms of funding rather than having any negative effect.

Q34 Chair: But that does not actually deal with it. I am sure the money you give to charities is very well used and might leverage in more, but if the amount of money that the punter spends on you was given in its entirety to the charity, then it might lead to even more income.
Grant Baskerville: We have yet to encounter an instance where a charity is disgruntled or not exceptionally grateful for our player support.

Jo Bucci: I also think it is worth noting—in fact the press covered it on Sunday quite heavily—that some of the direct giving is at a far greater cost than that of a lottery. There was a report on Sunday that talked about a cost for acquisition of a direct giver being anywhere from £80 to £120. I will not share with you what ours is, but it is considerably lower. I say I will not share—I would be more than happy to share with you in writing what it costs to acquire a lottery player. I think, if you do the economics on that, there is more return into the good causes. In terms of being able to do a direct comparison, no, I cannot.

Donald Macrae: We did come across one academic article from Taiwan looking at the impact of lotteries on other forms of charitable fundraising, and its conclusion was that there was no evidence that lotteries were in any way damaging. If anything, as Grant said, they would crowd in other forms of fundraising. I have also heard from fundraising managers in various other household-name charities that a lot of legacies they get have come from people that they originally recruited as lottery players. This is an illustration of what Grant was saying about lotteries crowding in rather than crowding out.

In terms of putting a pound in a bucket, you also need to look at the scale of the operation. It is very difficult to say that the person who buys a lottery ticket for £1 has not put that £1 in a bucket. There are not nearly as many buckets as we have retail terminals.

Professor Popay: Could I make a related point? I would say that Children in Need has gone up every year, dramatically, at the same time as the lottery takes have been going up. There is anecdotal evidence that that problem is not happening, but a related point for a charity like the People’s Health Trust is that our funds go to small local charities. Over these last few years those charities have been losing resources. I cannot remember the exact figures, but they have dropped over the last few years. These are charities under £100,000 turnover—75% of all charities. Their income has dropped from about 5.6% down to about 3.4%. Those are the charities that the People’s Health Trust are targeting. It is not the same point, but it is a very important point about what some of these society lotteries are doing and where the good-causes funds are being distributed.

Grant Baskerville: As a good example, in a way the introduction of the National Lottery back in 1994 almost answers the question. That is a national lottery on a massive scale and, if anything, I do not think you would find anyone who would argue that that would have a negative impact on individual giving. We are all part of the same team. The overall goal is to maximise as much money for good causes as possible, and not to the disbenefit of any others.

Q35 Angie Bray: To take up your point, Children in Need just the other night raised yet again another record amount of money. Clearly there is a lot of
generosity out there and people are still giving very readily. In your view, which of the current restrictions on society lotteries is the most onerous in terms of restricting the ability to raise money for good causes? Perhaps I will start with you, Jo.

**Jo Bucci:** I think all caps. I have to qualify it by saying that, but if I had to choose one of those, I would say that the proceeds cap for a charity is difficult for them to work within. As I said earlier, the sheer fact that they have a cap on fundraising makes it difficult. I know that in our own submission we asked for that cap to be lifted from £10 million to £100 million, and I have been asked many times, “Where did you come up with those figures?” To be quite simple, the £10 million, from information I have gathered since the lottery launched officially in 2008, was somewhat of an arbitrary figure anyway. Fine, and we have worked with that. You could suggest the £100 million is another arbitrary figure. However, I took strong advice from one of the trusts that we operate a lottery on behalf of, and I shared with you earlier that their legitimate demand was around £29 million-worth of applications. The £100 million would have almost been able to fulfil that.

**Grant Baskerville:** People’s Postcode Lottery, as an operator, does not have any specific limits on how many tickets we sell. As Jo mentioned, it is a charitable trust, so the idea that you limit a charitable trust to £10 million in ticket sales is, in our view, quite ridiculous. Secondly, the charitable trust will look at that limit, they will look at the demand in terms of the need for support and they, of their own volition, will choose to create a new trust. They look at the fundraising potential of People’s Postcode Lottery and they think, “Well, we see that there is clearly more money to generate”. What that system does is effectively create additional bureaucracy, additional legal fees and other auditing costs.

**Q36 Angie Bray:** That means there is also a cap on admin costs, doesn’t it, which is a problem?

**Jo Bucci:** No. To be fair, there are reasonable expenses, which comes back to my point about being transparent. My view is that the Gambling Commission have been very strong on monitoring that—certainly with us—to make sure that that is what they describe as a reasonable amount of expenses and legitimate expenses. They have certainly been quick to have a view if they thought they had not been legitimate expenses that we had put forward.

**Q37 Mr Sutcliffe:** There used to be a cap of 35%, didn’t there, and then the Gambling Act ruined that?

**Jo Bucci:** Yes. We are at 35%, but I think it is more—

**Q38 Angie Bray:** But there is a problem, isn’t there? When you want to try to achieve a certain amount you have to sometimes devise extra lotteries in order to get that, and that of course adds to your admin costs.

**Grant Baskerville:** If you look at OSCR’s submission to the Select Committee, that was on the back of a meeting that they took forward with representatives of People’s Postcode Lottery, myself and Jo included. They
were quite confused as to why you would apply a cap, because they looked at it from the perspective of, “We see that these trustees are creating a new trust, effectively, so they can capitalise on that measure. That is creating extra work for the charities regulator.” If you increase that limit—

**Jo Bucci:** The only people who are winning there are auditors and lawyers and all sorts of administrative costs. It was music to my ears, but they were genuinely questioning why that was happening. They had had a number of applications.

**Q39 Angie Bray:** Do you agree with PPL on the things they are asking for?

**Donald Macrae:** I was supportive in terms of saying that that is what their approach is to lotteries’ needs. It is a very diverse sector and, in answer to your question—which is the most important—my background is in Government and regulation, and I would say the most important one is the one that affects market entry. It is the 20% rule that has to be met from day one, and this is a significant barrier to market entry. I am saying this perhaps against the interests of my own organisation, but we believe that we can take the competition.

The important thing, particularly for a sector like this that is trying to benefit good causes, is that you want to stimulate the market as much as possible. If you had any rule that said that a company must make a profit of 20% from day one or commit a criminal offence, then you would have a remarkable economy, but that is the position for a society lottery. It has to raise 20% for good causes, with no excuses, from day one.

**Q40 Angie Bray:** Do you have knowledge that is putting people off?

**Donald Macrae:** Yes. I work alongside the Lotteries Council on quite a lot of these things and the Lotteries Council has plenty of evidence that it does put people off, and you will have that experience as well from working with all the charities.

**Professor Popay:** I do not have experience of the particular lotteries but, in the history of the Health Lottery, it is evident that it was quite difficult to get somebody to invest in this. There were three attempts before Richard Desmond committed to it. Part of that was that from a standing start it is difficult to produce that kind of output. From a People’s Health Trust point of view, from the charity’s point of view, the suggestion that that legal requirement should be put up is problematic, because that would undermine our resource base, but we have an expectation that the CICs will be pushing for more than the 20% as soon as reasonable.

**Q41 Angie Bray:** Would it be fair to say that both your organisations will be pressing for the same changes? You are in agreement on that?

**Grant Baskerville:** A broad package, I would say. Across the board we would support an increase in the monetary limits, and the measure that Donald has
just mentioned in particular. That is the submission that has been made by the Lotteries Council, so that is one that we all support.

Q42 Angie Bray: How many times have you had the opportunity to brief DCMS Ministers on this? How many meetings have you had recently?

Jo Bucci: We have not been able to meet the Minister.

Angie Bray: You must have had a meeting at some stage.

Grant Baskerville: January 2012, and it was John Penrose who was the Minister at the time.

Q43 Angie Bray: Since then you have asked for meetings and have failed to get them, or what?

Grant Baskerville: Yes.

Donald Macrae: We have had meetings with officials, but not the Minister.

Angie Bray: Do you find that extraordinary?

Jo Bucci: Frustrating.

Grant Baskerville: It is a little bit challenging. Obviously from our perspective we are looking at this as a fantastic opportunity for good causes, and one that puts very little pressure on the Government. It comes at little or no cost to the taxpayer whatsoever. I can understand that from our perspective it seems like a very easy decision; so, yes, I would agree.

Q44 Angie Bray: Do you think that stems from them being overly protective of the National Lottery, or is it just not something that is a priority for them? What would you think?

Donald Macrae: I think it would be fair to say that there is a very healthy caution about supporting the revenues of the National Lottery, and that is something that we do not disagree with. We are not anti-National Lottery at all. We have argued that there is plenty there for everybody because of the generosity of the public, but Camelot very strongly defends the National Lottery’s position, which it is entitled to do. That has been very difficult to argue against when we have been trying to promote some deregulation. We are still hearing a lot of arguments about potential threats to the National Lottery, although they now say that the Health Lottery perhaps is not the threat that they originally suggested.

I would like to make a very positive point about this issue. There is a lot of speculation about what might be a threat to the National Lottery, but in fact there is evidence about threat to the National Lottery. The hard evidence is three years’ operation of the Health Lottery. The evidence there shows incontrovertibly that the National Lottery is pretty well bomb-proof. If we cannot get any more than £1.5 million a week, despite the scale of our
operation and despite national advertising, then to try to say, “Ah, but if somebody else did it then we would be under threat” is unreal.

In terms of a rational risk assessment of threats to the National Lottery, we should see the evidence of the Health Lottery as reassuring; that in fact it is extremely unlikely that another organisation will arise that will seriously threaten the National Lottery. Certainly, as a sector, we are not trying to threaten it. All our experience is that what is good for the sector is good for the National Lottery as well.

Angie Bray: Do you want to add to that?

Jo Bucci: Just to say that we have co-existed. Even Camelot will support that, and have done in their written submissions. There has been a co-existence. I just think if we are focused on what I read in all of the submissions about returning a better return to the good causes, then we can continue to very healthily co-exist in the future.

Q45 Angie Bray: Do you think the Government is beginning to take a bit more interest now?

Jo Bucci: I hope so.

Donald Macrae: One of the things that I hope will come out of the inquiry is a change of mindset from seeing society lotteries as a problem to seeing society lotteries as an opportunity.

Q46 Angie Bray: You talk about the inquiry. You are presumably hoping that we are going to get this inquiry done and dusted by the time of the next election, or else you might have another five years.

Grant Baskerville: Absolutely. The shift that the Government has taken is welcome. If you look at the position back in December 2012, it was all about deregulation. We do not question for one second the Government’s intention. The overall aspiration was to maximise returns to good causes. We just did not necessarily agree with the ways and means, the approach that they sought to do that, but there is a solid body of economic evidence out there now, and experience of operators as well, to show that the way to do that is some liberalisation in the markets and deregulation.

Q47 Angie Bray: Are you going to put pressure on the Government to try to get this inquiry done and dusted?

Grant Baskerville: We will do our level best, yes.

Jo Bucci: We ask your help.

Donald Macrae: Given that there is no threat to the National Lottery, we are raising large amounts for good causes and not harming anybody, why is this seen as a problem? It is actually a good news story.
Professor Popay: Just a slightly different point—I seem to be the voice on the end here. To come back to your original comment about the Health Lottery being a national lottery, one of the things I would hope this inquiry and this public exploration will bottom out is that the Health Lottery is not a national lottery. It is a network of local lotteries that have innovated within the law. The judicial review that we went through very clearly confirmed that these were local society lotteries, so we are part of this sector of local lotteries.

Q48 Angie Bray: Can I just ask a final question? Would you think it would be reasonable, when the Government finally does get round to its inquiry and everything, that coming out of that there should be some kind of statutory duty on the Government to review the way things are working every three years or so?

Jo Bucci: We would absolutely welcome it. Grant touched earlier on the fact that there was a change made in 2009 to draw limits from £2 million to £4 million, and a promise came with that that it would be reviewed every three years. Certainly from my perspective of representing the lottery, it has been difficult to communicate back to the trust why that has not happened. So, yes, we would look for that very much.

Grant Baskerville: I think Mr Sutcliffe’s name was on the statutory instrument and impact assessment that stated that.

Q49 Chair: Mr Macrae, you told us that your number of outlets is roughly the same as that of the National Lottery. Obviously you have not been going for as long, but nevertheless you are doing a lot to help good causes and so on. Why do you think it is that you are selling so many fewer tickets than the National Lottery? Why have you not done better than you have?

Donald Macrae: It is largely an issue of branding. The National Lottery is an incredibly powerful brand, but the other factor, of course, is the size of the prizes. We simply cannot compete, nor do we try to compete, on life-changing prizes. It is possible to get over £100 million on EuroMillions.

Q50 Chair: What is the absolutely maximum you can get on the Health Lottery?

Donald Macrae: £100,000, and we find there is still a market for that. People do not only play for life-changing amounts. They are also quite prepared to change their focus on what looks like a good prize. If we were able to double our prize from £100,000 to £200,000, we would still see a big increase in our sales. We would be very happy with that. We do not have any aims to get up to multi-million-pound prizes.

Q51 Chair: Very approximately, what are the odds of getting £100,000 from you?

Donald Macrae: I probably should know that. It is pretty large.
Chair: Pretty large, but presumably—

Donald Macrae: 2 million.

Chair: 2 million to one; and for winning a million on the lottery, about 14 million.

Donald Macrae: I am not a gambling man myself.

Chair: I bow to the expertise of the Committee. Those are all the questions we have. Thank you.

Witnesses: Karl Wilding, Director of Public Policy, National Council for Voluntary Organisations, Stephen Ravenscroft, Member of the Charity Law Association, Benjamin James, Member of the Charity Law Association, and Sophie Pughe, Member of the Charity Law Association, gave evidence.

Q52 Chair: Good morning. This is obviously the second of our sessions this morning. I welcome Karl Wilding, the Director of Public Police at the National Council for Voluntary Organisations, and Benjamin James, Stephen Ravenscroft and Sophie Pughe—you are all representing the Charity Law Association?

Benjamin James: Correct.

Chair: Very good. Angie Bray is going to kick off.

Angie Bray: Everybody wants to increase the amount of money going to good causes. Is there any evidence of whether the growth of society lotteries has resulted in funds being diverted from direct charitable giving? Is there any evidence at all?

Karl Wilding: The international evidence about the relationship between lotteries and charitable giving is mixed. For example, the Centre for Market and Public Organisations at Bristol University found that in North America, when the states introduced lotteries, that had an impact on charitable giving that was negative. When the National Lottery was introduced in the UK, NCVO had evidence at the time that suggested that there was a one-off step-change in the level at which people donated to charity, but there are, of course, arguments that you raise awareness of a cause or you raise awareness of a particular charity or brand when you start to market more. The evidence is mixed. Sorry, that is not a very conclusive answer.

Angie Bray: The examples that you cited were perhaps a little bit historical. Have things changed recently, do you think? I do not know if you were here, but I was just saying earlier that the other night we saw Children in Need raising a record amount of money yet again—£32 million or something.

Karl Wilding: Again, there are so many other variables at the moment that we have to take into account. For example, in 2008-09, we believe that there
was quite a significant drop in the amount of money that people were giving to charities, and that was particularly at the higher end.

Q54 Angie Bray: But that was a difficult time economically, of course.
Karl Wilding: Yes. You might say that that was the same time at which society lotteries expanded, according to the previous evidence, but I do not think we have any evidence about correlation, never mind causation.

Angie Bray: Does anyone else want to comment on that?

Benjamin James: From what we have seen from our clients, most of them were not heavily involved with society lotteries at the scale that they are now before 2008. It was as voluntary income reduced that they were looking for additional income streams. At the same time, lotteries became slightly easier to manage following the introduction of the 2005 Act. We do not have any direct correlation from what we are seeing, we have just seen that growth has occurred as a result of so many different factors.

Stephen Ravenscroft: I would agree with that.

Q55 Angie Bray: Do you think the fact that you cannot demonstrate that there is an impact on direct giving makes it more difficult for lotteries to make their case?
Karl Wilding: It strikes me that we would have a better-quality argument if we were supported by better-quality independent evidence from an academic partner.

Q56 Angie Bray: Should that be something that is gathered now? Do you think that would be a worthwhile exercise, to try to do a definitive piece of research?
Karl Wilding: I would suggest that there are questions that are raised by deregulation about public trust and confidence, about how lotteries are perceived, and about whether individuals perceive lotteries as essentially an act of philanthropy or as essentially taking part in a game for which they want to win a prize. Then there are issues about where the money goes and the impact of raising limits that potentially have an impact on smaller lotteries.

Angie Bray: Because of transparency and that sort of thing?
Karl Wilding: Yes, those sorts of issues. If we had some better-quality academic evidence, that would be extremely useful.

Q57 Angie Bray: What would you want to say about whether or not society lotteries should be required to return more than 20% of the ticket sales to good causes? Do you have a view on that?
Karl Wilding: Yes, I do have a view. The best way of deciding how much should go to good causes is to let the public decide. Ideally, we would like to see a norm that is higher than 20%, but I am not sure that regulation as a
tool is the best way of achieving that. My argument would be that we need to make much clearer what proportion of ticket sales go to good causes. We should have much better-quality comparative information published, whether it is by the Lotteries Council or the Gambling Commission, so that individuals can make a choice. Then there were some very good arguments put forward this morning about total take versus percentage. Again, what we would like to see is players being enabled to understand those arguments. So, again, the Lotteries Council or the Gambling Commission would publish what the norms are over a one-year or a three-year time horizon in terms of total take and average amount that goes to the good cause.

Stephen Ravenscroft: Our view might be slightly different. We see what they call the 80:20 rule as being quite helpful for societies; certainly for the smaller ones, but also for the larger ones. We are aware that a number of larger societies are approached by external lottery managers with regard to the management of a lottery, and as part of that they will quite often be sold a package around the promotion of a lottery. We have seen cases where the 20% going to good causes is under threat because of the costs of marketing, the cost of prizes and so on.

Q58 Angie Bray: We heard in evidence before this session that it could be something that could be putting people off entering into the market, because it can be quite an onerous requirement.

Stephen Ravenscroft: The 20%? Yes, I take that point, but on the other hand, take the point that has been raised about how much transparency there is within the market at the moment. If you are buying a ticket do you expect that 50% of that ticket is going to a good cause, 80%, 100%? I think the awareness of the public as to the proportion of their pound that goes to that good cause is very low. There is good common sense in trying to make that clearer so that people are aware of how much is going to the cause.

Q59 Angie Bray: If the public was told that a particular charity was saying, “Well, 25% of ours will be going to good causes”, do you think that automatically makes it a more appealing charity to support?

Karl Wilding: Our view in relation to this inquiry as a whole is that we have a primary interest in public trust and confidence in charities. There is an awful lot of interest in charities and how they operate at the moment, and I do not think there is a huge level or a hugely detailed level of public understanding. That goes right into fundraising and how charities fundraise. Some people find it difficult to understand how much is spent on fundraising costs and so on. Our starting point here would be that the more we can educate the public about how much is spent on prizes, but also on the cost of running the lottery, the better.

I possibly should have stated at the beginning that my organisation, NCVO, has an interest in the sense that we are, at this point in time, starting up a society lottery ourselves to benefit our members, and our starting percentage is 40% that will go to members.
Q60 Angie Bray: Do you think that will make you very competitive?

Karl Wilding: If society lotteries are being presented as an act of philanthropy and the selling point is the good cause, it strikes me that it should follow that you should be very transparent about how much is going to the good cause, and then the best way of trying to increase the amount going to good causes is to let the public decide by providing them with more information.

Q61 Angie Bray: But nevertheless, it is important that the total information is presented because, as you say, perhaps the public is not aware of the backroom costs that keep the charity lottery running. It is important that they understand the context in which so much can be offered to good causes rather than an even bigger sum.

Karl Wilding: In a different context, the public are dissatisfied with how much they perceive charities spend on management and administration. There is very strong good-quality academic evidence that suggests that charities that spend more on management and administration deliver better outcomes, but that is a discussion that we need to better have with the public. It may well be the case, on society lotteries, that if you spend more on management and marketing you ultimately deliver more to the cause. Again, that is a discussion or a debate we have to have with the public rather than hide behind.

Q62 Angie Bray: Again, it may be easier not to talk so much about percentages but more about total amounts.

Karl Wilding: I suspect it is both, and we want to know what the norms are. That is what I would like to know as a Director of Public Policy. What are the norms both in the start-up phase of a society lottery, but also over the longer term once it is up and running efficiently?

Stephen Ravenscroft: There are clear stresses between those in the start-up phase when your costs are high—the costs in marketing, maybe the costs in—

Angie Bray: Getting off the ground.

Stephen Ravenscroft: Getting off the ground, and also making sure that you have prizes that look quite appealing and so on. You can imagine in those early start-up days it is much harder to achieve an industry-standard norm, because you are at a point where you have much higher costs than a lottery that is five or 10 years old and is much more established. It is a complex market.

Benjamin James: There are so many different types of society lottery. We just talk about society lotteries, but you have to consider the differences. A membership charity can just go to its members who want to buy those tickets. There is very little marketing involved, and they can return up to 80% of the overall costs of the lottery. They have their prizes donated. They do not
have to take prizes out of the funds generated. Then you can compare that with a cancer charity, for example, which has to do much more marketing and has to purchase the prizes or use a cash prize. You have to work out what you are comparing, because there are so many differences from the lottery that operates from the church fete to the lottery that has probably been seen so much this week—the weekly poppy lottery for the Royal British Legion, which has a phenomenal support base.

Q63  Conor Burns: Mr Wilding, on a slightly more general point, you talked about the level of public interest and the scrutiny that there is of the activity of charities. Do you think similar emphasis should go on informing the public about advocacy charities? Perhaps they would give to a homeless charity on the assumption that that charity was helping homeless people, but they might be surprised to find that some of those charities spend all their resources campaigning to change public policy rather than delivering front-line help.

Karl Wilding: There are two responses to that. The first is that the public strongly support campaigning by charities. The evidence we have suggests that the public not only trust them to campaign but think it is right and proper that charities campaign—where that is part of their charitable objectives, of course. The second answer is that NCVO has long argued that charities should be the gold standard when it comes to transparency and accountability, and we should absolutely be clear with our supporters what we spend our resources on and how we spend our resources.

Q64  Conor Burns: Do you think there should be as much emphasis on explaining how much goes on campaigning, how much goes to direct help and how much goes in administration?

Karl Wilding: Charities undertake a lot of activities. Whether it is delivering public services or campaigning, I think it is important that we get across what it is we do. A challenge that we have at the moment is the way the charity accounting works and the charity SORP. At the moment it is difficult to break down staff costs that might go, for example, specifically on lobbying, but if you look at a number of big charities that campaign, at the moment they are moving in the direction of trying to explain more clearly how they spend their resource. I would be surprised if anyone that gives to an organisation like Shelter or something like that was surprised that Shelter is campaigning and using its resources to campaign.

Q65  Mr Leech: Have there been any studies carried out in relation to the different perceptions of players and non-players of lotteries as to what proportion of the money from their ticket goes towards charity?

Stephen Ravenscroft: Not as far as I am aware, no.

Karl Wilding: No.

Benjamin James: No.
Q66 Mr Leech: Has any work been done at all on what proportion of their money existing players, members of society lotteries, think is going to charity?

Karl Wilding: I am not aware about players, but I am aware about research like that on charitable giving. I do not know if it translates across but, broadly speaking, those who do not give to charity are more likely to believe that a much higher proportion of what they give goes on administration costs. There is an argument that it is post hoc rationalisation for people who do not want to give.

Q67 Mr Leech: I can understand that with direct giving to charities, but do you think that that would be the same view in relation to society lotteries or any lottery where a proportion goes to charity?

Stephen Ravenscroft: I would have thought at the moment there is a lot of uncertainty with regard to how much of the £1 or £2 you give goes to the society concerned, because there is nothing on the face of the ticket. There are no requirements.

Q68 Mr Leech: That was going to be my next question, whether or not you would advocate that as a way of educating people as to what proportion of their money is going directly to charity—whether it should say on the ticket.

Stephen Ravenscroft: Do you want to come in at that point?

Benjamin James: I think there are some great advantages for the public in seeing what the split is on the face of the ticket, providing it is done in a simple way and is not overly complicated.

Mr Leech: Or deliberately misleading.

Benjamin James: Or deliberately misleading, yes. The changes that happened to commercial participation and professional fundraising as a result of the 2006 Charities Act changed how the statement that is made to the public happens. It has just become much more complicated, to the extent that people do not necessarily understand what they are reading. Something that tried to give more information has just caused things to be almost impossible to understand in certain circumstances. If it can be done in a way that makes it clear, good, otherwise it might cause more problems than it does now.

Q69 Mr Leech: If it was as basic as, "20% of the cost of this ticket goes directly to charity", is there not a danger that people would be put off buying the ticket, thinking that that was a very low percentage?

Stephen Ravenscroft: I think that there quite possibly would be a danger—people may think that considerably more goes to the cause.

Karl Wilding: But I think there would be a bigger danger in terms of public trust and confidence if people bought tickets and did not realise that a relatively large proportion was not going to charity. That is our main concern.
**Q70 Mr Leech:** On that basis, if we were to put information on the ticket itself, what information would you include so that people were as well-informed as they could be about how much it costs to run these kinds of lotteries, which needs to be taken into consideration when thinking about how much should be going to charity?

**Karl Wilding:** Ideally, the situation will be analogous to food labelling, where people want to know what the fat content of a food is or what the sugar content is. I would like to see what proportion of the ticket price goes towards good causes. That is my primary interest as NCVO. I presume that anybody participating in that lottery would want to know what proportion goes on prizes as well, and then presumably you can put the rest together in terms of management, administration or profit.

**Stephen Ravenscroft:** I would have thought that being more transparent about these issues will probably in its own terms drive up the proportion that should go to the good cause, because there will be an element of competition built in that simply is not there at the moment. I think quite often we can just see things sinking down to the lowest common denominator—the 20%—whereas if there was a requirement to be more transparent then one would hope that that percentage would go up.

**Karl Wilding:** Indeed. I recently heard the Secretary of State for the Cabinet Office speaking about his moves to release Government data to drive transparency. He remarked that you come across arguments all the time that the data is not good enough, or we cannot compare and so on, but once you put this data into the wild, so to speak, there is suddenly an impetus to improve the quality of the data and to make it more comparative.

**Q71 Mr Leech:** On a slightly separate note, Camelot argue that the lottery duty they pay should be lumped in as part of its return to society. Would you agree with that, and should other lotteries also pay that lottery duty if they are making a profit?

**Benjamin James:** The simple answer is that most society lotteries are organised by the charities themselves. There is no profit. All the money does go to the good cause or into the general charity pot for the charity to allocate as it sees fit.

**Q72 Mr Leech:** That is not always the case though, is it?

**Benjamin James:** No. Where it does not happen is with the external lottery managers, and the question there is: how do you treat external lottery managers? From our point of view, I would say they fall within two groups. There are the people that the charity approaches saying, “Please will you help us with this, and we’ll contract out just the operation of either one element of the lottery or the entire lottery to a manager.” The fee is paid and it is a pure service. The other side of it is where the lottery manager puts the package together, as Stephen mentioned earlier, and does it as a profit-making concern. That is probably what needs to be identified to see where they operate, how many lotteries they are undertaking, what the profits are and whether that distorts the market. I have not seen any research on whether it
does. We just deal with it from the point of view of negotiating the contracts and protecting the charities.

Q73 Mr Leech: But from a transparency perspective, is it reasonable for Camelot to suggest that the lottery duty they pay should be classed as part of their proportion of money that is being returned to society, or is that a bit of a—

Stephen Ravenscroft: My instinct is no, it is a tax. I think if, as a purchaser of the ticket—

Q74 Mr Leech: Is it a way of artificially boosting their credibility in terms of the money that goes to good causes?

Stephen Ravenscroft: It would certainly make them appear better. My instinct is that if you are buying the ticket you are expecting that money will go to the good cause, and the good causes would be the various lottery-funded projects we see up and down the country. I do not think you would necessarily see the public purse as being a good cause.

Q75 Chair: The Government is not a good cause?

Benjamin James: It depends what you would like to do with the money.

Q76 Mr Sutcliffe: In general terms, do you agree that the growth of society lotteries is a good thing for charities? If you do, what action do you think Government should take to try to assist in the development of society lotteries?

Karl Wilding: The evidence we have from our members is that the money that society lotteries provide them with is extremely useful. It is especially useful for smaller organisations that do not always have the brand recognition that larger organisations do. I referred before to the Centre for Market and Public Organisation at Bristol University. They have some good research that talks about how lotteries, and specifically the National Lottery, benefit smaller organisations in particular.

In terms of what the Government could do, we are told by our members that the process of setting up a society lottery is difficult and, unless you have an external lottery manager, it is extremely difficult if you are a smaller organisation. It may well be the case that more could be done in terms of deregulating at the point where you are setting them up. I am mindful, though, about how the market operates and the difference between large and small organisations. It may also be the case that Government can be helpful by thinking carefully about its next steps when it comes to deregulation.

Q77 Mr Sutcliffe: Are there any concerns about the ownership of some of these companies that operate on behalf of the external companies, whether they are for profit or not? Is there any concern about that you have encountered?

Karl Wilding: Again, I would refer to my general point about public trust and confidence in charities. If it is the case that any fundraising activity involves
an organisation that is making profit from running that activity, I just think we have to be clear and transparent with the public that that is how it operates. It will no doubt be the case that some people are very relaxed about private operators running something on behalf of a charity, but others may not be. We just have to make sure that we give potential players the best basis to decide.

**Stephen Ravenscroft:** I would agree with that. I think it is important that members of the public understand. Inevitably we have seen the rise of the external lottery manager, and we have increasingly more sophisticated societies out there. You were just hearing before from the Health Lottery, for example; a very sophisticated large-scale operation. I would have thought that members of the public will appreciate that there are costs in operating that. The problem at the moment is that that is not transparent. It is not understood. Inevitably, companies are going to be making money out of this sector, but I think, provided that we are transparent, it is for the public then to understand and appreciate that that is the way it operates.

**Q78 Mr Sutcliffe:** Do you have anything to say on what Government could do, in addition to what Karl said?

**Stephen Ravenscroft:** Certainly we feel that there should still continue to be minimum requirements with regard to how much goes to the good cause. There might be certain things that can be done around a new start-up lottery to make life a bit easier for them in those early stages, but we do need to balance against that the public trust and confidence and the fact that the Gambling Commission has a job to do and the sector needs to be regulated, because there are some probably more unscrupulous operators out there.

**Karl Wilding:** Also, some of NCVO’s members would take the view, whether it is the National Lottery or society lotteries, that this is gambling and that they think it is unwise to further deregulate gambling. We do not have a view on that specifically. It is just that, if their views are mirrored by a wider section of the public, we would want to make sure that any deregulatory activity does not harm public trust and confidence in charities.

**Q79 Mr Sutcliffe:** I was coming on to that, because I have a number of organisations within the constituency who will not apply for lottery grants because it is gambling. How big is that an issue within your organisation?

**Karl Wilding:** It is not an issue that we come up against on a daily basis. We are aware that many voluntary organisations have a religious sort of underpinning, if that is the right expression. I am certainly aware of at least one organisation that I am familiar with that will not apply for lottery funding. Again, we just try to be cognisant of those different perspectives.

**Q80 Mr Sutcliffe:** In general terms this morning we have heard that Camelot and the National Lottery are concerned to protect their brand. Do you have a view about their role in relation to society lotteries, and do you think they are being heavy-handed, or wouldn’t you like to comment?
Benjamin James: Generally, Camelot is very supportive of the charity sector and does not usually have too many problems in that area. The charities work with them in various ways. The issue that we probably have is that, if there are a number of large lottery providers that advertise on television and do not have transparency or can damage the public trust and confidence, that is going to damage charities as well as the National Lottery. From our clients’ perspective, we can understand why there are concerns.

Q81 Chair: Just following on that, can I just ask you where you stand, both of your organisations, on the Health Lottery? There is one view that the Health Lottery is exploiting a loophole in the law, that it gives the absolute minimum it has to to good causes, and that it is essentially a money-making machine for the ELA. Then there is also the view that it is healthy competition, that it is benefiting a lot of causes that otherwise would not benefit and that it is generally a worthy organisation. Where in that spectrum does the NCVO stand?

Karl Wilding: I am aware that all society lotteries are contributing very much-needed money to what those good causes are doing, and the Health Lottery is one of those that is contributing.

Q82 Chair: So you have no concerns about the operation of the Health Lottery.

Karl Wilding: First of all, in the interests of transparency, I should state again that NCVO are running a lottery, and indeed we have run a lottery in the past. We have adopted a similar model, where a number of society lotteries are then amalgamated in terms of something that has a national branding. You may not feel that I am a disinterested party on that issue.

Q83 Chair: What proportion did you give to your good causes?

Karl Wilding: The one that we are setting up at the moment will be 40%.

Chair: 40%, rather than 20 point something, which is what the Health Lottery gives.

Karl Wilding: Yes. But I do not want to implicitly criticise the Health Lottery in making that stand.

Chair: And the Charity Law Association?

Stephen Ravenscroft: I think legally, it fits within the law and it is compliant. We have a series of societies, and there are no restrictions on the ability of these societies to be branded in a particular way. They are run in accordance with the terms of the Act. Whether that was in the mind of Parliament at the point when the Act was passed is a different issue, and you could view it as being an extension of how one might have viewed society lotteries back in 2005 at the very least. I do not know whether you want to add anything.

Sophie Pughe: No.
Q84 Chair: Can you just comment on what particular changes to the law you would like to see to make life easier for your beneficiaries?

Stephen Ravenscroft: I think one issue surrounds the 80/20 split and, in particular, the 80% bit of that.

Q85 Chair: You have made the suggestion that the 20% should be measured over a period, rather than—

Stephen Ravenscroft: Quite possibly, yes. We hear that lotteries starting out have difficulties with regard to being able to keep to the 20% but then, over the life of that lottery, hopefully they will be able to raise much more than 20% on average each year for the cause that they support. Clearly in that first year it can be a matter of some stress in trying to get the figures to work. We thought there was a possibility of looking at it over a three-year period, for example, which sounds like a good idea, but then the other point about that is that not all society lotteries will last for three years, just as much as with any start-up business. Some will succeed and others will fail. We felt that there was a bit of a challenge there in being able to enforce that, because you might have one that lasts for 18 months and, over the period of that 18 months, has only given 15%. There is a challenge there as to how we would deal with that. I do not know if you want to add anything on that.

Benjamin James: I agree with those points.

Q86 Chair: You have come up with a suggestion, and you have now presented us with the problem.

Stephen Ravenscroft: Sorry.

Chair: Do you have the solution to it?

Stephen Ravenscroft: You could probably include an ability or some obligation to use best endeavours, or something along those lines, to make sure that as many funds are raised as possible over a three-year period. It may then become a problem for the Gambling Commission as to how they would view that and whether they would feel that the society had acted in good faith in the way that it had conducted itself over that initial period. I do not know whether you have any thoughts on that.

Q87 Chair: NCVO have reservations about this, I understand. Is that correct?

Karl Wilding: We have general reservations about deregulation. To coin an old phrase, one person’s red tape is another person’s safety net. We are slightly apprehensive about making substantive changes to caps or prize limits. Again, the thing that our members have told us is that setting up is difficult unless you have an external lottery manager, so I think that would be an area where we may look for change, but the primary interest that we have is maybe not requiring legislative change. It is more that we would like the lotteries themselves to publish those statistics.
Chair: I think that is all we have. Thank you very much for coming this morning.