

Summary: Intervention & Options

Department /Agency:

Department for Culture,
Media and Sport

Title:

The Gambling Act 2005 (Variation of Monetary Limit) Order 2008

Stage: Draft SI consultation

Version: 1

Date: 17 July 2008

Related Publications:

<http://www.>

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What is the problem under consideration? Why is government intervention necessary?

Society lotteries are lotteries typically promoted by national and local charities, sporting and social clubs in order to raise funds for local good causes such as hospices. Society lotteries whose proceeds exceed £20,000, or £250,000 in any calendar year, must hold a lottery operating licence issued by the Gambling Commission. Some 630 groups currently hold such a lottery operating licence.

The objectives of the Gambling Act 2005 (the Act) are to prevent gambling from being a source of crime or disorder; to ensure that gambling is conducted in a fair and open way; and to protect children and other vulnerable persons from being harmed or exploited by gambling. To this end, the Act contained limits on proceeds and prizes of society lottery draws. These ensured that draws run for the purpose of raising funds for charitable and sporting activities remained primarily attractive to supporters of those causes, and did not offer prizes so large that they a) changed the character of a society lottery by appealing to players for whom winning a prize of a significant amount would be a greater attraction than supporting the charitable cause in question; b) potentially brought about increased fraud and other criminal activity, or increased risk of problem gambling.

These monetary or percentage limits on proceeds and prizes in society lotteries are set out in section 99 of the Act, which requires the Gambling Commission to attach various conditions to lottery operating licences. Section 99(3) imposes a requirement that the proceeds of any lottery may not exceed £2 million, and that the aggregate of the proceeds of lotteries in a calendar year may not exceed £10 million. Section 99(4) prohibits the purchaser of a society lottery ticket from being able to win more than £25,000 (if the total proceeds of the lottery are under £250,000), or 10% of the proceeds (if they are £250,000 or more). Therefore, the maximum prize which can be offered in a society lottery is currently £200,000. Section 99(2) stipulates that a minimum 20% of the proceeds must go to the relevant good cause. Section 99(11) of the Act permits the Secretary of State to vary by order any of the monetary amounts or percentages set out in section 99.

In recent months DCMS has received representations from the Lotteries Council (LC) and the Hospice Lotteries Association (HLA), seeking changes to the regulatory regime for large society lotteries. These argued that though very few societies currently reach the present limits, the present limits hold them back, for example by preventing a number of societies coming together to promote a larger one-off annual draw.

The aim of these representations was therefore to persuade the Government to increase the present limit on the proceeds which are permitted to be raised by society lotteries in a single draw, under section 99, from £2 million to £5 million. In order to attract more members of the public to purchase tickets, the LC and the HLA also sought an increase in the maximum prize that could be offered in a draw to £1 million. This would entail an increase in the maximum percentage of proceeds that could be offered in prizes, to 20% from the present 10%. As an alternative option the LC and the HLA suggested that this 10% maximum might be retained, implying a maximum prize fund of £500,000.

DCMS Ministers have always been willing to consider representations made to them that they should exercise their power to vary society lottery limits in order to benefit the good causes supported by society lotteries. In 2002 the Government responded positively to representations when the then limits were doubled, both on proceeds on individual draws and on the overall annual limit for each society lottery, to their present levels of £2,000,000 and £10,000,000 respectively. At that time the maximum ticket price was also doubled to £2, a limit which was removed altogether by the Act.

Gerry Sutcliffe, the Minister with responsibility for gambling, considered carefully the representations recently made by the LC and the HLA, as well as those of the Gambling Commission (the Government's principal adviser on gambling matters) which has long recommended an increase in society lottery limits. He also noted that the campaign for an increase has attracted significant support in Parliament. Through signing Early Day Motion 1570 tabled in May this year, seventy Members of Parliament expressed support for an increase in proceeds limits under the Act, specifically in relation to hospice lotteries.

The Minister set out his response to the present LC/HLA campaign in a written statement on 16 July 2008. In his statement he made it clear that he accepted the LC/HLA case that some increase in society lotteries limits was merited.

What are the policy objectives and the intended effects?

The Government is proposing to increase the limit on proceeds contained in section 99(3)(a) of the Act from £2 million to £4 million. The Gambling Commission is in agreement with this increase and, subject to Parliamentary approval of the Government's proposals, proposes to effect the change by amending its Licence Conditions and Codes of Practice to allow permit society lotteries to take advantage of the new limits. The Government is not proposing to amend any other percentages or monetary sums contained in section 99.

The effect of the proposal will be to enable large societies to receive proceeds up to £4 million in the promotion of a society lottery. The Government does not propose to vary the limits in section 99(4)(b) regarding prizes; therefore a society lottery would be able to offer a maximum £400,000 prize (if the maximum proceeds are received).

The Government believes that this level of increase achieves a satisfactory balance between providing a valuable boost to hospices and other charitable enterprises which raise funds through lottery draws, and retaining the character of society lotteries, thus remaining wholly consistent with the licensing objectives of the Act.

What policy options have been considered? Please justify any preferred option.

This proposal arises out of a specific application from the LC and HLA to the Government for an increase in society lottery limits. The Department considered carefully whether any other deregulatory measures were available to assist the society lottery sector. However, the Gambling Act 2005 had already introduced a range of deregulatory measures to benefit society lotteries, and this left little scope for any further such measure.

Another option would have been to reject the LC/HLA case completely and leave the limits unchanged. However, the Minister decided that a strong case had been made for an increase in the maximum proceeds that society lotteries may raise in a single lottery draw, and saw no good reason why societies should not be able to come together to promote larger one-off draws, taking advantage of a higher proceeds limit. Moreover there had been no increase since 2002. It therefore appeared to the Minister that an increase was due.

(cont.)

Having reached this conclusion, the Minister was obliged to come to a view on the correct amount of any increase and where it might be applied on the limits within section 99. In doing so, he had to balance arguments put to him for increasing the amount which society lotteries can raise for projects, with his responsibility to ensure that the licensing objectives of the Act are protected.

He took the view that most people play society lotteries primarily because they wish to contribute to the good causes concerned, which are often hospices and other local charities. The current maximum prize which a person can win in a society lottery is £200,000. However, there appeared to him to be a risk that significantly increasing the prize limit could change the character of a society lottery by appealing to players for whom winning such a prize would be a greater attraction than supporting the charitable cause in question.

In the Minister's view, the potential to win a significant sum could bring with it increased risks associated with problem gambling. This would be the case particularly if such a prize were offered on a regular basis, for instance by an external lottery manager organising draws on behalf of a number of charities, either jointly or in sequence. Furthermore, the significantly larger sums of money in these lotteries could increase the potential for fraud and other criminal activity.

Having weighed these considerations, the Minister concluded that there was indeed a reasonable justification for a limited increase in the maximum proceeds that society lotteries may raise in a single lottery draw. However, he felt that this should be on a more modest scale than that suggested by the LC and the HLA.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

One year after implementation.

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

.....Date:

Summary: Analysis & Evidence

Policy Option: Consult on draft SI	Description: Draft SI to double the limit on proceeds from individual society lottery draws, from £2 million to £4 million.
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups': The Order will impose no obligatory costs on charities, sports clubs etc that run lotteries as none will be obliged to run a draw with the new higher proceeds limit. Those that do so may need to print more lottery tickets, but this expenditure will be more than counter-balanced by increased proceeds.		
	One-off (Transition)	Yrs			
	£ None				
	Average Annual Cost (excluding one-off)				
	£ None		Total Cost (PV)	£ None	

Other **key non-monetised costs** by 'main affected groups' None.

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' The measure would double the maximum income from individual lottery draws of bodies that run them to as much as £4 million. However, the annual maximum will remain the same so there will be no net annual benefit.		
	One-off	Yrs			
	£ None				
	Average Annual Benefit (excluding one-off)				
	£ None		Total Benefit (PV)	£ None	

Other **key non-monetised benefits** by 'main affected groups' None.

Key Assumptions/Sensitivities/Risks The Department has considered whether the proposed increase, by permitting a maximum prize of £400,000, could attract players away from the National Lottery and thus diminish income for the Good Causes. We would welcome the views of interested parties on this point during the consultation process. However, we are generally of the opinion that the National Society and society lottery sectors can co-exist successfully. The sectors differ greatly in size, the National Lottery raising approximately £5 billion a year as opposed to an annual total of £170 million by society lotteries. When the limits were last increased (they were doubled in 2002) there was no evidence of a significant effect on National Lottery income.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £ None
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What is the geographic coverage of the policy/option?	Great Britain				
On what date will the policy be implemented?	2 nd quarter 2008/9				
Which organisation(s) will enforce the policy?	The Gambling Commission, through its Licence Conditions and Codes of Practice				
What is the total annual cost of enforcement for these organisations?	£ None				
Does enforcement comply with Hampton principles?	Yes				
Will implementation go beyond minimum EU requirements?	Yes				
What is the value of the proposed offsetting measure per year?	£ n/a				
What is the value of changes in greenhouse gas emissions?	£ n/a				
Will the proposal have a significant impact on competition?	No				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; background-color: #ffffcc;">Micro none</td> <td style="width: 25%; background-color: #ffffcc;">Small none</td> <td style="width: 25%; background-color: #ffffcc;">Medium none</td> <td style="width: 25%; background-color: #ffffcc;">Large none</td> </tr> </table>	Micro none	Small none	Medium none	Large none
Micro none	Small none	Medium none	Large none		
Are any of these organisations exempt?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> </tr> </table>	No	No	No	No
No	No	No	No		

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)
Increase of £	Decrease of £	Net Impact £ None

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Results of the specific impact tests are set out below.

Competition assessment

All charities, sports and social clubs and local authorities wishing to run lottery draws will be able to benefit from the new increased limit on proceeds. The measure will therefore in no way threaten the ability of any single lottery licence holder to compete with other licence holders.

We do not believe that society lotteries are in competition with the National Lottery, for the reason that the two types of lottery have an entirely different ethos. Members of the public purchase society lottery tickets primarily to benefit the good cause in question, whereas they purchase Lotto tickets primarily in order to have a chance to win a significant amount of money. We do not believe that by allowing society lotteries to offer a maximum prize of £400,000 instead of £200,000, the measure will significantly alter the ethos of society lotteries. Gambling Commission advice supports this analysis.

(See also Key Assumptions/Sensitivities/Risks above.)

Small Firms

Commercial operators such as small firms are not permitted to apply for society lottery licences. Commercial lottery managers and suppliers will be equally able to compete for new business created by the increased limits.

Legal Aid

No impact.

Sustainable Development

No impact.

Carbon Assessment

There may be some increase in the number of lottery tickets printed, in order to accommodate greater demand, but we do not believe that this will have a measurable impact in environmental terms.

Other Environment

No impact.

Health Impact Assessment

As shown in the Gambling Prevalence Study 2007, the level of problem gambling associated with society lotteries is negligible. (Just 2.1% of problem gamblers participated in a lottery other than the National Lottery in 2007.) We do not anticipate that the proposed increase in the limit on individual lottery proceeds will lead to an increase, but under the Gambling Act, all licensed operators have a social responsibility duty to run their operations in a way that complies with the objectives of the Act. The Gambling Commission as the regulator has a duty to uphold the same principles, and has the powers to regulate accordingly through its Licence Conditions and Codes of Practice.

Race Equality

No impact.

Disability Equality

No impact.

Gender Equality

No impact.

Human Rights

The provisions of the Order are compatible with the European Convention on Human Rights.

Rural Proofing

Society lottery operators in rural areas would be able to benefit from the measure in the same way as their urban counterparts.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	✓	
Small Firms Impact Test	✓	
Legal Aid	✓	
Sustainable Development	✓	
Carbon Assessment	✓	
Other Environment	✓	
Health Impact Assessment	✓	
Race Equality	✓	
Disability Equality	✓	
Gender Equality	✓	
Human Rights	✓	
Rural Proofing	✓	

ALL RESULTS IN EVIDENCE BASE SECTION. (No annexes)