

# Digital, Culture, Media and Sport Committee

## Oral evidence: What next for the National Lottery?, HC 619

Tuesday 26 April 2022

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Members present: Julian Knight (Chair); Kevin Brennan; Steve Brine; Clive Efford; Julie Elliott; Damian Green; Dr Rupa Huq; Simon Jupp; John Nicolson; Giles Watling.

Questions 148 - 268

### Witnesses

[I](#): Clara Govier, Managing Director, People's Postcode Lottery; Donald Macrae, Promoter, Health Lottery; and Tony Vick, Chair, Lotteries Council.



## Examination of witnesses

Witnesses: Clara Govier, Donald Macrae and Tony Vick.

Q148 **Chair:** This is the Digital, Culture, Media and Sport Select Committee and this is our latest hearing into what next for the National Lottery. We are joined in this session by Clara Govier, the managing director of the People's Postcode Lottery, Donald Macrae on behalf of the Health Lottery, and Tony Vick, chair of the Lotteries Council. Clara, Donald and Tony, thank you very much for joining us this morning. Presuming there are no declarations to make from any Members, I will move on to the first questions, which will come from Kevin Brennan.

**Kevin Brennan:** Good morning, everybody, and thanks for coming in front of the Committee today. To what extent do the society lotteries compete with the National Lottery? Can I ask Tony first?

**Tony Vick:** We do not see ourselves competing at all with the National Lottery. We see the society lottery sector and the National Lottery as being complementary to each other. There is a lot of evidence to support that view that has been published over the years. There have been reports published by NERA and by Cebr. The Gambling Commission itself has published several reports that have also supported the view that there is no impact on the National Lottery from society lotteries.

Q149 **Kevin Brennan:** In 2019, in front of the Public Accounts Committee, the CEO of Camelot suggested that the increase in spending power of society lotteries was a threat to the National Lottery, to National Lottery income, and could reduce the amount of money that the National Lottery could ultimately donate to good causes. What is your killer statistic to say that the CEO of Camelot did not know what he was talking about?

**Tony Vick:** Camelot has been raising that particular issue since 2011, since the Health Lottery launched back then. It said at the time that the launch of the Health Lottery would be the death knell of the National Lottery and that it would severely impact the amount it raised for good causes, yet all the evidence is completely to the contrary. While society lotteries have increased over that period, the National Lottery has as well, with exceptions in two years for reasons that are reasonably well known.

Q150 **Kevin Brennan:** What are the reasons? We need them on the record. You cannot just say that they are well known.

**Tony Vick:** The reasons that National Lottery sales dropped in two years was, first, because they doubled the price of Lotto from £1 to £2, and the other reason was that the number of balls was increased from 49 to 59, therefore massively reducing the odds of winning.

Q151 **Kevin Brennan:** If it is so obvious and the evidence is so clear, why do you think he said that and carried on saying it?

**Tony Vick:** That is a good question. I suspect you should—



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**Kevin Brennan:** It does not seem very logical, does it?

**Tony Vick:** No, it does not.

**Kevin Brennan:** If you are not a threat at all, why would he be banging on about it?

**Tony Vick:** Camelot claimed to have commissioned a report from Frontier Economics, which—

Q152 **Kevin Brennan:** You say it “claimed” to commission it. Did it commission a report?

**Tony Vick:** They have commissioned a report but they will not publish it, so they selectively quote from it. It says that there is a potential threat from society lotteries to the National Lottery. However, we have not seen the report. They have refused to publish it when we have asked them to. We do not know what other conclusion the report reached, so we know nothing about the sort of research that was involved in publishing that report. Camelot none the less do quote from it from time to time.

Q153 **Kevin Brennan:** Mr Macrae, apart from the scale of it, what makes society lotteries different from the National Lottery?

**Donald Macrae:** One of the important differences is the type of funding that they provide. First, it is considerably less than the National Lottery but it is very often of a different type. What charities need in funding is divided into restricted donations and unrestricted donations. Restricted donations are where the charity is given money but it is told what to do with it. With unrestricted donations, they are just given money. I am generalising, but there is an important trend there. The National Lottery tends to give restricted funding for particular projects or to carry out particular activities. Society lotteries provide far more unrestricted funding, which allows the charities simply to exist, so that they can pay staff, they can pay rent and so on. That fits together very well.

In terms of proportions of the overall amount going to charities from lotteries—the National Lottery and society lotteries—it is quite appropriate that the society lotteries are there providing a lot of the funding that allows these charities to deliver some of the National Lottery projects that they also have. This is an important distinction that has been missed in the adversarial approach to the relationship that Camelot has always been positing. We would rather see it, as Tony said, as a collaborative venture to try to help good causes, where there is room for both.

Q154 **Kevin Brennan:** If all restrictions were removed from society lotteries, the logic of your argument is that they should be, isn't it? You claim that that would make absolutely no difference whatsoever, because you are not competitors to returns to good causes from the National Lottery? Is that what your argument is?



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**Donald Macrae:** Sorry, I do not quite understand.

**Kevin Brennan:** In his answers to me, Tony said you do not compete with the National Lottery—they are not competitors. My question is that, often, there is lobbying from society lotteries and the umbrella bodies that represent society lotteries to remove regulation, to increase prize money and to allow for much larger draws. The logic of the argument is that if you are not competitors, then taking away all that regulation would make absolutely no difference to returns to good causes of the National Lottery because in no way are you in competition. Is that your argument?

**Donald Macrae:** It would probably be the case. We are not advocating removing all regulations from society lotteries.

Q155 **Kevin Brennan:** No, but if you are not competitors—I am asking you hypothetically—is that your argument? Is there a point at which you would become competitors if further deregulation were to take place?

**Donald Macrae:** If there wasn't deregulation, the society lotteries are still faced with commercial reality; we are still faced with market forces. There is no way that society lotteries could ever offer the sort of prizes that the National Lottery offers.

Q156 **Kevin Brennan:** Why not, if you upped your advertising bill and you got out there and swamped the market?

**Donald Macrae:** Because that is a massive amount of investment on quite a risk. To compete with something like EuroMillions would require an enormous amount of investment. It is the size of the—

Q157 **Kevin Brennan:** I am talking about the National Lottery, but yes, okay. Clara, is there anything that the National Lottery learns from society lotteries?

**Clara Govier:** As Donald has already said, there are a lot of complementary things that we do, and the main purpose should always be about what we can return to society, one thing being the charitable proceeds. From a learning point, it is about collaboration and how we can work best to increase the overall pie going back to charities as a whole sector. That is what the National Lottery could learn from. I was pleased to see within the new licence framework that the charitable proceeds take a more front and centre point within that licence going forward.

**Kevin Brennan:** That is something that this Committee has pressed very hard for.

Q158 **Chair:** Mr Macrae, why is it that the Health Lottery donates something like 20.3% of its ticket price to causes while the National Lottery donates 28% of its ticket prices?

**Donald Macrae:** Good question, but it is slightly out of date. The Health Lottery has been donating 25.5%. In response to the pandemic we



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increased the percentage. We are now providing 25.5% and that is from all sources. Even our instant-win games and our scratchcards are still providing 25.5%. The National Lottery, on the other hand, you quoted 28%—

**Chair:** That is the ticket price—that is tickets, so it does not include scratchcards.

**Donald Macrae:** I will come on to scratchcards if I may. Twenty-eight per cent. is the figure that Camelot has quite often quoted, but it has not hit that percentage in many years. In the last few years it has been around 21%, so in fact the Health Lottery is contributing a higher percentage than the National Lottery, and that is on the main draws. When it comes to the scratchcards and instant-win games, sometimes the National Lottery product is returning 10%. Society lotteries overall are returning 44%.

**Chair:** Are you saying it is 21% for the National Lottery overall or 21% of ticket sales?

**Donald Macrae:** Of ticket sales.

Q159 **Chair:** You said there that 25% is your new benchmark, but you said it was in response to the pandemic. Does that mean that that is now set in stone and that is the amount you are going to do going forward, or will you go back on that at a later date?

**Donald Macrae:** I cannot see us going backwards.

**Chair:** You cannot see you going backwards?

**Donald Macrae:** I cannot see us going backwards on that, no.

Q160 **Chair:** Why?

**Donald Macrae:** Because we are in the business of trying to raise money for good causes. The whole point is to try to get as much money through to the causes that we support.

Q161 **Chair:** The reason that I am asking you why is partly because, “I can’t see it happening” is, dare I say, quite a political answer—it’s like, “I can see no possibility or no foreseeable circumstance in which I would run for leadership.” It’s that sort of answer. By the way, that is not a bid. I would say that that does not sound like a very firm commitment in my book. It sounds like you are not saying categorically that you will retain your current percentage of the ticket sales going to good causes at 25.5%.

**Donald Macrae:** What we would like to do is to keep increasing it, as PPL has done. As I say, the reason that we are doing this is to try to tackle the major challenge facing society that the Health Lottery is trying to deal with. I saw today the Office for National Statistics saying that the life expectancy of a person in a deprived community is now 10 years



lower than the life expectancy of somebody in a well-off community. The Health Lottery is there to tackle that issue.

Q162 **Chair:** With respect, Mr Macrae, it was 10 years' lower life expectancy when you were paying 20.3%. It was still the same then. I know that, because in my constituency, between the north of the constituency and the south of the constituency, there is an eight-year life expectancy difference.

**Donald Macrae:** We contribute as much as we can afford to do. That has been the reason why it has been 20.34%. The 0.34% is to cover administrative costs of the grant distribution. It was increased because of the severe conditions of the pandemic. As I was explaining, we are dealing with inequalities between communities. These were further accentuated by the pandemic. One of the things that we spend a lot on trying to deal with is social isolation. Isolation became even worse during the pandemic and, therefore, there was much greater need for us to try to get money out there to these charities. That is what drove us to increase the percentage going out. It was not, "Can we afford it?"; it was, "We have to do something to help."

Q163 **Chair:** You have all mentioned or referenced—at least, Tony and Donald, you have both referenced—Camelot's approach to yourselves as slightly aggressive, slightly territorial. You must be pleased that it has lost the contract now, mustn't you?

**Donald Macrae:** It has not been the easiest partner to work with in the sector and we would like to see a change from Camelot, if it does end up having the franchise, because that seems to be depending on the legislation. We hope that whoever it is that ends up winning the franchise sees a more positive way of working together with society lotteries.

Q164 **Chair:** Allwyn is in the box seat at the moment. What does it have to do going forward in order to have a better relationship with the likes of your three organisations? Clara, I will ask you that same question in a second.

**Tony Vick:** Over the years, the Lotteries Council has made overtures to Camelot to try to get a friendly relationship. As I said to Mr Brennan at the beginning, we see ourselves as complementary. After all, we both exist to raise money for good causes; therefore, we should not be at each other's throats. We have made those overtures but, sadly, they have been rebuffed. We would like to have a better relationship with the operator of the National Lottery. Obviously, it makes sense with, potentially, a new person coming in. We still do not know whether that is going to be the case or not, but there is scope there to approach the new operator, if there is a new one, and to try to build that sort of relationship.

Q165 **Chair:** I am not clear exactly how it is supposed to have a better relationship. Clara, maybe you could put some flesh on these bones for us. If Allwyn does retain its successful bid for the National Lottery franchise, how does it ensure—specifically what does it have to do in



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order to ensure—a better relationship with your sectors?

**Clara Govier:** It is in all of our interests to ensure that the National Lottery is run in the right way. That means that good causes are the central piece of that jigsaw. The new licence, as I said, has brought that in and I think that there is opportunity through the funding mechanisms to work together collaboratively to ensure the impact to the charities that we all support.

I will give you an example. British Red Cross has received over £10 million-worth from our players and that supports the core cost of its operations. Complementary to that, it has received over £10.5 million from the Big Lottery Fund. That is for project-specific work that would not be able to take place unless it had the core funding from us. That is where we can bring power and a partnership together with society and the National Lottery, and where we can do more for charities, which should be the ethos that we are all working for. Certainly, for the People's Postcode Lottery, that is our main, central message. It is about how we grow that pie for everyone within a charity sector when they most need it.

Q166 **Clive Efford:** I will start with you, Donald. Could you explain why the money for good causes has fallen as a proportion of total sales since 2008-09?

**Donald Macrae:** I can. I have a chart here. It is too far away for you to read, but you can see that there is a very dramatic blue line going way up, which is the total proceeds.

**Chair:** That is way too far for us to read, I am afraid, so maybe just put it into figures for Clive if you could.

**Donald Macrae:** Since 2009 the society lottery sector has been completely transformed. It tended to change around about 2011, and since then there has been incredible growth in the total amount raised by the lotteries. This has been mainly because of investment in ELMs, the external lottery managers, a greater professionalism in terms of fundraising and more professionalism in marketing, and these things are expensive. In 2009 something like 54% of the proceeds were going directly to the good causes, and that was still the case around about 2010. In 2011 that started to drop a bit. It has only dropped to 34%, but it is a different percentage of a radically different number, and the total amount that has been raised has been increased by something like 275%.

**Clara Govier:** It is 257%.

**Donald Macrae:** A 257% increase. The amount going to good causes since 2011 has increased fourfold. Therefore, it is a smaller percentage of the overall amount of the proceeds because of the costs of expenses and prizes, but it is a much larger amount that is going through to the charities. The higher figure was representing the old school way of doing





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it before the ELMs came in and before all the society lotteries became more professional.

It is not just lotteries like the Health Lottery and PPL. When the Health Lottery launched in 2011 there was a 45% increase in overall sales to the society lottery sector. A lot of that went to the Health Lottery because of its launch. However, the Health Lottery could not maintain that level of sales. It is inevitable that lotteries decline and need to reinvent themselves, yet the sector kept growing. It acted as a sort of catalyst to open up the lottery sector.

Before the Health Lottery was launched, we talked about “the lottery”. There was just the lottery, and it was the National Lottery. After the Health Lottery people became more aware of lotteries and now people are very aware of the range of lotteries that are out there—PPL particularly and also hospices and air ambulances. There are many, many lotteries. That has changed the public perception and it has increased the overall market.

One of the issues that we have had with Camelot is when it says £1 given to us is £1 taken away from it. It is not a zero-sum game. The British public has an enormous capacity to fund good causes. The simple example is Comic Relief. On Red Nose Day the public find tens of millions of pounds and on Saturday, the next day, lottery figures are no different. People will find extra if the ask is right. There is not a finite pool of charitable giving that we are all struggling to compete for. If we get the ask right, the public will provide the donations.

**Q167 Clive Efford:** The question is why is it that the proportion that is going to good causes has gone down. If we have seen the growth in the market that you are talking about, are we not entitled to see economies of scale? Would we not expect to see efficiencies in there that would either maintain or increase that proportion that went to good causes, rather than see it decrease because the market has got bigger?

**Tony Vick:** Can I answer that?

**Donald Macrae:** Please do.

**Tony Vick:** In the year to March 2009, the first year that you mentioned, society lotteries raised £95 million. That was, as you say, 53%. That reduced to 41% by 2013 and since then has steadily increased, not by huge amounts. But it has shown an increase to about 44% or 45% over the six or seven years since then. By the year to March 2020 we were raising £368 million, which is four times what we were raising when we were giving 53%. We are giving a lower percentage of a much larger cake.

To come back to your specific question, the reason it went down over the period from 2009 to 2013 was the entry of some large ELMs, such as my colleagues alongside me, who at the time were giving lower percentages





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to good causes. Simple maths would mean that the average percentage would, therefore, drop but that is a percentage of a much larger cake.

Q168 **Clive Efford:** Do I take it from that that you are saying that these larger society lotteries have had a detrimental impact on the amount of money that can go to good causes?

**Tony Vick:** No, they have had a very positive impact on the amount going to good causes. They may have impacted the percentage but charities do not spend percentages, they spend pounds. As I said, we have gone from £95 million to £366 million. It is a huge increase.

Q169 **Clive Efford:** Your objective is to make money available for good causes. If the system that exists now is able to give only 49%, where it was giving 53% of takings, that seems to me to be less efficient. We should be seeking to improve that, shouldn't we?

**Tony Vick:** Over the next couple of years since the July 2020 reforms we will see an improvement in that. Sadly, the figures are not available to demonstrate that for the year to March 2021, for reasons we will no doubt come to later.

Q170 **Clive Efford:** Expenses have stayed fairly stable during that period?

**Tony Vick:** Yes.

Q171 **Clive Efford:** So what is the reason?

**Tony Vick:** The only other sum in the equation is prizes, isn't it? It is prizes, expenses and good causes. They are the three bits that—

Q172 **Clive Efford:** What drives the money going into prizes? Is it competition?

**Tony Vick:** It is making the game more attractive to players. There are more and more large prizes being offered by more and more different types of games. We see multimillion-pound prizes being advertised in newspapers every week and the society lotteries have to compete and attract players from people playing those same sorts of games.

Q173 **Clive Efford:** What is the direction, the trend, within the society lottery sector? Are we likely to see more and more money being put into prizes and less money going to good causes if that trend continues?

**Tony Vick:** No, I do not think so. The good causes percentage is likely to increase. We have seen PPL's percentage to good causes increase over the years from 25% to 33% and, as Donald said, the Health Lottery has gone from 20% to 25.5%. The Health Lottery certainly is not reflected in the current set of numbers.

Q174 **Clive Efford:** Clara, you want to come in. Can I add my next question, which is about where the expenses go? You are made up of three community interests?

**Clara Govier:** No, that is the Health Lottery.



**Clive Efford:** Sorry, the Health Lottery. You are part of Novamedia?

**Clara Govier:** Yes, we are owned by a charitable organisation, a foundation at the top, but ultimately our purpose is to raise money by operating lotteries. We operate 20 lotteries on behalf of 20 postcode trusts, which receive the 33% from each ticket sale to award out in their grant programmes as they see fit. You will see funding in every constituency around this table. We have community grants, programmes that will cover those, as well as long term and unrestricted.

In terms of how we break down the programme, you are right. As we grow we try to increase the level going to good causes. At the moment the statutory minimum is 20%. Incrementally, as we have been able to afford it, we have reduced our operational costs, which includes marketing as well, and increased the amount going to good causes. The prize fund remains the same, the money going to good causes goes up, but the costs that we take go down. That is our model.

Q175 **Clive Efford:** Where ultimately is the brains behind it? Who owns it?

**Clara Govier:** The Novamedia Foundation at the top, which is the 100% shareholder foundation right at the top of the organisation, which then has companies that use the format successfully, in a number of different companies, the format being play with your postcode, win with your neighbours and give back to communities.

Q176 **Clive Efford:** Is there any form of profit or dividend that goes to those shareholders?

**Clara Govier:** No. Ultimately, it is not for commercial gain.

**Clive Efford:** Are all the expenses purely to run your operation?

**Clara Govier:** Yes, ultimately.

Q177 **Clive Efford:** What about the community interest companies that ultimately own the Health Lottery. Is it the same set-up?

**Donald Macrae:** The community interest companies, of course, are non-commercial so they cannot make a profit. We work with an ELM and the ELM is a commercial organisation. It is entitled to a profit. It has yet to make one. So far it has made losses on every year of running the Health Lottery, so the issue of profits has not arisen.

Q178 **Clive Efford:** How does the ELM sustain those losses?

**Donald Macrae:** Because it still believes in the good causes, it still believes in the future of the Health Lottery, and essentially its backer wants it to continue and will bear the losses.

Q179 **Clive Efford:** That person or that organisation that is sustaining that ELM, is that part of one of the CICs?

**Donald Macrae:** No, that is completely separate.



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Q180 **Clive Efford:** For purely altruistic reasons they are pouring money into the Health Lottery?

**Donald Macrae:** That is right.

**Clive Efford:** Extraordinary.

**Clara Govier:** One of the rules in relation to operating a society lottery is that the society lotteries themselves have to be completely independent from the external lottery manager.

Q181 **Chair:** Clara, I have a quick question for you. Obviously, I have seen your adverts with the Paul McCartney Wings record. I am not going to sing it under any circumstances.

**Clara Govier:** Thank you, I appreciate that.

**Chair:** I think everyone does. The percentage that you spend of your revenue on marketing and advertising, what is it?

**Clara Govier:** Ten to 10.5% has gone on marketing. As a business, we are a subscription lottery and we only sell online or by phone. We do not have the benefit of 44,000 kiosks around every doorstep within a mile of everybody. We do not have that on-the-doorstep promotion, so marketing is the driver of our sales and the returns to good causes. As I say, 10% to 10.5% is the static amount that has gone to marketing from our overall revenues.

Q182 **Chair:** Presumably, at the start it was higher than that and it has gone down over time as you established brand?

**Clara Govier:** Although as you also mature in the market and you have got the low-hanging fruit, let's say, then marketing becomes more costly to acquire new players.

**Chair:** The 10.5%, is that for marketing and advertising—all the television adverts and so on?

**Clara Govier:** Exactly, absolutely.

Q183 **Chair:** How does that compare more widely with the charitable sector? Obviously, there are things like Oxfam and Save the Children, and the NSPCC is quite famous for spending quite a lot on its marketing and advertising in order to bring in revenue. Do you benchmark yourself against those sorts of organisations?

**Clara Govier:** We do not, because it is a very different marketplace. Often with charities they will benefit from income from a very different number of streams. For instance, if you take some of those that you mentioned, they will also operate their own lotteries, as well as receiving funds from our lotteries, as well as doing direct marketing or face-to-face marketing, in the past anyway, pre-covid. They will have different revenue streams of which lotteries may be one of those, almost, lifecycle



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parts of their customer, and not the only one. Therefore, we do not benchmark against them in that respect—

Q184 **Chair:** I suppose to a degree as well that when you are an individual charity, rather than a lottery, you have an ongoing relationship. In your case it is a continuous hit; in theirs they will hope to be left money in wills and so on.

**Clara Govier:** Exactly. Certainly, when I worked in the charity sector before, you start at point A where they may give you £20 a month and you work through all the products that you would want to appeal to them about and engage that individual in, and there will be multiple touchpoints throughout their lifetime with you.

Q185 **Chair:** Having worked in the charitable sector, would you say that your marketing spend as a proportion would be lower than many charities? Would that be fair?

**Clara Govier:** I would hope it is. As I say, I do not have the figures to hand so I cannot definitely say that, but I would hope that it would be. Certainly, a lot of the ones that you have mentioned, the large and the small, will receive the benefit from many of the 4 million players we have, who will be contributing each month to those good causes up and down the country.

Q186 **Simon Jupp:** Staying with you, Clara, could you explain to us how you determine which organisations you financially support—which good causes and so on get your cash?

**Clara Govier:** First, it is not our decision, ultimately. We are the external lottery manager that manages the lottery on behalf of the postcode trust. Those 20 postcode trusts have their own independent boards and their funding programmes. What we are aligned on as an organisation, and those trusts, is the way in which that funding should support the sector. That is very much a case of making sure that the majority is unrestricted long-term funding, relationship-based funding, but it reaches pretty much everywhere within the country. It is very much fundamentally the decision of the postcode trusts where those funds go, but they will be looking at a range of reasons why they might support, impact being a considerable one, as well as something being very much community based, and how it will transpire, but also how it appeals to our players—ultimately, they are the donors to that particular trust in order to fund those programmes.

Q187 **Simon Jupp:** How are these independent boards constructed? How do you put them together?

**Clara Govier:** We have just undertaken recruitment for the trustees there. They are independently recruited. We use an agency to recruit them and they will join a board. Most boards have about five individuals on them and they will make all the decisions. There is an administration team that enacts those decisions.



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Q188 **Simon Jupp:** What qualities are you looking for when you are putting together these boards? What sort of people are we talking about here?

**Clara Govier:** An absolute range. It is what is needed for that particular trust. If you are working in the animal sector—a lot of the National Lottery funds do not support the animal sector so it is an area that we focus on—then certainly you will have individuals on there who will have expertise in the animal world. You also need a level of governance. These are large amounts of money, public funds, that we are distributing on behalf of those players, and we want to make sure that that is done in the right way. Therefore, you will have legal representation, you will have the charity sector, you will have governance experts and you will have finance experts, as well as those who have sector expertise, which is often where the discussions will come about as to whether this is the right partner or not.

Q189 **Simon Jupp:** In terms of transparency, how do you publicise those decisions and how do you publicise who is on these different boards? Do you do so?

**Clara Govier:** Yes. Each of those 20 trusts have their own websites. You can see who sits on the boards. Financial accounts are all positioned there. Through the People's Postcode Lottery commercial site you can also go through the charity pages there and see how it is administered.

Q190 **Simon Jupp:** Donald, the same question to you. How do you determine which organisations get your dosh?

**Donald Macrae:** What we are trying to achieve, as I mentioned earlier, is to tackle the causes of health inequality. These are very deep, very long-term issues. It is a very difficult thing to tackle, but we are primarily working with highly deprived communities. We are trying to see how we can improve the health prospects of people in highly deprived communities. We only target communities in the worst 20% according to the index of multiple deprivation. We are working with the really hard-to-reach communities.

We believe in a bottom-up approach in terms of trying to develop community resilience. If it is top-down, the resilience is not necessarily real. If it is coming from inside the community, so much the better. Therefore, we make it possible for communities to try to get the money from us. This is turning your question on its head. It is not so much how we decide; it is who we can prompt to come to us for the money.

We have different programmes running. In one of them, the Active Communities programme, we let charities know in a particular area that we are going to be open for applications. The applications have to be for projects that will have strong community control—that is bottom up, into the community itself that is making the decisions—and will also create better social links and ties within the community. These are the two conditions, and it has to be small and local.



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We then see the applications coming in. Sometimes we have to help them in trying to make applications. Again, with hard-to-reach communities, because they are hard to reach, they do not tend to volunteer so much and sometimes we do have to go out and try to find good candidates. We then go through the applications and we have a panel that makes decisions on how the money for that particular—

**Q191 Simon Jupp:** Do we know who those people are? Is that public? How do we access that information?

**Donald Macrae:** I am on that panel and we also work with a charity called People's Health Trust. People's Health Trust has a board of trustees who are all experts in health inequalities from academia or from the public health sector or from other practices.

**Q192 Simon Jupp:** Theoretically, using and looking at your particular methodology there, you say you target your funding towards the 20% where the issues are most prevalent. I understand that entirely, but there will be people across the country playing your lottery who will never see a drop of funding into their areas. Would they know that, necessarily?

**Donald Macrae:** We do our best to publicise it. It is not an easy message to get across in a snappy advert. The issue of health inequalities is something that is now being much better understood than it was in previous years. In some ways it is very like the Government's levelling-up agenda. It is recognising regional disparities, which is how the Government put it. It is a complex issue but it is a very important one. It is not that easy to explain it.

**Simon Jupp:** It is quite tricky, isn't it? It is not something that you put in a nifty TV advert or newspaper advert to try to explain that mechanism that you have just gone through.

**Donald Macrae:** It is something that we keep trying to find the magic bit of marketing for, because there are so many factors that do create this intergenerational inequality. Poor housing is a major factor. Isolation is a major factor. There are the things that lead to the intergenerational disadvantage. As opposed to individual lifestyle things like smoking or obesity, these tend to be more consequences of the levels of deprivation rather than the cause of it.

**Q193 Simon Jupp:** Moving on, how do you assist organisations that you have perhaps previously funded but then, in your specific example, they fall out of that 20% and lose funding? How do you deal with that and how do you help those organisations continue? They would be ineligible.

**Donald Macrae:** If they fell out of the 20%, that is a wonderful success.

**Simon Jupp:** The work would still be ongoing. There would still be problems in those communities.





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**Donald Macrae:** I mentioned the Active Communities programme. There we fund projects that tend to be one or two years. It is very rarely more than two years, but we have quite a few that we have been refunding for a few other occasions. We try to build in some notion of sustainability, and they are clear, when they get the funding from us, what the time limit is and that there is no promise that we will be funding them beyond that, although they may be able to reapply. We have other programmes called Local Conversations. These are longer-term, much more ambitious programmes working with particular communities where we try to guarantee funding over five years.

Q194 **Simon Jupp:** Clara, the same question to you. If for whatever reason it is decided by your local board that an organisation no longer requires that support or does not fit the criteria any more, how do you assist them with that transition, or do you do the same thing? Is it over two years? How does it work?

**Clara Govier:** The majority of the ones that are through the community programme—we have six regional trusts there—will ordinarily be project funding. However, once they have gone through a successful year of funding, we will look at how we fund them further, because it is also about rewarding the efforts as well as addressing the problems. Sometimes you can have organisations, for instance, that will cross over boundaries into areas where perhaps the need is also there. That is one way of doing it.

We are exploring through the community grants at the moment the way in which we fund for larger charities right now, which is long term and unrestricted, and if we can do the same in the community sector at the moment, because there is demand. As most of you will know within your own constituencies, a lot of these are run by volunteers and a lot of them require staffing and continuity beyond one-off funding. We are exploring that in greater depth because we think that that is an area where we can make a real impact. It is about staying with those organisations in the longer term to increase their impact and grow their resilience and sustainability, ultimately.

Q195 **Simon Jupp:** Tony, I do not want to neglect you in this conversation. Building on what we have just discussed about the Health Lottery, where people could be playing it and none of the funding goes into their area, for reasons that we have just gone through, do you think that if no society lotteries existed consumers would donate to good causes anyway, with less of that taken in profit?

**Tony Vick:** No, I think that is probably fairly unlikely. People like to have a range of different ways of giving their money to charity, of which playing a lottery is one very good example. It is part of the mix that charities use to raise money. I do not think, if you stopped charity lotteries altogether, that that money would come in via a different route. I think that it would be lost to charities altogether. There are some groups of charities—air ambulances and hospices spring instantly to





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mind—that rely very heavily on their lottery to produce the vast majority of their unrestricted funding. They would be very badly hit if society lotteries did not exist.

**Simon Jupp:** Donald, you are nodding to that. I am guessing that you agree wholeheartedly.

**Donald Macrae:** Yes, indeed. As Tony said, it is different forms of fundraising, and lotteries have been successful for centuries. It is a very common model. People can still donate, and playing a lottery is not the same as a donation. Playing a lottery, you are playing it in order to get something back as well. You could just make a donation of a larger amount but the prospect of winning something or some other form of entertaining the customer is just another form of fundraising.

**Clara Govier:** Similarly, if you look at our own player base, we know that 60% to 70% of them also play the National Lottery. It does not mean to say they do not also give to charity. Again, certain products will appeal to you, and others will find others that will do the same. I donate and I will play and I will do various other things. It is not fixing that a charitable donation can only be given directly; it can be done in many different ways, and it is successfully done, as you will see. You also have to understand the point from a charity perspective that to be dependent on one source of income is quite dangerous, as we have seen from covid, where the resilience of those charities that perhaps had a more sustainable footing was shown when face-to-face fundraising was lost.

Q196 **Steve Brine:** Welcome. I find you a fascinating curiosity. Reading about you and looking at the websites, I want to play, which may be my problem. I am trying to understand your marketing strategies a bit better. The regulation of society lottery marketing does not include a need to promote the link between playing the lottery and the charitable giving. There is no requirement on you to do that. If I take the Health Lottery first, it says on your website that, "The aim of the Health Lottery is to raise money for health-related good causes across Great Britain". How do you choose and in which ways do you choose to promote the charitable aspects of the lottery?

**Donald Macrae:** We do it by taking a strategic approach to the overall health challenge that is behind the name of the Health Lottery, which is: is this the root of health inequality? We have a strategic approach to it where we are trying to learn how to tackle this intergenerational problem that we have had with us for many generations. A lot of the work that is done in these 3,500 projects has also been evaluated, studied, and there is a lot of academic research that they are feeding into. We work with public health authorities and with the Department of Health as well in trying to find better ways of managing these community problems.

**Clara Govier:** Importantly, our players know who they are playing for at the point at which they are signing up. If you go on to our website you will see clearly the information relating to those. Also, when you are on



the phone, if you ring up, our call centre will give you that information. The benefit of having your postcode means that we can tell you about the local charities related to where you are, and it is great to be able to share that news with players and engage them in the work.

We also had a successful partnership with “Emmerdale” that was focused on the charitable aspect of what we were doing, to make sure that there was the connection between how you play and why you play. That for us has always been part of the ethos. It is about the awareness of those charities, because the first play point through which they come into contact with that charity may be us, but they may go on and have further conversations with that charity independent of us as well.

**Q197 Steve Brine:** How much do you narrowcast information back to individual subscribers? As you say, you have their name and their postcode. As we as MPs know, that is all you need to send 1,000 campaign emails. You have that information, you have the name, you have the postcode, you have their habits in terms of playing your game. How much information do you go back to them specifically with, versus what you would call the air-war campaign, which is your general marketing?

**Clara Govier:** At the point at which a caller phones up and we enter the postcode, we are able to link up our charitable giving with where their area is so that we are able to speak about those specific charities.

**Steve Brine:** That is them coming to you, isn't it?

**Clara Govier:** Yes, but that is our main driver.

**Q198 Steve Brine:** Do you go out to your subscribers and send them a daily email, a weekly email, saying, “I thought you'd be interested to know”?

**Clara Govier:** We send them a monthly charity news email, yes.

**Q199 Steve Brine:** Is that specifically tailored to where they live?

**Clara Govier:** No, but that is a technical challenge that we have currently and that we are going to be addressing over the coming months. We will be making it more—

**Q200 Steve Brine:** With respect, it is quite a big one, is it not? You have their name and their postcode. What is the technical problem?

**Clara Govier:** It is more about the granularity that we want to go down to and also what they want to hear about. At the end of the day, the players will sign up and look for prizes and be engaged by those prizes. They will then contact one of the touchpoints in which they sign up and they will be provided with the information about the charities that they are playing with. When you talk to our players, certainly the discussion point is very much on the range of charities that we support. Many of those that they love will be working with animals, as I said, or through to their local communities or even some of the relief work going on for



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Ukraine right now. They are engaged with that, so when you talk to our players and our winners, they very clearly know what they are supporting as part of their play.

Q201 **Steve Brine:** To both of you, what level of market research do you do with your players to ask, "How much are you motivated by charitable giving? How much are you motivated by the prizes on offer?" Because if you look at your marketing collateral, not surprisingly—Camelot did "It could be you"—you are not saying, "Play our lottery and give money to x", are you? You are saying, "Play our lottery and win heaps of cash." Donald, how much are you market researching your players?

**Donald Macrae:** I would say less than we should be but not as much as we are about to.

Q202 **Steve Brine:** Tell me what you are about to do.

**Donald Macrae:** We are planning to do a lot more market research. We are planning to look again at our marketing. We have been in business now for nearly 12 years and we need to keep renewing the brand, we need to keep renewing the way that we do things. At present we are taking stock of our operations and our marketing and looking at how we might do it better.

Q203 **Steve Brine:** Clara, are you doing any market research with your subscribers?

**Clara Govier:** With our subscribers we have a quarterly email that goes out as a survey to them to find out more about what appeals to them but also, on the charitable side, within the charitable areas, what they would like supported.

Q204 **Steve Brine:** Do they come back to you?

**Clara Govier:** They do, yes. We get a very good hit return on that and we are able to use that, but we certainly do not bombard them with emails about what they want. Ultimately, they are there for their chance to win as well as to support the communities in which they are playing.

Q205 **Steve Brine:** You both have plans to make members—players, subscribers—further aware of the good causes their ticket purchases support. Would that be fair to say?

**Clara Govier:** Yes, and I think that covid has shown that the consumer wants to know that information more as well, about how they are helping their communities.

Q206 **Steve Brine:** Yes, sure. The Public Accounts Committee made that point about the National Lottery as well.

Sticking with you, Mr Macrae, on the broadcast side of your marketing work, do you still broadcast your results on Channel 5?



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**Donald Macrae:** No. Channel 5 was part of the media empire behind our ELM but that was sold off many years ago. We do not have any TV advertising just now; it is simply too expensive.

Q207 **Steve Brine:** All right. Clara, you do quite a lot of TV advertising, don't you? I read somewhere that fraudsters pretending to be from People's Postcode Lottery are responsible for about half of all lottery cons in the UK. Do you recognise that? If so, why do you think that fraudsters are, dare I say, knocking at your door, or ringing your bell?

**Clara Govier:** Very good. I would say that any brand that is fairly high profile can be targeted by fraudsters, no doubt, but it is about how you respond to that and how you make sure that your players and prospective players are protected. We have a good working relationship with Action Fraud and various other different bodies. The model that we have is that when they subscribe, the majority of our players will play by direct debit. Any funds are paid back into that account and ultimately your postcode is your ticket. Therefore, we have a number of checks and balances that make the fraud harder for some of those fraudsters to perpetrate.

Q208 **Steve Brine:** Presumably, you spend a lot of money on TV adverts and you have production companies that work on them. Where are they filmed?

**Clara Govier:** The majority will be filmed on the streets where we are giving our funds—giving out winnings, I should say. We have an in-house capability to do the filming, so we turn it around in the most effective way that we can. We work with some agencies but that tends to be more on the creatives, which do not necessarily fit the winners. Our in-house team manages that in the most effective and cost-effective way we can.

Q209 **Steve Brine:** Do the people who wear the jackets have the best job in broadcasting? Is it as much fun as it looks?

**Clara Govier:** I think that they probably do, to be honest—one of them, anyway. Who would not wake up feeling happy if you are going to make people happy by giving them money?

**Steve Brine:** Their ability to find people in is something that politicians—

**Clara Govier:** We could lend you the jacket sometime if you wish.

**Steve Brine:** I clearly need to wear a red jacket, but I am not sure if that would be an occupation hazard on my side of the House. Chairman, back to your door.

**Chair:** On that bombshell, Giles Watling.

**Giles Watling:** Thank you. Last Saturday I found a few people in, Steve, so all is well.

**Steve Brine:** Excellent news.



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**Q210 Giles Watling:** I would like to follow some of Steve Brine's points on marketing. I have met some people who disapprove of gambling, yet they regard the lottery not as gambling, but as another thing. Is this a deliberate marketing narrative, Clara?

**Clara Govier:** You have to look at gambling as a whole as to what the risk is. The Gambling Commission recognises that society lotteries are one of the least risky products. We had a piece of research done recently, and Professor Mark Griffiths confirmed that our model in particular is one of the safest in the marketplaces. The risk of playing in the lottery is about a large number of people losing potentially a small amount of money, as opposed to some of the products, where there are riskier scenarios and where it is larger amounts of money with smaller amounts of people. It is different in relation to that.

From a model perspective, given the fact that we are subscription and the frequency of play is low, all of the structural implications that you have within what would be called problem gambling are not there. We also voluntarily moved from plus-16 to plus-18 a year or so ago now. There are almost in-built safeguards. There is an element of it, because we are ultimately charity fundraising as well, where there is a blurring of the lines, but the Gambling Commission is very clear on the distinction that we are low-risk and, therefore, there should be a proportionate approach.

**Q211 Giles Watling:** A colleague is coming on to the harms question later on. When we think about gambling we think about horse-racing, poker playing, backgammon and what have you, but is there a deliberate effort, as it were, to put a distance between lotteries and that kind of gambling? I will ask you, Donald, on that one.

**Donald Macrae:** It is something that we would like to see because our customers would like to see it as well. When we have done market research with focus groups it has been quite clear that people who play lotteries do not like to be called gamblers. They do not like to be seen as gamblers and they see gambling as a completely different sort of thing. Of course, that is a generalisation but in cultural terms people do see a distinction between gambling and lotteries.

Technically, legally, yes, a lottery is a gamble, but culturally that is not the way that it is seen. Clara explained that it is a matter of risk. The more you have an instant gratification, the more dangerous it can become. The more boring it is, the less risky it is. If you have to wait until Saturday night to find out whether you have won anything, that does not tend to lead to addiction.

**Q212 Giles Watling:** But it is worth stating that placing a bet on a lottery is gambling, isn't it? Yes? Okay. Because there are cases, thinking of players, where I hear tell of people who get desperate. Maybe their business is failing or whatever and they look to the lottery as their last chance, and that can lead to certain harms. Do you recognise that?



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**Donald Macrae:** We have noticed that at times of economic crisis lotteries often see an increase in funding. It is not necessarily that somebody whose business is in trouble or who is facing huge debts then spends a massive amount on lotteries. It is more that if people have money worries they are perhaps more likely to spend at least £1 a week on a lottery. What you are buying is a dream. Because you are buying a dream, it helps a bit in managing the stress of the other worries. That is not quite the example that you gave but it is part of it and explains why sometimes—during the economic crisis, for example, lotteries saw a slight increase. It is people buying a dream, but that does not necessarily put them at risk if they are only buying one ticket. They are not spending a large amount of money on it. It is not a good financial investment.

**Clara Govier:** No, it is not a good return. If I could add to that, 89% of our players play with one ticket. That is £10 a month, so we are talking quite considerable differences in that respect. We find within our player base that some of the vulnerabilities such as dementia are more of a challenge than problem gambling. That is why we have trained our staff specifically, through Alzheimer's and Dementia Adventure, to make sure that we spot those signs and are able to manage those. It is almost our responsibility as well, because ultimately they have to participate within society and should be allowed to participate in society in the full scope, but they have to have the mental capacity to make the choice. That is something that we are very aware of, too.

Q213 **Giles Watling:** That is good to hear. I am going to move on to another subject now because harm is coming up later. I am sorry, Tony, I am leaving you out of this at the moment. Donald, why has the Health Lottery joined Camelot in taking action against the Gambling Commission?

**Donald Macrae:** I do not know. It is not my bit of the Health Lottery that has done that. It is the external lottery manager who has made that decision. It is not relevant to what I do on my bit of the Health Lottery.

Q214 **Giles Watling:** I can put this to all three of you. Has there been any dissatisfaction in the process for the fourth National Lottery licence? I am sure you have looked at it.

**Donald Macrae:** I have not been involved.

**Clara Govier:** No.

Q215 **Giles Watling:** The Gambling Commission itself says that it is confident that it has run a fair and robust competition, taking every step possible to ensure a level playing field for all interested parties. Do you think that that is the truth?

**Clara Govier:** I would say that probably the length of the process is one thing that is challenging. Most consumers do not like a lot of change. They like to have a consistency in relation to how they play and I think that if it carries on and there are challenges from a judicial point of view,





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that could be a challenge for income levels and then potentially back to the impact on returns to good causes.

**Giles Watling:** Thank you. Tony, this is one for you, too. Do you have any comments on that?

**Tony Vick:** I don't have any comments on that either. I have not been involved at all in the National Lottery bid. I know that at some of our earlier conferences and gatherings the Gambling Commission used to come along and tell us how the process was going, but obviously we have not had any of those for the last couple of years now.

**Giles Watling:** All three of you must have been interested and following those.

**Tony Vick:** We have taken an interest as third-party observers but we tend not to know any more than any other member of the public.

Q216 **Giles Watling:** As far as you are concerned, it was fair and open?

**Tony Vick:** There is no evidence to say anything else.

Q217 **Chair:** Mr Macrae, are you seriously telling this Committee that you did not know that Mr Desmond was taking legal action in relation to the awarding of the lottery franchise?

**Donald Macrae:** This would be a matter for his part of the business that was involved in the bid for the lottery franchise.

Q218 **Chair:** You just woke up one morning and there it was on the website and— "Oh gosh, one part of the business is taking the Gambling Commission, my regulator, to court"?

**Donald Macrae:** It is something that has not been part of my understanding. It has not been part of the Health Lottery itself. There have been all sorts of Chinese walls between the bid team for the National Lottery and the rest of the Health Lottery, because that is the way the bid has been run. It has been highly controversial.

Q219 **Chair:** Let's just clarify: you had no prior knowledge at all that Mr Desmond was going to take this legal action, yes or no?

**Donald Macrae:** It doesn't make any difference to us.

**Chair:** You have not answered the question.

**Donald Macrae:** I was answering the question. When you said we, all three, must have been interested in what happened, yes, in the same way as we are interested in the weather.

**Chair:** Mr Macrae, this is a very simple question: did you know that he was taking legal action, yes or no?

**Donald Macrae:** No.





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Q220 **Chair:** No. Okay, fine. Thank you. Clara, you stated there that you are low risk, and now we are coming on to the subject of risk. Do you think part of the reason for that is that the prize pot is strictly limited to £400,000?

**Clara Govier:** I don't think that is the case. I think it is more about the safeguards that we have in place. If you were signing up as a player you could only sign up for a maximum of six tickets and three in each individual transaction. We also ensure that we have a good self-exclusion process, the voluntary age in relation to play. There are a number of different ways but, essentially, it is also a subscription lottery. Again, as Donald said, if you are signing up one month in advance to know if you have won the following month, it does not have the triggers of a normal risk proposition.

I think it is something that certainly Carolyn Harris would support in relation to the "polluter pays" aspect. If you are considering a levy going forward, look at those who have the most risk and are causing the issues, not those that are incidental to that, which I would say that the societal—

Q221 **Chair:** Do you want the limit raised to £1 million from £400,000 in terms of prize pot?

**Clara Govier:** We have grown as the current limit is right now, so I don't see—

**Chair:** You are happy with it as it is right now?

**Clara Govier:** I am happy, yes.

Q222 **Chair:** Tony, you wish to see the limit raised to £1 million. That is correct, isn't it?

**Tony Vick:** We would like to see the link between the top prize and proceeds removed. At the moment, the top prize is either £25,000 or 10% of proceeds if that is greater. That means that you do not know what jackpot you can offer until after you have closed the lottery.

Q223 **Chair:** Your prize pot is different to the other two, the maximum prize pot? Because with the People's Postcode Lottery you can win £300,000—

**Clara Govier:** No, it is 10% of the single draw revenue, so if you are selling 4 million tickets and they are £1 a ticket, £400,000 is your top prize. That is all you can do.

Q224 **Chair:** Should it be a £1 million limit on that or not?

**Clara Govier:** I think what Tony is suggesting is that that 10% coupling of the single draw limit, if that was removed, and it was linked to the single draw limit, that would give us the possibility. The likelihood of reaching £1 million is very small with £10 million proceeds, for instance, because you would never risk the possibility of breaching that limit by offering a £1 million prize anyway. It is unnecessary bureaucracy, I would say, to have some of these things in place.



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Q225 **Chair:** Tony, if they removed the 10% limit, would that not mean there would be potentially less money for good causes because, effectively, there would be a greater proportion going on the prize money?

**Tony Vick:** You would only offer a larger prize if you were confident that you were going to get more proceeds from it, wouldn't you? Therefore, the amount raised for good causes should go up.

Q226 **Clive Efford:** That is not what has happened, is it? As a proportion of the take the amount for good causes has gone down, so increasing prizes has—

**Tony Vick:** It went down for a few years. For the last six or seven years it has gradually increased.

**Clive Efford:** It is 4% down on where it was in 2008-09.

**Tony Vick:** It is up on where it was in 2013, which was the low point. For the last six or seven years it has increased.

**Clive Efford:** Yes, but as the market has expanded and prizes have increased, the proportion that is going to good causes has gone down from 53% to 49%, as it stands now.

**Tony Vick:** It dropped from 2009 to 2013 and, since that point, it has increased steadily, not by exciting amounts but it has increased. It has been a steady increase.

Q227 **Clive Efford:** It does point to the fact that during a period of expansion—increased prize money—the proportion that can go to good causes has not got back to where it was in 2008-09. That would suggest that it is just not an automatic fact that, when you put up prizes and increase the amount of money going in, the proportion going to good causes increases. It just doesn't.

**Tony Vick:** It is not just about the proportion, is it? It is about the pounds. If we grow the—

**Chair:** We get the point.

Q228 **Clive Efford:** We get the point, but it still doesn't point to efficiency in the system, that you have to increase your costs as a proportion of the income.

**Tony Vick:** If you are getting a slightly lower percentage of a much larger cake surely that is better.

Q229 **Chair:** I can see that. I think we have reached a bit of an impasse there. Donald, are you going to add anything different to what Tony has just said? If so, I will call you.

**Donald Macrae:** Hopefully it is a helpful point. I had finally come up with the answer to your question when Tony volunteered to take it on.



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I think what has happened is that since 2011-12 the entire model has changed, so you are comparing the figure back in 2009 with a figure now and drawing conclusions about efficiency—aren't we getting more efficient? The model that we had when it was still that very high percentage has almost vanished. There is a new model for lotteries—for societal lotteries. A lot of them are using the ELMs that came in round about 2012, so in your argument saying, "Shouldn't the market be seeing greater efficiency?" you are not comparing like with like. We should be looking at greater efficiency within the new model that came in in 2013, and certainly PPL has shown that, by being able to increase the percentage going to good causes. The rest of us would like to get more efficient as well, but it is wrong to compare efficiency in that model with the sort of model that societal lotteries had before then, when much less was actually being given to charities.

**Q230 Chair:** I have a question for you, Tony, in relation to this. If you want to see the raising of the prize pot from 10% of the revenue, or £25,000, whichever is greater, what are you trying to achieve through that? Are you trying to either encourage greater gambling or are you trying to cannibalise the National Lottery? Which of the two is it?

**Tony Vick:** Neither of those. We are trying to grow our market. The difficulty we have at the moment is that we can offer a £25,000 prize on proceeds of—

**Chair:** Or 10%.

**Tony Vick:** Let me just deal with £25,000 to start with. We can offer that on proceeds of £32,000 and still give 20%—£6,000-ish—to the good cause and then pay the prize. The minute we go over £25,000, say £26,000, we are then faced with having to raise £260,000, in that case, of proceeds. That is a risk that most charities are not prepared to take. What we would like to do is just remove that element of risk so that charities can offer whatever prize they want up to whatever limit the Government decide in pound terms.

**Q231 Chair:** Have you not said you want a £1 million limit?

**Tony Vick:** We have said £1 million. We have also said we would be happy with £500,000.

**Q232 Chair:** My point is, though, Tony, if you ask for a £1 million limit, suddenly you are in the territory of serious life changing. That makes me think that you are trying to potentially target the National Lottery.

**Tony Vick:** As we said in our evidence, there are a lot of products giving multimillion-pound prizes that are not anything to do with raising funds for charity. They are all about making money for newspapers and commercial organisations and the rest of it. We want to be able to compete with some of those—

**Q233 Chair:** We are talking about houses in the Cotswolds and that sort of



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thing, aren't we?

**Tony Vick:** Exactly, yes, and I am sure we will come back to that. I hope we will—

**Chair:** Win an amount of money for life and so on?

**Tony Vick:** Yes.

Q234 **Chair:** I can understand the quandary that you face in terms of that £25,000 limit but, at the same time, asking for £1 million and then having the word "lottery" associated with that suggests to me that you are effectively looking to get a little bit under the radar and potentially take business away from the National Lottery in that regard. Can you see why that could be seen that way?

**Tony Vick:** I can see that and I don't have a problem if that £1 million was, say, £500,000. All I want to see is that 10% rule go, because we cannot know what jackpot we can offer until after we have sold the tickets, which is just bonkers.

**Chair:** Thank you for that.

**Clara Govier:** Could I just add to that as well? Obviously, we have benefited hugely from the recent reforms of £50 million, which helped with some of those changes. It brought us maybe a bit in line with where we would want to be. However, there is still further we want to go with those.

Speaking on the point about the prize side of things, the last reforms were back in 2005. We have seen the more recent reforms with the prize limits moving up to £400,000 now—well, 10% of £4 million. When we see the next one—so if we are looking at the sector when it is future-proofed and when it is going to be reviewed—maybe we need to think of a more essential and future-proofed way of managing the prizes as well as the revenues that are coming in, so that a marketplace can survive in the future if those reforms are not going to be as fast as they have been in the past.

Q235 **Damian Green:** Following up the last discussion—I think this is particularly for Tony—can I just clarify that you think the key indicator is the amount raised rather than the percentage given?

**Tony Vick:** Indeed, yes.

Q236 **Damian Green:** If you could have somebody who had a really whizzy commercial operation and was also making shedloads of money, and they could raise huge amounts of money for good causes, so be it, you would think?

**Tony Vick:** I wonder if there is a trick in that question.

Q237 **Damian Green:** It is a long time since I was a journalist. Frankly, I think



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that is a perfectly defensible position to say, "In the end, what matters is what goes to the good causes."

Still with Tony, you mentioned the 2020 deregulation earlier on. Probing down into that a bit, what has changed since then? Have the receipts changed? Have the revenues changed? Has participation changed? What has happened since 2020?

**Tony Vick:** That is a good question, Mr Green. The latest statistics, as you are aware, that the Gambling Commission has published were for the year to March 2020. That was before those changes were made. We were waiting with eager anticipation last November for the March 2021 statistics to be published so that we could answer that question directly and we could see what effect the increases in the limits had. Sadly, the Gambling Commission chose not to publish the statistics for our sector for the year 2021.

Q238 **Damian Green:** Why not? What did it say?

**Tony Vick:** It used the excuse of covid. I have questioned that. I asked whether that meant it had furloughed all its staff and, therefore, gave up on deregulation for the period of the lockdowns. It said no, it had carried on. Its staff were all working from home and it carried on with deregulation, so that begs the question of why the statistics were not published. I just got a "yes but no" type answer.

Q239 **Damian Green:** Even with, as it were, the official statistics, presumably particularly people operating lotteries know what has happened since 2020, so maybe I can turn to you, Clara.

**Clara Govier:** In terms of the reforms—which were obviously supported across the party, which was great to see—ultimately it was about raising more for charities. What had resulted is that, in the back-end section of the legislation, the infrastructure that supported that growth in fundraising became more bureaucratic. When the reforms came in we had 58 promoting societies that we managed lotteries on behalf of. We were able to consolidate those down to 20, so you are instantly saving money in relation to admin, to audits and to everything else that goes with that.

What resulted was—perhaps because the impact was most felt in the covid year, last year—we were able to double the revenue and the funding awarded to community grants programmes from £8 million to £16 million. We were also able to increase long-term regular beneficiaries. We were able to have a more real-time financial picture as a result of those changes, so we were able to allocate funds more efficiently, which released a further £31 million for long-term beneficiaries. Those were directly as a result of the changes.

The thing to remember, particularly as we look towards £100 million, is that the benefits are in the back-end system, what the consumer doesn't



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see and the changes that need to take place, because sales will continue but the bureaucracy in achieving those sales will increase.

**Q240 Damian Green:** It hasn't affected the number of people playing?

**Clara Govier:** No, not at all. In fact, if you look at it—and obviously we communicated the changes to our players—it has very little impact on their everyday playing culture, if you like.

**Donald Macrae:** It is exactly the same with us. It is a back-office benefit. It is not something that really goes to operations.

**Q241 Damian Green:** Thinking of those who regularly, or indeed irregularly, play, presumably you know your customers very well. What sort of demographics do they show? Who is playing your games?

**Clara Govier:** A range of people. You would expect it by population hotspots—you have greater density numbers—but it is a range of people. Obviously, lottery products in themselves tend to appeal to a slightly older marketplace, so the plus-50s tend to be the ones, predominantly female as well. Yes, we do know them well but, at the end of the day, we also make sure that the product appeals to that market group as well.

**Donald Macrae:** Yes, and it is the same demographic for us.

**Tony Vick:** Across the sector it is as well, yes.

**Q242 Damian Green:** So we are talking older and female, the majority?

**Tony Vick:** The male/female is not distinct across the sector.

**Q243 Damian Green:** What percentage of the population is it? How many people play both your various lotteries and/or the National Lottery regularly?

**Clara Govier:** I don't know. We have over 4 million players and about 28 million households. I would struggle to give you a statistic, I am afraid.

**Tony Vick:** Yes, we can come back to you with a number on that. We have it in a report somewhere. It is not one I brought with me.

**Q244 Damian Green:** It is quite interesting in terms of problem gambling. We know problem gambling is a problem but it is a relatively small part of the population, thankfully, so I am just interested to know whether it is basically the norm for people. Do more than half the country play some form of lottery or another? In which case, that puts problem gambling into some sort of perspective. If you can assemble those figures that would be very interesting.

As a final set of thoughts, of course, although we are discussing your lotteries in detail, this overall inquiry is under the title "What next for the National Lottery?" I will put that question to each of you and, Clara, I will start with you: what would you like to see happen next to the National Lottery?





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**Clara Govier:** As I said earlier, I was pleased to see the licence changing in relation to how the approach to returns to good causes was going to be calculated. I think the National Lottery is a huge national asset and should be seen as one that drives benefits on a societal level, and in the past we have seen that profit has overtaken that benefit. I am glad to see that that is the case now, and going forward I think the consumer will ask for that more and want to see that as a national asset itself. Also, as I think the Gambling Commission has already said, there have been developments within the digital space, which I suspect the National Lottery will take more advantage of going forward with a new operator.

**Donald Macrae:** What we would like to see from the new National Lottery franchise would be just a more amicable relationship with societal lotteries so that we spend less nervous time just dealing with the sniping from Camelot, which doesn't actually achieve anything.

**Tony Vick:** I do not have much to add to that. I think we would just like not to be seen as the scapegoat, which I think we are often seen as.

Q245 **John Nicolson:** Good afternoon, everybody. Perhaps, Mr Macrae, I could start with you. You said earlier on that in order to play these games—I quote you—“People will find the money.” Where do you think they find the money from?

**Donald Macrae:** What I was saying there was that if the ask is right for charitable donations, people will find the money, as opposed to people will find the money to gamble with the Health Lottery. People can be inspired to give to good causes, so that was the point that I was making.

Q246 **John Nicolson:** It also rather suggests that the money is not readily available and that they have to go out of their way. They have to look for the money. It is just not lying around for them. What do you think—you have identified the people who are using the lottery—they sacrifice in order to be able to buy the tickets?

**Donald Macrae:** I hope they don't have to sacrifice much. The tickets for our lottery are just £1, and there are many people who will be the old traditional model of the original National Lottery: you buy your £1 ticket on a Saturday evening. We still have an awful lot of players like that. We still have over 40,000 outlets. We have a large retail presence so we have an awful lot of people who we know very little about, apart from the fact that they bought a ticket in Tesco.

My colleagues have much more understanding of their player base because it is on subscription, so they know more about them. We are gradually building our player base and finding out more about it as we move more and more online, but we still rely on a lot of people just coming in and buying a ticket in Tesco. It is difficult for us to say what the average household spend would be. We would be surprised if it is much more than £2 or £3.

Q247 **John Nicolson:** You also said—and again I quote you—“People are





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buying a dream and it helps manage other worries.” That is a bit sad, isn’t it, really?

**Donald Macrae:** It depends on the dream.

**John Nicolson:** It depends on the worries.

**Donald Macrae:** Indeed.

Q248 **John Nicolson:** If you are living with a lot of stress and your fantasy—it is a perfectly understandable fantasy—is to win the lottery to help you cope with your worries, that hints at gambling as a problem.

**Donald Macrae:** I can see that argument. That is taking the statement that I made to not necessarily an extreme but certainly way beyond what I was intending. I think that there is nothing dangerous about somebody who is worried about money being prepared to buy a lottery ticket and dream. It is one thing having an occasional daydream. It is another thing obsessing and making the jump from dream to obsessing, which is—

**John Nicolson:** Which a lot of people do.

**Donald Macrae:** Some people do. It is not inevitable.

Q249 **John Nicolson:** We know that as MPs because we get contacted all the time by people who represent folk with gambling problems. It is a big worry in this country. I have lost count of the number of people who have contacted me who have had devastating harm wreaked on their families because of gambling. Do you ever worry, Ms Govier, that what you provide is an entry drug to more serious problems?

**Clara Govier:** No, I don’t because I think the controls that we have in place at the point at which you sign up, as well as the ones after, are adequate to ensure that those that are playing feel in control of what they are spending.

Q250 **John Nicolson:** Gamblers often think that they are in control when in fact they aren’t. Recovering gamblers will tell you that they lived in a fantasy world where they thought they were controlling their behaviour but, looking back, they were not controlling their behaviour at all. What research do you do that enables you to say that so confidently?

**Clara Govier:** We look at our players very closely and we track erratic behaviour. That may be payments. That may be contact points. That may be conversations with our team, and we train our staff to recognise any signs like that.

Q251 **John Nicolson:** You mentioned people with dementia who may not know what they are spending and when.

**Clara Govier:** We will look at if they are erratic in terms of sign-ups, so there may be multiple sign-ups or attempts to sign up within a day, for instance. There will be triggers like that that we would look at. There may be multiple contacts with our contact team, or conversations where they



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may not understand or when they say back, "Do you understand what I am saying?" or, "How do you feel about that?" They may be unhappy with that conversation and that would flag automatically.

Q252 **John Nicolson:** Charities that help people with gambling addictions, do you hold meetings with them?

**Clara Govier:** We have met, yes, absolutely, and—

Q253 **John Nicolson:** How frequently?

**Clara Govier:** Probably six months ago with GambleAware. We had a meeting with it. You also have to remember we work very closely with those charities that might have an issue as a result of gambling, like for homelessness or various other aspects, so we have multiple touchpoints in relation to those issues.

Q254 **John Nicolson:** If they were sitting here would they tell you they were happy with the safeguards that you have in place? Would they endorse you? Would they approve of what you do?

**Clara Govier:** I think they would recognise us as one of the best in the market—probably the best in the market—in relation to safeguards, yes.

Q255 **John Nicolson:** Or they would probably say that the market is very poorly controlled, so it is not necessarily saying a lot to say you are the best of a poorly controlled area of national life.

**Clara Govier:** I think you have to remember, to put it in proportion, that 89% of our players play with one ticket at £10 per month.

Q256 **John Nicolson:** Moving on, Mr Vick, you know the criticism that is often made of lotteries in general. It is that people with relatively low incomes are encouraged to spend money on activities that are often enjoyed by people on higher than average incomes. That is something that is consistently said about the sector in which you work. Does that concern you?

**Tony Vick:** That would concern me but just to follow up what Clara said, the vast majority of lotteries generally are subscription based. People pay their £1 a week, which is the typical lottery entrance price, and they will just continue paying that month after month. There is very little evidence that that leads to anything beyond them wanting to do their bit for their local charity or their local air ambulance or whatever.

Q257 **John Nicolson:** What about the recipients of lottery money in general, to return to my question? A lot of people argue, or some people argue, that the people who benefit most are not necessarily the people who buy most of the tickets.

**Tony Vick:** You mean benefit through prizes or benefit through the good causes?

**John Nicolson:** Benefit through the good causes.



**Tony Vick:** Leaving aside my colleagues for a minute, if you look at the vast majority of lotteries, they are run by charities for their own good causes. You could name almost any high street well-known charity: Cancer Research, Macmillan, British Legion, Age UK and all the rest of them. They all run a lottery to help with their fundraising activities. I think it is fairly clear that the money that they raise goes to their own good cause.

Q258 **John Nicolson:** Do you worry that people feel guilt-tripped into buying tickets? About a year ago I think there was quite a lot of coverage of the number of older people who get themselves into enormous debt. They watch advertisements for animal charities or children's charities or people living with horrible conditions. They give more and more and possibly buy more and more tickets and end up getting themselves into a lot of trouble with this. They are falling victim to the chuggers, as they were sometimes called.

**Tony Vick:** Yes. There was a lot of publicity. I think it was a bit more than a year ago, I think it was three years ago, if not more even than that. As a result of all that publicity, the Fundraising Regulator was established, who has stepped in and put a lot of controls in place to stop some of the aggressive selling that was going on by charities, and not just with lottery tickets. I think most of the focus was on other means of fundraising, like signing up to regular giving, standing orders, direct debits and what have you. That was the main focus of it, but I think a lot of that now has ceased.

Q259 **Dr Rupa Huq:** I want to ask a bit about the impact of covid-19 on your various lotteries. We know that charitable donations, usually from the average Joe public or Joanna public, are about a third of people. It dipped in 2021—it slightly yo-yoed around but it went down to 26%. How was that mirrored in people playing your two lotteries, and, Tony Vick, do you have an overview?

**Clara Govier:** From our perspective, our player base remained quite stable across that time. In fact, cancellation rates reduced at the same time, which I think was mirrored across the majority of the charitable sector in terms of own memberships themselves.

As I said, the reforms timed pretty well with covid. The benefit of those reforms meant that we were able to release more funding and double the community grants. Also, the uniqueness of the model allows unrestricted funds to target where the charities really need it. So when you have to pivot, which covid did for a lot of charities when they had to suddenly adjust, the funding flexibility that the funds raised from societal lotteries enables means they were able to do that successfully and able to keep the lights going, if you like.

I would say that, as a sector, we became a reliable and resilient funding stream again during that period of covid because the contributions were coming in regularly. There was less of a challenge in relation to numbers



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at that point. What we also saw was fluctuations in marketing costs. Some of the costs went up as well at the same time.

**Donald Macrae:** We saw a significant loss of sales, mainly because of the lockdowns affecting the big supermarkets that we rely on for a lot of our retail sales. We saw a bigger growth in sales from the very small corner shops because they were still open. It wasn't as drastic as we had originally feared. It was a bit of a loss, though.

The main impact for us was the impact on the charities that we were supporting and, as I said, one of the things that we support a lot is trying to tackle social isolation. We already had a lot of projects dealing with that that were well placed to tackle the additional problems of isolation coming from lockdown. Our charities responded extremely well and I think fed a lot more benefit back into the communities because of their ability to help with isolation. We just wish we were able to help a bit more with funding.

Q260 **Dr Rupa Huq:** Both of yours are actually physical tickets. You go to a shop and buy them. When everyone is locked up at home it is not something you would do on the internet or anything like that?

**Clara Govier:** Ours is purely online or by phone. We do not have any retail outlets at all so, from a business point of view, we were probably well placed with covid because it did not impact on any of our sales channels.

**Dr Rupa Huq:** Yours was flat. Yours, Donald, dipped a bit because you have to physically go and buy?

**Donald Macrae:** We are a mix of physical tickets in store and online subscriptions. We are now something like 70% online and 30% retail, but that 30% is still a large amount so we did notice it.

Q261 **Dr Rupa Huq:** We know things like church collections, those kinds of things, where you have to be there, went right down. It is interesting that you say that, in terms of the pot of charities it went to, there was more need for that than ever. We obviously saw clapping on doorsteps, and the NHS is a very emotive thing in this country. Do you think there is a case that you are stepping in where there has been state failure? It should not have to be charities who are doing this in the fifth biggest economy on earth.

**Donald Macrae:** We make sure that all our projects are not supplementing anything that is done by the NHS. We are dealing with things that are beyond Government anyway. As I said, we look for a bottom-up approach rather than a top-down approach, so we are working always directly with communities rather than with local authorities or any other bodies that would be taking a top-down approach.

**Clara Govier:** I would say, in terms of our charities, we have flexible funding so the charity decides where it is best spent. If they want to



match fund or something else from a local authority or an NHS, that is entirely up to them, provided the impact on the community is there. What we have done considerable amounts of is, almost, to test before it is rolled out or adopted by local authorities or the like. For instance, we were very much in partnership with Magic Breakfast, the school feeding programme, right at the beginning to test the model for adoption more widely by Government sources. It is not the case necessarily that we are replacing, but often we are innovating in the process to enable greater investment.

**Q262 Dr Rupa Huq:** Tony Vick, do you have a general overview of any of this?

**Tony Vick:** Yes. I would just add that, as we discussed earlier, we do not have the hard numbers to demonstrate how the sector did during covid yet but we hope to get those in due course. However, a survey was carried out on the various sources of charity income over the covid period and it did show that lotteries dipped a little bit in March 2020. We saw the end of all face-to-face lottery ticket sales. We saw the end of all retail outlets for a period. But by the June of that year, income had clawed back that dip and had continued to grow, which I think supports Clara's point that lotteries are a very resilient source of fundraising for charities.

**Q263 Dr Rupa Huq:** In terms of opinion polling, is it more the "have a flutter" aspect that people enjoy or the giving to the needy—to the worthy cause?

**Tony Vick:** Charity lotteries generally appeal more to those who want to help their good cause.

**Dr Rupa Huq:** Rather than directly putting it in the tin? It is more fun?

**Clara Govier:** They certainly enjoy the opportunity of playing the game in order potentially to benefit off that. When you talk to any of our winners and ask, "Why did you sign up?" the first thing they will say is, "It is because of the range of charities you have and I feel I am able to donate to all of them rather than just on my own."

**Q264 Dr Rupa Huq:** In terms of the effect on both of your respective revenues, we know that there were a shocking number of charities that had zero reserves at the start of covid. I am imagining you were in a better position than that. What effect did covid have overall on the revenue stream?

**Clara Govier:** Obviously, we are working from the ELM point of view rather than the Postcode Trust point of view. If you look at the Postcode Trust it has reserve policies that will enable it to continue funding.

But what I would say is that when funds were released, for instance, with the community grants—we are still seeing this at the moment—the funds are going out the door. We have a specific time when it is released, and just recently the funds for Scotland in the north-east went within two hours. That is the demand we are facing now from charities. It is



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certainly challenging times and, as you say, some of those charities that were perhaps volunteer-facing or that used volunteers as almost their workforce are the ones that probably suffered the most because of lack of access to that resource.

**Donald Macrae:** Charities certainly had a very tough time with covid. There was much less money coming in and it was much more difficult to operate. We are always significantly oversubscribed for applications for grants.

Q265 **Dr Rupa Huq:** Yes, every street had a WhatsApp group and there was all this mutual aid going on—"Leave some food at No. 39 because she is 99 years old," or whatever. I guess that is not captured at your level of charity.

**Clara Govier:** No. I think that is where you have different community goodwill, isn't it? It is not necessarily financially buying a ticket or donating to a charity. It is about helping your community in many different ways.

Q266 **Dr Rupa Huq:** This is a last one from me. How do you balance competing interests? If there are different people vying for your funds, how do you manage that?

**Clara Govier:** Ultimately, the trustees make those decisions rather than ourselves. They will look and assess those projects. Unfortunately, there are many projects we would love to fund but there is simply a cut-off, almost, of the funds that are available. There are substantial amounts of projects that could receive funding that don't, so that is why I am so passionate about this £100 million and how we could do more to increase charity fundraising and give more to those projects that need it at the moment.

Q267 **Dr Rupa Huq:** Are there transparent criteria and all that stuff?

**Clara Govier:** Absolutely. In fact, one of our particular ones is to make sure that any application process is as simple as possible so it is not a barrier to anyone. I would invite you to go and have a look at the process. It is simply a one-page, "What is your idea? Is that going to fit our criteria?" and our team will say whether you get to the second stage or not.

**Donald Macrae:** It is a very good question and it is a very painful answer at times, trying to work out which of the applicants we are going to fund. One of the ways that we do it is, after going through all the applications and deciding the ones that pass, we then have to look at the spread of the problems being dealt with. Are there projects dealing with people with disabilities, projects dealing with isolation, projects dealing with asylum seekers or projects dealing with different racial groups? There are a lot of different categories that we would look at and we would try to get a spread and also look at a mix of urban and rural. Once we have gone through the panel and seen which ones are worthy of being



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supported, we may then need to do that further exercise in making sure that we have a good balance across these different ranges of issues.

Q268 **Dr Rupa Huq:** Tony, do you have anything else?

**Tony Vick:** Leaving aside the two larger lotteries, most of the other lotteries, as we heard earlier, are run by charities for their own benefit and so they raise those moneys. It goes into their unrestricted pot and they can decide what to do with that money, so it is a slightly different situation than my two colleagues here.

**Chair:** Thank you. That concludes our session today. Thank you very much for your evidence, Clara Govier, Donald Macrae and Tony Vick.