HOUSE OF LORDS

Select Committee on the Social and Economic Impact of the Gambling Industry

Corrected oral evidence: The Social and Economic Impact of the Gambling Industry

Tuesday 16 July

3.30 pm

Watch the meeting

Members present: Lord Foster of Bath (in the Chair); Baroness Armstrong of Hill Top; Lord Butler of Brockwell; Lord Layard; Baroness Meyer; The Lord Bishop of St Albans; Lord Smith of Hindhead; Baroness Thornhill; Lord Trevethin and Oaksey; Lord Watts; Baroness Wyld.

Evidence Session No. 1 Heard in Public Questions 1 - 17

Witnesses

I: Tim Baxter, Deputy Director, Healthy Behaviours, Department for Health and Social Care; Julie Carney, Head of Gambling and Lotteries, Department for Digital, Culture, Media and Sport; Beth Hiles, Interim Head of Gambling Policy, Department for Digital, Culture, Media and Sport; Richard Vaughan, Deputy Director of the Life Skills Division in the Education Standards Directorate, Department for Education.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Tim Baxter, Julie Carney, Beth Hiles and Richard Vaughan.

Q1 **The Chairman:** Ladies and gentlemen, welcome and thank you very much indeed for coming. As I am sure you are aware, Lord Grade of Yarmouth, the Chairman of the Committee, is unfortunately unable to be with us today and has asked me to chair this meeting. You will also be aware that a list of all Members' interests relevant to this inquiry has been sent to you, and is publicly available, but because this is the first meeting of the Committee in public, before each Member speaks they will declare their own interests. I should point out that I am the vice-chair of the All-Party Parliamentary Group for Gambling Related Harm.

The session is, as you have seen, open to the public, it is broadcast live and will be available subsequently via the parliamentary website. We are also taking a verbatim transcript. Copies of that will be sent to you fairly soon after the session and we would be grateful, if you have any corrections you wish to make, if you would return them as quickly as possible. May I also point out that these sessions are never long enough, and it may well be that issues are raised that you do not feel you had enough time to fully amplify the answers you wanted to give, or you might even feel there are questions we should have asked but we did not. In both cases, please feel free to write to us after this session so that we can take it into our evidence. Would each of you identify yourself, starting with Tim?

Tim Baxter: I am a deputy director in the Department for Health and Social Care and I look after healthy behaviours.

Julie Carney: I am the deputy director in the DCMS and I am responsible for gambling and lotteries.

Beth Hiles: I am responsible for gambling policy in Julie's team in DCMS.

Richard Vaughan: I am in the Department for Education. My responsibilities include relationships, sex and health education, citizenship and mental health in the schools curriculum.

Q2 **The Chairman:** Thank you all very much indeed. Could I ask you to speak up? There are people at the back who are already finding it a little hard to hear what is said, so that would be enormously helpful. I want to kick off with a fairly easy starter for 10. We know that the IPPR has attempted to estimate what the cost of problem gambling is in the country. Its figures range enormously between £260 million and £1.16 billion. I would be interested in what your estimates are and how you came to that estimate, starting with Tim.

Tim Baxter: We do not have an estimate at the moment. We have asked Public Health England to do a review of gambling. One of the things it is going to look at is the social and economic burden of gambling. That review will be completed by the end of this financial year—so in March. However, I should caveat that by saying it relies on the data available.

The IPPR report was very honest in terms of the caveat that it put on the figures, which is that it depends on the data available. We will have an estimate for the social and economic burden, but precisely what that looks like I cannot say at this point.

The Chairman: Julie or Beth, do either of you want to add anything from the DCMS point of view?

Julie Carney: As Tim says, we do not have any other estimate. The IPPR report was the first attempt at measuring that. I think the range went up to £1.16 billion, so a bit above £1 billion and still high.

The Chairman: Could you explain to the Committee, bearing in mind that there have been concerns about gambling for a very long time, why it is that the department with responsibility for it currently cannot give us an answer to the question?

Julie Carney: It has not been a focus of the information gathering within the department. We have measured the rates of problem gambling for 20 years. They have been consistent at just below 1% of the adult population. There has been a lot of work with the Gambling Commission on the best way of regulating the industry and the right interventions to support problem gamblers. I do not know why something has not been done in the past, but there has been a focus on regulating gambling effectively, looking at the key issues, taking action, as we did in the gambling review to cut the stakes on B2 machines. There is plenty of activity and focus. You are right that it has not been a priority to try to estimate the costs of gambling and that may be in part because it is extremely difficult to do, as the IPPR found.

Tim Baxter: I would only add, not in an attempt to excuse this, that it is a very difficult to do in a way that commands universal assent. It is the same if you try to look at the costs to society of alcohol or tobacco and so on.

The Chairman: I do not want to take up time, but I confess that I am very surprised that you happily tell us that you have at least got figures on the number of people problem gambling, and you track it over a period, and yet a definition of what problem gambling is and who fits into those figures and how that research is done is acknowledged by just about everybody as very, very difficult to do and the results are somewhat contentious. It is therefore slightly surprising that you do not have figures on what the cost of that is. Perhaps you have some further thoughts.

Richard Vaughan: I am afraid I have nothing to add. We defer to the lead policy departments on these sorts of estimates.

Beth Hiles: I was going to add that the Advisory Board for Safer Gambling has published a framework on how we can measure harms. That is work that is in progress. The Gambling Commission has commissioned the London School of Economics to scope out more work on how harms can be measured.

The Chairman: That is useful to know. So I am clear, you are telling us that the figures you are hoping to have—but you are not certain because of how difficult it is—are going to be at the end of March just as we have to present our report?

Tim Baxter: Yes, there will be an interim report, which PHE should have available for its conference in September this year. There will be something we can share with you and we will share with you whatever we can as soon as we can.

The Chairman: That would be very helpful, and I am very grateful for that offer. Lord Smith.

Q3 **Lord Smith of Hindhead:** I will have to go through my list of interests, I am afraid. I am the chief executive of the Association of Conservative Clubs, which has about 800 private members' clubs throughout the UK, where they play gaming machines—the B4 and B3A categories. We have private lotteries, pull tabs and bingo. I am the chairman of the National Conservative Draws Society, which is a society lottery. I am chairman of the Committee of Registered Clubs Association. That is all the private members' clubs in the UK. I am the joint chairman of the Non Profit Making Members' Clubs All-Party Parliamentary Group. I am the vice-chairman of the All-Party Parliamentary Betting and Gaming Group.

You have not been able to answer the first question, so I have to say I am not full of confidence that you are going to be able to answer my question, which is: what are the social benefits of gambling to the UK economy and in what ways are these measured? A minute ago, Mr Baxter, you said that there was work being done to look at the social and economic burden of the gambling industry. Is there any work being done on the social and economic benefit of the gambling industry?

Julie Carney: We do not have a single piece of research that tells us the social and economic benefits of gambling either.

The Chairman: Could you speak up a little?

Julie Carney: There is not a single piece of research that gives us a global figure. I can talk more generally about some of the facts and figures we have about gambling. According to the Gambling Commission's stats, nearly half of adults in the country gamble about once a month—at least once a month. The survey question was: "Have you gambled in the past four weeks?" If you take out people who only play the National Lottery, that goes down to about a third, so it is a very broad popular leisure activity. Most people who gamble are not at risk of becoming problem gamblers, according to the evidence and research. We know that horseracing remains very popular in this country. About 6 million people attend race meetings each year. The gambling industry employs more than 100,000 people. Last year, it paid £3 billion in gambling duties. That is separate to corporation tax or income tax. The National Lottery gave £1.6 billion for good causes.

Lord Smith of Hindhead: Which must have some benefit to it.

Julie Carney: All those things are positives. There is not a lot of independent research on the positives of gambling. There is only one that I am aware of, which is a report that GambleAware commissioned on licensed bingo halls and people who go to bingo, which was looking at the problems of gambling.

Lord Smith of Hindhead: Which is reducing in number because people gamble online on bingo, do they not?

Julie Carney: They are slightly reducing in number.

Lord Smith of Hindhead: But it fosters good social cohesion because people like to be together.

Julie Carney: You get problem gambling in all types of gambling. To be clear, there is no type of gambling that is risk free or does not have some people who have trouble controlling their behaviour or any form of behavioural addiction, but the research said that bingo offers social benefits for most patrons and that it offers intellectual stimulation for some patrons. That is one piece of independent research that has identified some social benefits from a form of gambling. It is not an area where I am aware there is a lot of independent research into the social benefits.

Lord Smith of Hindhead: Would you agree that it is very difficult to manage something that you cannot measure?

Julie Carney: We measure aspects of gambling. We have not measured the social and economic benefits globally and we do not have good estimates of the social and economic costs at a global level, but there is a developing body of research on issues around problem gambling, the drivers of problem gambling and effective treatments for problem gambling.

Lord Smith of Hindhead: Would you agree, bearing in mind there is going to be some work done on measuring the social and economic burden of gambling, that there is an equal argument that funds should be spent to look at the social and economic benefits of it as well?

Julie Carney: As it is primarily a commercial sector, it is really for the commercial sector to identify the social and economic benefits.

Lord Smith of Hindhead: It is just like the drinks and tobacco industries, where they have to defend their own position and public funds have to be used to not defend that position.

Julie Carney: The Government recognise gambling as a leisure activity enjoyed by many, but it is undeniably true that it carries risk, which is why we have a regulatory regime. The focus for government is finding the right balance and protecting people from harm.

Tim Baxter: I am not at all expert on the economic and social research area, but if particular good research proposals came along that took a measure without taking any parti pris position on gambling, good or bad, I would have thought that research committees funded through government funds would look at that. Certainly, in the National Institute for Health Research area, if good research proposals come along in the health and social care field, they are looked at. I suspect it is a matter of whether good proposals have been articulated and put forward for potential funding. That is just surmise on my part.

The Chairman: To whom are you suggesting these proposals might be put?

Tim Baxter: To the right research council. I do not think it would be NIHR, which is why I am slightly cautious about putting this forward, but, as I say, the Government spend a lot of money on research and if good proposals for research in this area came forward, I am sure the right research council would look at them. I do not think from a government perspective we would be saying we cannot possibly do research in this area, but it would have to be the right quality and so on.

The Chairman: Do you not think it is somewhat odd that you are saying, to get an answer to the question you have just been asked, you have to wait for some research organisation to come forward with a proposal, to put it forward to any one of a number of different bodies to see if they can get research funding rather than the Government saying what they want and going out and getting the research done to meet the requirements, just as I would have thought it was possible to do something regarding the actual costs of gambling problems?

Tim Baxter: Not necessarily—and I am slightly straying beyond my direct knowledge—because in the health research area we are fairly cautious about being too prescriptive about the research we want, precisely because you risk not getting the highest quality of research.

Beth Hiles: Our Minister said she wants there to be a national conversation about what healthy gambling looks like, which, in a way, is getting at the benefits of gambling because it is raising awareness of the risks and you can be more aware of the risks if you know what a beneficial level of gambling that is less likely to cause harm would be.

The Chairman: What conversations has the Minister had about how that conversation is to take place?

Beth Hiles: She has had a range of meetings, but a lot of the work that is in train that I know we are going to speak about later, such as the Bet Regret campaign, is about raising awareness about the ways in which you can enjoy gambling as a pastime but you can find yourselves falling into risk through things such as betting when drunk or chasing losses. By highlighting those risk behaviours, in a way, you are pointing to what a more healthy, enjoyable form of gambling that does not fall into those traps might be.

Q4 **Lord Layard:** I wanted to ask you about the location of responsibility in government for gambling. DCMS took over responsibility in 2001, but many other countries have different arrangements, some of them involving health much more strongly, such as New Zealand. Is the DCMS still the right place to have this located, or should it be another department or perhaps shared with health because of the dual aspect of it? In any case, even if there is just one department, are the cross-departmental arrangements that you have working satisfactorily, or does something need to change to have more coherence and the health-related side given more weight?

The Chairman: That is probably for you to kick off, Julie.

Julie Carney: There are many issues that cross the interests of a number of different departments in government, and commonly you have a lead department. It works well for the DCMS to be the lead department on gambling. We focus on gambling regulation. We work with the Gambling Commission, which also regulates the National Lottery. The National Lottery has been in DCMS since its inception. We work really closely with DHSC on health-related issues of gambling. There is a big correlation with health issues, mental health issues and other addictions, so we work very closely with the Department for Health and Social Care. The Treasury leads on gambling taxes and we engage with the Department for Education on educational programme aspects. I do not see a problem with DCMS being the lead department.

We have worked particularly closely during the gambling review and that has helped strengthen relationships with the departments. Following the gambling review, we set up a new cross-departmental group co-chaired between DCMS and DHSC to oversee delivery of the cross-cutting commitments that were made in the review, and to ensure a joined-up approach to issues around research, education and treatment. We also have the Gambling Commission and its expert advisers, Public Health England and GambleAware, the leading charity that commissions services, represented on that group. We have put that in place since the review over the last year and we have had some good discussions. We had DfE colleagues along to the last meeting.

The Chairman: How often has it sat?

Lord Layard: Is the Department of Health happy about the way this is all happening?

Tim Baxter: Absolutely. To answer your question, Chairman, it has met four times over the year, co-chaired by Julie and myself. I should add to the membership that NHS England is engaged.

Reflecting on this a bit, as Julie says, for every such cross-cutting issue you need a lead department. My team leads on tobacco control, for example, across government. Tobacco smoking kills one in two of its long-term users, so prima facie it is a health issue. I do not think there is any question about that. With alcohol and illicit drugs, the Home Office leads but, for example, in the drug strategy the Department for Health and Social Care leads on the recovery strand of that. It is a matter of reflecting on particular issues. If Ministers decided they wanted to move responsibility, that is entirely an issue for them and Julie and I will duly obey and continue working together. I think it works well. Could it work better? I am sure.

At the last meeting of our steering group, which we co-chair, we reflected that we should probably get the MoD involved because of gambling among the military. There is also a prisons dimension and so on. There is much more we could do to engage right across government. It has improved in the two or so years that I have been taking an interest in this area, and the Government have—I am sure far too slowly for your Lordships—started to grip this agenda as somewhere we need to make a difference. That is a long-winded way of saying no, I do not think we need to change, but, as ever with these things, we need to reflect on whether we are making the best use of departmental resources and of wider sectors such as the health sector and so on.

The Chairman: Did you want to comment, Richard, on your department’s involvement?

Richard Vaughan: We attended the last group. There is a really important and very tangible example of this working from my department’s perspective, which is the recent consultation on statutory health education for all primary and secondary schools in the country. The engagement with the departments on that led to us including in the mandatory required teaching content for secondary school health education that pupils learn about the risks of gambling online and debt accumulation. That sort of cross-government working on a product such as that has led to a tangible change regarding what children will learn from 2020.

Lord Trevethin and Oaksey: May I ask a short supplementary? Before I do that, I need to read out my lengthy declaration of interests. I am a barrister. I have acted for claimants in a number of cases in which they have sought the return of money which they have lost through gambling on grounds that they were owed a duty of care or some other duty arising out of the Gambling Act 2005. Those cases are now all concluded and I am not at the moment retained in any case of that type. I come from a horseracing family. My sister and brother-in-law are both racehorse trainers. I have small interests in syndicates that own a small number of racehorses and I have accounts with two or three bookmakers and gambling operators, and I have always enjoyed gambling. That is that.

The short supplementary is this: in your view, does the increasingly close relationship between sport and betting, or gambling if you prefer, raise any problems, including any problems relating to possible conflicts of interest for DCMS?

Julie Carney: I do not think it raises issues of conflicts of interest. DCMS sponsors the sports sector as well as the gambling sector. It is clear that football in particular is growing in popularity as a betting product alongside well-established products such as horseracing. We have done some work looking at the funding flows between the gambling industry and football. The Premier League gets the vast majority of its money from its broadcasting deals. The amount that it gets from gambling is very tiny in comparison. As I touched on earlier, the key issue for the department is where there is evidence of practices or activities driving harm or increasing the risk of harm or changing the risk of problem gambling, and that will always be our key determinant.

The evidence that the Government will put that first is shown by the action they took on the B2 machines, where there was a big debate publicly and challenges as to whether the Government would act because of the impact on the Exchequer or the broader impacts, but the evidence was there that there was a strong link with problem gambling and so the Government took that radical action to cut stakes to £2.

Lord Trevethin and Oaksey: It might be said that that particular sequence of events disclosed a conflict of interest of the type that might underlie this question because, as I recall, there was going to be quite a long delay before the stake was radically reduced, and one read that that delay was brought about partly because the Treasury was receiving such substantial sums in taxation from the use of those machines at high stakes, and then the delay was, as it were, cancelled because of pressure from various quarters. Is that perhaps evidence of the type of conflict that may arise here because of the money that flows into sport from gambling-related sources?

Julie Carney: As I said, it is quite visible because of the sponsorship of various sports. The demographics work for the betting industry, betting on sport is popular and it is targeting people who watch sport—that is absolutely right—but I am not sure that it is a key funding stream for sport and I am not sure that would be a barrier to any decisions government would make. It comes down to the evidence and the evidence on whether an association with football, as opposed to an association with horseracing, is material for risks of harm or problem gambling.

Q5 **Baroness Armstrong of Hill Top:** Unlike my neighbour, I am not au fait with all the different bits of betting. The only betting I have ever done is buy lottery tickets and being a politician it is quite difficult not to do that on occasion. I have a nephew who works for the National Lottery Heritage Fund giving out the money.

I wanted to ask about the levy. On 2 July, Ministers announced that there was going to be a voluntary increase from 0.1% to 1% of profits going to look after problem gamblers or whatever. This was seen by the Ministers as being a really positive step. Parliament in both Houses was not as enthusiastic, largely because of the 50% of the industry that gives nothing. Have the Government any plans and have there been any discussions about the other 50%?

Julie Carney: All of the industry gives something; a small number give very little.

Baroness Armstrong of Hill Top: Very, very, very little. Less than I would spend on lottery tickets in the year.

Julie Carney: There are some who do that—that is true—but most of them respond to the leading charity GambleAware's request for a donation that is equivalent to 0.1% of their gross gambling yield. The gross gambling yield is the difference between the money that they take in on bets and the money they give out on winnings, so equivalent to gross profits. Most give something. The five large bookmakers that have come forward and announced they are going to increase their donation tenfold and make a commitment to give 1% of their gross gambling yield account for more than half of the commercial market, so it is a huge increase in the amount of money that will be available.

It is a first step. As the Secretary of State said, it is reasonable for the biggest companies with the largest reach and the deepest pockets to show leadership and to come forward, and they are looking for other firms to step up over time as well. We are still building the evidence base on treatment needs and what is needed. The amount of money that those five companies have committed—£100 million for treatment over four years—is a huge increase, and we will need time to ramp up services and work out how to spend that wisely and effectively.

Baroness Armstrong of Hill Top: Have there been discussions with the rest of the industry?

Julie Carney: We have focused on discussing with those five and securing that commitment, so that is what we have done so far. We have made clear that we would like others to step up and come forward too.

Baroness Armstrong of Hill Top: Forgive me—this is my ignorance—but are they giving 1% of their profits from this country or their global profits?

Julie Carney: From this country.

The Chairman: If there is no certainty about the remaining 50% of the industry, why did the Secretary of State in his Statement to the House say that this would mean that £100 million would be coming in to help with research, education and treatment, because, in fact, the 50% of companies would only bring in roughly £50 million, not £100 million? He must have been very confident that the other 50% were going to cough up to say that. On what basis was that?

Julie Carney: One is a per annum figure, and one is the cumulative amount. They will give 1% of their gross gambling yield and will build up to it over four years and, as part of that, they have made a firm commitment that they will spend £100 million cumulatively over those four years on treatment.

The Chairman: That is not as the Statement said it. My understanding from what you have just said is that the amount of money per annum we will get from the big five would be £50 million a year.

Beth Hiles: £60 million.

Julie Carney: £60 million is the current estimate, but it is four years off.

The Chairman: We could argue whether it is £50 million or £60 million, but it is that sort of order of magnitude, and over a four-year period—clearly, we can do the sums—that comes to 200 million quid, of which they are saying £100 million will be spent on treatment, but it is not their decision surely.

Julie Carney: They are not going to immediately ramp up. They are not going to give 1% this year. They are going to build up over the four years, so it will rise in stages to 1% in four years' time and, in parallel, the aim is to grow services over that period, because we do not think we would be able to spend that amount of money instantly.

The Chairman: To save time, would you be kind enough to write to us with your analysis of what the actual figures are going to be—on the assumption that no other gambling company steps up to the plate in the same way—of the 1% as opposed to 0.1%? If we could have a clear breakdown of what the figures are and what the commitment is, that would be very helpful.

Lord Butler of Brockwell: Chairman, could I ask a supplementary on this? It has been said in the House of Lords that last year some of the companies gave insultingly small amounts. Best Bets gave £5 and another company, GFM Holdings, gave £1. Is there any other way of interpreting that other than cocking a snook at the levy?

Julie Carney: They are their published donations that they gave to GambleAware. I do not know what percentage of GGY that is. It is presumably pretty low.

Lord Butler of Brockwell: £1 must be absolutely minuscule. My question is: is this not deliberately cocking a snook at the levy and saying, "We are not going to have anything to do with it"? Can one interpret it in any other way?

Julie Carney: They do not appear to want to commit funds to GambleAware; that is true. They may be making some other contributions; they may not. But, yes, it means they are saying they do not want to pay the levy that GambleAware has asked them to pay.

The Chairman: If they make other contributions, they are required to inform the Gambling Commission of having done so.

Julie Carney: Yes.

The Chairman: Are you telling us that you have no idea what those figures are and the Gambling Commission, which has them but does not make them public, does not make them available to you either? The DCMS does not know what other contributions are being made.

Julie Carney: I do not know what people put in their returns to the Gambling Commission. They all have to report to the Gambling Commission what financial contributions they make to third parties. There are hundreds of companies, and they all have to do this in their regulatory returns to the Gambling Commission. The Gambling Commission does not collate them into a single figure.

The Chairman: What discussions have you had with Ministers or with Gambling Commission officials about the value or otherwise of making that information public?

Julie Carney: The Gambling Commission has consulted on changes to its licensing conditions and it wants to bring in a more transparent approach, so it wants to set out an approved list of organisations that companies can donate to and that would enable them to be more transparent.

The Chairman: In correspondence or communication with the Gambling Commission, has the DCMS expressed an opinion as to whether it would be beneficial or otherwise for the Gambling Commission to go ahead and make the information public?

Julie Carney: The Gambling Commission is bringing in a new system. The Gambling Commission says it is difficult to draw out the figures and to track back on all the spending and whether it aligns with the strategy for reducing harm that its advisers have published.

The Chairman: Lord Watts, you might want to pursue this a little more.

Lord Watts: The Chairman has started to ask the question that I am going to ask. May I clarify that there has been an agreement between the five main companies and the Government, and some of the other companies were not involved in that discussion, and that may be one of the reasons why they feel they are not bound by the 1% levy? It may be the Government need to open up a dialogue with the other companies that are part of that to see whether they can bring them on board. I want to check that is correct.

Julie Carney: Yes, that is correct, we have just had those discussions with the top five.

Q6 **Lord Watts:** Most companies that pay a voluntary levy pay it to GambleAware. Others pay it in to research, education and treatment. How can we judge the effectiveness of that levy and how the money is spent without having knowledge of all the details of how much is being put into the system and how it is being spent? How does a government department judge that effectiveness?

Julie Carney: I might turn to my colleague from the Department for Health and Social Care here. We have focused on trying to understand what the needs are and what impact the services in place are having, rather than matching it to different sources of funding. As I said, the Gambling Commission has consulted on bringing in a new system that would mean that it was easier to see where all the industry donations are going and to have more assurance about the sorts of things they are being spent on, because that is one of the Gambling Commission's concerns at the moment.

Beth Hiles: There has been a series of responsible gambling strategies over the years directing priorities, published by the Gambling Commission's advisers, the Responsible Gambling Strategy Board, now the Advisory Board for Safer Gambling. The Gambling Commission has recently published a new strategy on reducing gambling-related harm. This directs the priorities for industry funding. RGSB has done annual assessments of progress against the strategy and the Gambling Commission will be doing the same. It will be publishing something soon, making very clear all the donations from industry, how to improve transparency and how we can assess whether the effort being put in is going to support the priorities set out in this strategy.

Lord Watts: The point I am trying to make is that it is almost a sticking-plaster exercise because, first, you do not know the numbers of problem gamblers and, secondly, you do not know the social implications of that. If you knew the answers to those first two questions, you could say how much the levy should be. You would then have to open a dialogue with the whole industry to find the money required to address this. I understand where you are, but there are a few questions that the Government need to get a hold on. One is the research that is needed, following the Chairman's point about that, and, once you have asked the first two questions you can go back to the industry and see whether they are prepared to fund for the consequences of gambling.

Julie Carney: I agree with a lot of that, but I do not think the assessment of the social and economic costs tells you how much you need to cover prevention services and treatment services. I do not think it does in the case of, say, alcohol. It is a different calculation to work out what you need to fund services and what services would be effective and how we can best deliver them. We need that work to then say how much money we need to put into this, and some of that has been looked at by the NHS because it has made a commitment in the *NHS Long Term Plan*.

Tim Baxter: On the numbers of problem gamblers, we have an estimate. The *Health Survey for England 2016* came up with a mid-range figure of something like 300,000 problem gamblers in England. We do not know what the best range of services is to meet their needs, and we have to be very honest here. I think it is going to be a leitmotif of this session that we would like to know more and we do not know as much as you would like us to know.

There are then policy questions about the right balance between services funded by the industry and services funded by general taxation, because it is important to note that a lot of people who are problem gamblers will be receiving help. They will be receiving help, for example, through mental health services. We are not good at tracking how many of those people there are and where they are being helped. There is an awful lot we do not know, but we start from a position where we have a reasonable estimate of problem gamblers that is based on the *Diagnostic and Statistical Manual of Mental Disorders* and problem gambling severity index scores.

Lord Watts: I take the point. I am only making the point that, if you were to engage with the whole of the industry, you would have more money and you would be able to decide within the industry which research programmes should be carried out and what information would have to be released from the companies for that academic research to take place. You would be in a different position than you are now. That is the point I am making.

Tim Baxter: My comment from the Department for Health and Social Care point of view is, if you are trying to get money from a voluntary levy, it makes sense to go for the five biggest first and, as it were, bank that and move on. If you try to net everyone in one go, I am not sure you would do so well, but that is just a hypothesis.

The Chairman: I have people queuing up, so if we could all be fairly quick with questions and have fairly sharp answers, please.

Baroness Thornhill: The picture I am getting, particularly from today and from our homework prior to this session, is of a very fragmented approach to this. Tim, you said you felt in the last two years there had been an attempt to get a grip on the agenda. People have made comments about not knowing this. It seems as if we are trying to create a safety net for problem gamblers, which is what I believe we would all want as a society; at the moment, the net does not feel very joined up and it certainly has holes in it. I want to pick away at your thoughts about GambleAware. I want some thoughts about the current structure as it is set up. Does it make for this co-ordinated collaborative approach because, quite bluntly, it does not feel like it does?

We have also had great levels of urgency from professionals, who have said they want quality research to tell them what works and what they can do best, but there are no longitudinal studies and these sorts of things are not happening. We are talking about ramping things up with GambleAware and they are the ones that commission research. I guess what I am left asking is: what is the impact of GambleAware? Is it ready to be ramped up to do greater commissioning of research and education? Is the vehicle that we are in at the moment fit for purpose? How do you know how the services are commissioned? How do you know how effective they are? I am struggling with this very piecemeal, fragmented and unco-ordinated but very well-intentioned approach, which the professionals say is not working for them.

Tim Baxter: I shall just comment on GambleAware regarding treatment services. It is important to note that there is a lot of expertise within the trustees of GambleAware. There is a lot of public health expertise. It has Professor Siân Griffiths, who is a former head of the Faculty of Public Health, Professor Anthony Kessel, and commissioning expertise from NHS England among the trustees. They have a good commissioning team—one of whom used to work for me, so I would say that. They are very focused on ensuring what they do is in collaboration with the NHS.

It is fair to say it is an unusual situation where you have specialist treatments all funded by the industry. I cannot think, unless anyone can help me, of another area where it works like that. Clearly, we are moving into a time where NHS England is making a very important commitment, where we will have much more of a mixed model. It will be incredibly important going forward that GambleAware and the NHS continue to work very closely together regarding commissioning. When it comes to GambleAware, its research and various programmes, one of the questions I am always asking is: how are you evaluating it and how will you know whether it works? It looks at that very carefully and has a process for that.

Would I start from here? I do not think one necessarily would. What we are trying to get across is a work in progress, as it were. As I said before, we do not know enough about the scale of need and what works best and so on. GambleAware is not the only organisation to commission research. The National Institute for Health Research has put out a call for gambling research recently. It is an underresearched area—we would admit that—but I wanted to make clear it is not just GambleAware that commissions research. There are a lot of positives about GambleAware and the way it is set up. Its trustees are completely independent of the gambling industry, which is an important step in trying to give confidence to the public and others. It is a work in progress.

The Chairman: If others have comments, we will hear them in a second. Baroness Wyld.

Baroness Wyld: Do you think there is enough of a sense of urgency from your Ministers and from your respective departments on all this?

Julie Carney: Yes.

Tim Baxter: Yes, but you would expect us to say that. I would make the observation that we recently had a round table with the Secretaries of State for the Department for Health and Social Care and Department for Digital, Culture, Media and Sport. Mims Davies as Minster was there and so was Jackie Doyle-Price as the Minister in charge of suicide prevention.

Julie Carney: Damian Hinds was there, the Secretary of State for Education.

Baroness Wyld: May I push you? You sound to me—and I may be wrong—resigned to the fact that you do not have a picture of the levels and the scale of the problem and that you do not have an adequate picture of the services that are required to address that. Would you say there is any sense that you and your Ministers are too passive on this, or is that unfair?

Tim Baxter: I am certainly not going to criticise my Ministers. I would observe that we have done things such as commission Public Health England precisely to do a review into the scale of gambling harms. As part of that, the National Institute for Health Research is looking at the effectiveness of interventions and policies for tackling gambling-related harms. Again, that will be ready by the end of March. It would be wonderful if it was available now, but there is a certain level where we have to accept that high-quality research, as I am sure Lord Layard would agree, takes a bit of time.

The Chairman: Richard, can you throw in your two pennyworth to Baroness Wyld’s question because education is clearly an important part of the research, education, and treatment mix funded by the levy and other contributions?

Richard Vaughan: I am aware of organisations that we partner with such as the PSHE—Personal, Social, Health and Economic education—Association, which work with organisations such as the ones we are discussing to generate programmes of good, high-quality resources that can be used in schools. We encourage that and signpost to that. I am very happy to talk, if you want me to now, about the range of preventative knowledge and resilience that we are imparting through the curriculum that we think is supportive of preparing young people to understand the risks from over-gambling, particularly in an online world. Is this the point you would like me to talk about that, or will we be coming to that in later questions?

The Chairman: We will pick that up a bit later. Bearing in mind the question, in a sense, was about urgency, over 50,000 of the problem gamblers are children below the gambling age. There must be a real concern in your department.

Richard Vaughan: The approach that we take within the department is that we put in place a curriculum that means all children and young people get the knowledge and skills that they need, including through mathematics, citizenship and, more specifically now, through health education and through character education, which is about building up resilience. For young people who are experiencing the negative effects of something like this, we give support pastorally, including through a whole transformational agenda on children and young people’s mental health, with mental health support teams rolling out into all schools to have that help and advice there straightaway, and through health education in the curriculum so young people have self-care techniques and know where to go to get support and advice and in a trusted way, often from peers at school or more senior young people. Having that network there and an ability to see the risks coming and know how to be an informed consumer is the preventative approach we take.

The Chairman: An area of concern that has been raised many times now, in both Houses of Parliament and outside, is the issue of the real potential damage of, for instance, loot boxes in various games. In the joint meetings that you were talking about before, has that issue been raised? Are proposals to address that issue being considered?

Richard Vaughan: I know only this week our Secretary of State has been at summit meetings about online behaviours and risks. Gaming will be in that sort of sphere. We have just put guidance out underneath the forthcoming relationships, sex and health education regime around online harms and risks, which includes advice and support for teachers around persuasive design. We will be building up these resources for schools over time and putting them in a really easily accessible place that the schools are able to know are quality assured. I certainly think our Secretary of State has combined forces with other Secretaries of State to think about the broader issues around online risks to children.

The Chairman: But there are no proposals coming from your Secretary of State or from within the department for legislative change in relation to things such as loot boxes?

Richard Vaughan: Not that I am aware of that, but that would not be something the Secretary of State would lead on.

Q7 **The Lord Bishop of St Albans:** I need to declare my interests: some listed buildings of which we are custodians in my diocese receive funds for repairs from the National Lottery Heritage Fund. Could I pick up a little on what you were saying about education? In my diocese, we have 136 schools, which I get around as often as I can. Since doing this work, I have been going into schools and sitting with head teachers and asking how aware they are of the 55,000 teenage problem gamblers in this country and what is being done about it, and so far in the six schools I have been into there has been a totally blank look from head teachers. What is the department doing to raise awareness of this issue? Indeed, some people sitting in this room have tragedies in their own families of children who started spending their pocket money on gambling at school. What are the schools actually doing?

Richard Vaughan: As it stands at the moment, most schools will have something like a PSHE curriculum, right from primary straight through into secondary. Within that, there are resources that the department signposts schools to: organisations we work with such as the PSHE Association that I referred to, which works with some of the organisations we have been talking about.

Going forwards, as I have highlighted in health education, there will be requirements for secondary schools to teach children about the risks of online gambling and debt accumulation. Within mathematics and citizenship, there is also a whole range of teaching requirements and content on debt, financial management and sound financial decisions.

What we can think about as we build up the resources to support schools as they implement health education is how a school would identify and help parents or children and young people self-identify as having a problem in this area before it gets too late so that they can signpost them to the appropriate support.

The Lord Bishop of St Albans: May I push you a little? I hear you talk about signposting and I am not quite sure what that means, but it sounds like you are making material available that teachers, if they get a chance, can use. Is there anything much more specific? This is quite a sizeable number of children who should not be gambling at all. These are just the ones who I understand are diagnosed as problem gamblers. Based on the adult numbers, we presume it is three or four times that number of people who are at risk of gambling, and perhaps many more—we simply do not know. Is there anything specific being done by the department to address this issue?

Richard Vaughan: There is a distinction between the education that all people in a school get and the way we signpost them. Schools have a huge amount of flexibility across the whole curriculum about how they do that, and we trust head teachers and teachers to design that. The teaching requirements now for health education, particularly in secondary schools, will mean that there is a greater direction for schools to look for the resources that will enable them to teach that curriculum content to a high quality. We will steer schools, and make available to schools, quality-assured products that support them to deliver that content.

Ministers are considering quite how we do that at the moment, but I suspect it will be about getting everything together in an easily accessible place that schools know to go to, and go to first, with high-quality materials there. If we can work with colleagues, industry and charities to get a really high-quality product, it will be there and I am sure schools will look to it.

The Lord Bishop of St Albans: On the basis of the evidence on narcotics in the US in the 1980s and 1990s, where the initiatives that the industry was involved in had very dubious results, do we have any basis for thinking that the industry, which you mentioned, should be entrusted with this work of delivering this material in schools?

Richard Vaughan: My personal view on this, and this is broadly across the curriculum, is that we would have trusted organisations that know what a good-quality resource looks like, know where it has come from and the motives and skills and qualities of the people who designed it, know what works in a classroom with teachers, with children and young people. They will look at materials and resources that come from across the market on any number of subjects. They will come forward in this sphere, particularly, as I have said, with health education requirements prompting it. We have those trusted organisations and there are many. The PSHE Association is one that will quality assure and give that badge of trust, if you like.

Lord Layard: I wanted to come back to the levy for a second, because Julie Carney said that it is not appropriate for the levy to be thought of as something that, as it were, pays for the harm that is done by gambling. There is a standard economic principle of the polluter pays. The polluter pays for the harm it causes, which leads to an efficient outcome where a provider is only providing where the net benefits are positive.

I would have thought that any member of the Government Economic Service that you interacted with would bring this type of argument to bear when you talk about this. When we have alcohol taxation we do not say that we are taxing alcohol to provide services for liver problems or whatever. We say that it is to discourage the activity and let people balance the benefits against the costs. Are these types of argument not floating around when you are discussing these issues?

Julie Carney: I may not have been clear. I was talking about how we decide what services are needed. The debate has been about how much, specifically, industry provides toward the costs of services and treatment. You are absolutely right that the industry pays gambling duties that total £3 billion, and I am sure that in the past when the Treasury was setting duties on gambling it was a similar process to setting duties on alcohol. These kinds of products have their own specific duties, which may be in recognition of the risks of harm or societal costs that attach to them. That is separate from any corporation tax or income tax paid by the industry.

The discussion has been about whether on top of gambling duties the industry should have a separate hypothecated tax specifically for treatment. It was in that regard that I commented on looking at a needs-based assessment. You are quite right: you could do the needs-based assessment, and then it is secondary as to where best to get the money from, and whether it is better commissioned by the public sector, by the NHS, in the same way drug treatment services or tobacco cessation services are commissioned, compared to a system of more third-sector commissioning where we have a charity doing a lot of the commissioning. It is quite common in other spheres to have the third sector deliver support services for people with various addictions.

One of the things that is a bit different and new about gambling addiction, or new to people’s understanding, is that, like gaming addiction, it is a behavioural addiction. I may be putting words into Tim’s mouth, but the DHSC may have focused more on classic physical addictions like alcohol, drugs or tobacco when it is more complex for psychologists and clinicians to unpick the causal relations in behavioural addictions and the correlations with other health issues.

Our understanding of gaming and gambling addiction is perhaps developing more and has developed more recently, and has been acknowledged more, even by institutions like the World Health Organization. It is a slightly newer area for clinicians and treatment services.

The Chairman: We seem to be a long way behind in relation to other harms that are created by industry, but we will no doubt discuss that as a Committee and will contact you for further thoughts on that issue. One final point on the issue of the levy from Lord Butler.

Q8 **Lord Butler of Brockwell:** It has been the position for a long time, and on 2 July the Secretary of State for DCMS said, "The Government reserves the right to pursue a mandatory route to a levy if a voluntary one does not prove effective". The chair of the Gambling Commission has said in terms that the voluntary route is not proving effective, yet Mims Davies apparently said on 25 April that the Government would not be bringing in a mandatory levy. Can you explain the reason for the Government's reluctance?

Julie Carney: The Gambling Commission's advice to us was that if industry did not step up and cover what GambleAware required and what was needed for providing services, there would be a case for a mandatory levy. Ministers had been in discussions with five large companies about significantly increasing their donations, and it was against that backdrop that they concluded, having secured that large commitment, that we do not need to bring in a levy. Obviously, government never says never to any new type of legislation, but it is not needed now because we have industry stepping up. The Gambling Commission's criterion was that if industry does not step up there is a case for a mandatory levy.

Lord Butler of Brockwell: The Government have said that since the big five made this commitment they will not now bring in a mandatory levy. Where was that statement made and by whom?

Julie Carney: I do not want to misquote my Secretary of State.

Lord Butler of Brockwell: I think that is important.

Julie Carney: I think that is what he said when he announced to the House that he had secured this agreement from five large companies, which had obviated the need for us to legislate to force industry to pay more.

Beth Hiles: The Government will obviously retain the right to legislate. Nothing has been said or done that would prevent the Government from taking legislative action, but he said in the House that this funding would be available much more quickly and will enable us to get services ramped up, which will help to provide more services for problem gambling.

Lord Butler of Brockwell: I am not sure I got my dates in quite the right order. What was the date on which the voluntary donation by the big five was announced?

Beth Hiles: That was 2 July.

Lord Butler of Brockwell: It was on that occasion that the Secretary of State said that, notwithstanding that, the Government did not rule out bringing in a mandatory levy if the voluntary levy was not effective.

Beth Hiles: No, government does not rule it out, and of course, as Julie has alluded to, there would be other ways of funding it. If the Government decided that a tax on the industry was a necessary way of providing public funding, there would be other regimes, other means of taxation to do it. A hypothecated tax would not be the only way of providing that public funding.

Lord Butler of Brockwell: Are we to deduce from what has been said that the Government will now open discussions with the laggards, the ones who have not so far agreed to provide a decent voluntary contribution?

Beth Hiles: We have said that we would like the rest of industry to look at the commitment made by these largest operators and at what they can do to step up. Obviously, different organisations are in different positions. These are some of the biggest organisations with the deepest pockets. They have made a commitment for themselves and they are not binding anyone else by this. They are just saying, "We will step up and increase these donations".

Yes, the Gambling Commission already requires all operators to make a contribution to fund research, education and treatment. That is an existing licence condition. It will publish the results of its consultation on how to make clear to operators what they should be doing and it has published a strategy which these donations will support. Yes, we expect industry to be socially responsible and look at what they can do to protect and support their customers.

The Chairman: With the greatest of respect—that awful phrase that people use when they ask a question—it strikes me that you have been asked a simple question on a number of occasions. Fifty per cent of the industry have signed the deal. The remaining 50% were not even involved in the consultation, and that 50% are often—not always, but often—the ones who make a very small contribution to the voluntary levy. The question has been asked in different guises: how do the Government intend to ensure that the other 50% make a fairer contribution?

We know that the Secretary of State's precise words were, "The Government reserves the right to pursue a mandatory route to funding if the voluntary route does not prove effective". Presumably that applies to the remaining 50%. Between now and a decision on whether to introduce a mandatory levy, something is going to happen, and we are struggling a bit to know what the department, the Secretary of State and the relevant Ministers are planning to do to get the other 50% to step up to the mark.

Julie Carney: The Secretary of State did not say that the mark of success is that everybody matches the contribution made by those five very large organisations. Our focus now is intensive work with colleagues in the DHSC, the industry and the NHS to ramp up services and deploy that money. It gives us an opportunity to pilot things, to see what works, and to assess any needs gap and how much more money might be needed.

Beth Hiles: In the autumn, GambleAware will publish research on treatment needs and an analysis of the gap. As Tim said, the National Institute for Health Research will publish evidence and its views on the effectiveness of treatment in the spring, so the picture of what is needed will develop.

Lord Butler of Brockwell: Are you saying that you are not going to press the laggards until evidence emerges of whether enough is already being done?

Julie Carney: Our Ministers have never said that they expect each and every company to match the level of donation provided by the five largest. We think that everybody needs to step up. It is a licence requirement that everybody has to make a contribution to third-party organisations that support research, education and treatment. There will be more transparency on that.

In parallel, we are collecting a lot more evidence about what is needed and what the most useful interventions would be.

Lord Butler of Brockwell: As I brought out earlier, some of the contributions are derisory, even insulting. Is nothing going to be done about that?

Julie Carney: We, GambleAware and the Gambling Commission have made clear that we expect people to do more than that and to step up.

Baroness Meyer: Under which condition would they lose their licence? If they only put in £1, is the fact they are not contributing enough a breach of the licence?

Julie Carney: They are required to make a financial contribution. The Gambling Commission does not have the power to create a new hypothecated tax and set a levy itself. That would fall to government if government wanted to increase taxes or introduce new levies. The Gambling Commission requires a contribution. It does not specify how much.

Baroness Meyer: Should that not be specified?

Julie Carney: It does not have the legal power to do that.

Beth Hiles: It is consulting on how this licence condition works and the results. I have said this before and I believe you are speaking to them next week, so perhaps they can answer that.

The Chairman: The real problem we have is that one minute you are telling us that the Gambling Commission does not have the power to do something, and the next minute you are saying that the Ministers do or do not listen to advice from the Gambling Commission. Who decides to grab hold of the 50% of people, many of whom are making a derisory contribution that clearly would not fit in any logical definition of a "reasonable contribution" meeting the licence requirement laid down by the Gambling Commission, and do something about it?

We are still not getting answers. Perhaps you could write to us, and when you discuss it with the Secretary of State please advise him that when he comes before us, as he undoubtedly will in due course, one of our very first questions will be what, between now and when he comes before us, he has actually done about it, because clearly something ought to be done.

Lord Trevethin and Oaksey: In thinking about this subject and what Lord Butler calls the laggards, is it recognised that the willingness of the big five, if I may call them that, to make substantial voluntary payments will be reduced or perhaps evaporate if they think their competitors are getting away with paying almost nothing? If so, what is to be being done to bring effective pressure to bear on those outside the big five voluntary payers?

Julie Carney: I am confident that those five will stick by their commitments, and I think the Secretary of State is, too. They are not conditional on anybody else increasing their contributions. We are very clear about the commitments they have made, and the Government would reserve the right to take action if they did not live up to their commitments.

The Chairman: Time is pressing. I know that not everybody wants to be here all day long, although we have a little while yet. We move on to some of the issues to do with education, machine gaming and so on, and I will ask Lord Layard to kick off the questioning.

Q9 **Lord Layard:** Richard Vaughan said a lot about the general framework, and I suppose the most obvious problem is that when Ofsted looked at what is happening in PSHE it came back with a rather poor tale of the standard up to now of what is provided there.

We need some reassurance that this whole sector will get a lot more resources. The most obvious thing about PSHE is that a very high proportion of the teachers teaching PSHE have had no training in teaching it. We cannot expect good results from people teaching this perhaps most difficult of all subjects to teach without having more training. Do you have a plan to change that in order to dynamise this part of the education system, which is very much a Cinderella bit of it at the moment?

Richard Vaughan: Yes, I think so. Our Ministers will probably say more before the Recess, or very shortly afterwards, about the plans to support schools in the implementation of relationships, sex and health education, which we say in the statutory guidance will more than likely be delivered within a school's existing PSHE framework.

The fact that these new subjects are mandatory for all schools creates incentives, reason and drive in the system for schools to get the quality of provision right. Ofsted's new framework, which is shortly to come into force and which has now a very explicit focus on personal development, a key judgment dedicated to the personal development of children and young people, also helps in that sense.

Yes, we made commitments during the passage of the RSHE legislation through Parliament in both Houses to support schools with implementation, so we know that we have a budget of up to £6 million in the current financial year and further funding, which is obviously subject to the spending review.

I think we will say more, and we have already set out in Parliament how we will do a range of things to support teachers to have the resources, the skills, the knowledge, the confidence and the networks to be able to improve the quality of teaching so that the subjects can be introduced safely in September 2020, with an ongoing commitment to building that quality.

That includes helping schools to understand the best way, the right way and the safe way to sometimes bring in external experts to deliver content. Colleagues from public health often come into schools locally. Others will too, and we will help schools to understand how, the best time to do it, what to look for, and what "good" looks like in bringing in people who can help and talk, such as GambleAware and YGAM.

Lord Layard: It does not sound like a lot of resources so far. As you say, there is a spending review coming. I should perhaps declare an interest, which you know about, having been a sponsor of a programme for evidence-based PSHE, because most of the PSHE that is provided has no evidence of effectiveness at all.

It is important to be sure that the department intends to grapple with the basic fact that what is being taught at the moment is taught on the basis of no evidence in most schools. Can one hope to hear some plan from the department to get a more rapid dissemination of evidence-based methods of teaching into the schools linked to training? That is more than £6 million.

Richard Vaughan: Yes, absolutely, and it is always good to host you, Lord Layard, when you come to talk to us and we learn about the work you are doing on children and young people's mental health in PSHE in that context.

The £6 million is the budget this year for relationships, sex and health education implementation, subject to the spending review. That is separate to all that we are doing to fund the rollout of the children and young people's mental health Green Paper and the training for leads in every school to understand our children's mental health and well-being. Of course, the health education element of RSHE, particularly the mental health element of that, is a foundation for the Green Paper reforms.

There is more going on here, and our job is to bring it all together. Happily, it all sits within my directorate in the Department for Education. We work incredibly closely with Public Health England and DHSC on the agenda. I think you will see more soon about how we will be supporting the rollout of RSHE in schools and how getting evidence-based quality-assured content, resources and support for training available to schools is at the heart of that.

We will ensure that that is fully integrated with what we are doing on children and young people's mental health and the implementation of the Green Paper more broadly, and we look forward to continuing to talk to you.

The Chairman: You say that you hope that something will happen. Could you agree to write to us with a description of the specific plans in that area? They are obviously written down somewhere, so if we could have a copy, that would be very helpful.

Richard Vaughan: Absolutely.

The Chairman: We move on to Baroness Meyer.

Q10 **Baroness Meyer:** First, I declare my interests. I have been to casinos and I have played roulette a few times. My husband—so it has nothing to do with me—is on the advisory board of a company called Pagefield, and Camelot is one of their clients.

I would like very much to concentrate on children. One thing that was very interesting for us to hear in evidence given to us previously is that children are more vulnerable to becoming addicted to gambling. Secondly, a child or young person, particularly if they gamble and suddenly have a big win, tends to become a long-term gambler. We have heard also of children stealing credit cards from their parents to play on gaming machines.

In 2001, the Budd report called for a review of the impact of machine gaming on children and said that it should take place in 2006. We are now 12 years on. Why has nothing been published? Is it not extremely urgent to do some research on the impact on children?

Julie Carney: The Budd report was a long time ago, and I do not know why he suggested 2006, but the Gambling Act 2005 came into force in 2007, so he may have expected the process of legislation to move faster than it did. The Gambling Act 2005 removed many gaming machines from public places. Before the Act, you could find them in cafés, fish and chip shops and minicab ranks, so they were quite openly available to children. Since the Act came into force, they can only be played in licensed family entertainment centres, typically found at seasides.

Children are allowed to play category D machines—the lowest category, the crane grabs and penny pushers—and if a machine offers a money prize, the maximum stake is 10p with a prize of £5. That has not been increased since before the Gambling Act. The industry put forward a request for increases in the stakes and prizes as part of the gambling review, but the Government concluded that they had not seen good evidence of how they would mitigate any risk of harm, so they did not increase their stakes and prizes. They have been frozen at that level for many years.

Since the review, the Gambling Commission took advice from its advisers, then called the Responsible Gambling Strategy Board, on children and young people and gambling. It looked at machine gaming in relation to children, and its advice to the Gambling Commission was that the balance of argument did not support a recommendation that category D machines should be restricted to adults, although it stressed that operators need to ensure that customers are not harmed, even with the small stakes and prizes involved. On the basis of that, the Gambling Commission has not advised us that they should be banned.

The Chairman: So we are clear—I should know and I genuinely do not know, so it is a straightforward question—when that advice was given, was any distinction made between the different types of category D machine? Some people have argued that while most category D machines are not likely to cause young people any problems, the slot machines within category D might. I simply ask whether the research went that far.

Julie Carney: My understanding is that they looked at all the category D machines and the conclusion applied to all of them.

Beth Hiles: Category D was category D. It did not distinguish between them.

The Chairman: It did not subdivide, or it did and said that it applies to all subcategories.

Beth Hiles: The advice was there is currently no evidence that any category D machine should be restricted to adults.

The Chairman: It is any type of category D machine. Sorry, I interrupted.

Julie Carney: The Gambling Commission keeps this under review. It published the research on rates of gambling among children and rates of problem gambling, and it is looking at implementing a new framework to measure harm in children and young people.

Baroness Meyer: Have they done any research on when children start gambling at the age of 16—we are still one of the few countries where you can gamble at the age of 16—and the long-term effect? If you start smoking young it is known you will continue to smoke for more years. Is there any idea that perhaps the legal age for gambling should be increased to 21?

Julie Carney: I am not aware of research on the distinction between starting at 16 or 18. You may have seen that the Government put out a consultation document today on changing the age at which people can play the National Lottery. That looked at a range of options, including putting the age limit up to 18 for all types of National Lottery games or putting it up to 18 for scratch cards and leaving it at 16 for draw-based games.

The Government are inviting views from everybody, and we would be really interested in hearing any evidence. If people can come forward with evidence on the sorts of issues that you have just raised, that would be very illuminating for that consultation. It is certainly something that the Government committed to looking at during the review and we have now published the consultation.

The Chairman: That is very helpful, thank you.

Q11 **Baroness Wyld:** Is there any evidence base around the relationship between suicide and gambling? I know this is an extremely complicated area. I used to be a Samaritan, so I know it is not an X plus Y thesis, but is there anything, and should this be a priority?

Tim Baxter: The first thing to say is any suicide is a tragedy. Secondly, we do not have a reliable estimate of the numbers of suicides that might be caused by or linked to problem gambling. We know that problem gambling is linked to mental ill-health. We know that debt can lead to problems of mental ill-health, but we do not have a reliable estimate that allows us to say that this number of suicides is caused by problem gambling.

I should say that GambleAware has commissioned research, which should come out in the next few days, so we will let you have that as soon as possible. I do not know whether you are taking evidence from GambleAware. If so, you will be able to ask them directly.

Baroness Wyld: Do you have a view on any methodology that might be used?

Tim Baxter: Not personally.

Baroness Wyld: Not at all. It was a genuinely open question.

Tim Baxter: There will be other people who advise the department who will.

Q12 **Lord Trevethin and Oaksey:** Fines imposed by the Gambling Commission on betting companies for failure to monitor problem gamblers and stop money laundering rose from £1.7 million in 2016, to £18.4 million in 2017, and £19.7 million—almost £20 million—in 2018. Clearly there has been a very big increase. Do fines on the scale that are now being witnessed reflect regulatory success or failure, in your view, and are they an effective way to enforce regulation?

Julie Carney: Fines have their place. It is hard to say whether it is a measure of a more active regulator or more issues in the industry. I tend to think it is the former in this case, but that is very much a personal view, because it is hard to get any evidence of that. The Gambling Commission aims to minimise the need for fines by providing advice and support to help operators get things right in the first place. Obviously, everybody has to be licensed, and there are clear licence conditions and guidance on what they need to do to comply with the conditions.

Three years ago, it introduced an annual assurance statement for the high-impact operators—the large operators. Some 39 of those, which account for over 90% of the gross gambling yield, have to assess the risks to their business from issues such as money laundering, and they have to set out the processes they have in place to deal with the risk.

There is very much an outcomes focus now in the way that the Commission is regulating the sector and hoping to embed social responsibility within the sector. It continues to take firm enforcement action, including fines, and in some cases suspending licences, too. Sanctions are not necessarily a measure of success, but they can be an appropriate measure.

The Chairman: How many licences have been suspended?

Julie Carney: I have data on an investigation into the online casino sector 18 months ago. The Commission has assessed or engaged with 123 online operators. Five operators have surrendered their licences and can no longer transact with consumers in Britain. Seven have been fined a total of £18.5 million as a result of their failings to put effective safeguards in place to prevent money laundering and keep consumers safe, and 45 were told to submit an action plan to raise standards.

The Chairman: That is just online gamblers.

Julie Carney: That is a wide-ranging investigation into the whole of the online casino sector.

The Chairman: Again, would you be kind enough to send us the figures?

Q13 **Lord Butler of Brockwell:** I would like to ask about offshore companies. It is a condition of companies operating in the UK that they observe certain standards of the licence, but there are reports that some of those same companies, for example in Africa, are not observing those sorts of standards.

Do you think it ought to be a condition of the licence that they operate good standards worldwide, or do you regard that as none of our business?

Julie Carney: Those reports from Kenya were very concerning. The Gambling Commission expects operators that are licensed to obey the law in the jurisdictions where it operates. It would be quite difficult for it to impose our regulatory standards in countries around the world or to investigate them, so it is for the Kenyan authorities to investigate the breaches that were reported in the papers. As I understand it, they are now investigating and they have started taking action by closing down the opportunities for finance for those betting operators.

A licence condition requires the operators to report any illegal or regulatory investigation or finding into their activities in any jurisdiction, so if companies are subject to investigation in Kenya they will have to tell the Gambling Commission and that lets the Commission assess the impact on their ability to hold a licence in this country.

Lord Butler of Brockwell: Could it be a condition of withdrawing a licence that a company has been found in breach of the regulations in Kenya?

Julie Carney: I do not know what the appropriate sanction would be. I think it would be for the Gambling Commission to say what it would be. It has a range of sanctions available to it under the Act. It does not have to refer to us. There is no limit on the fines that it can levy, for example. It is quite a powerful regulator, but that is a question best put to the Gambling Commission.

The Chairman: The Commission's own rule is: "The Commission expects operators to comply with the law both in the UK and in other jurisdiction in which they or related companies operate. Failure to meet this expectation may raise questions about the continuing suitability of licence holders". It is not particularly tough sounding. Back to Baroness Armstrong.

Q14 **Baroness Armstrong of Hill Top:** I simply wanted to ask: is the department giving any support and advice to the Kenyan Government about how to regulate effectively in this area?

Julie Carney: We have not been approached by the Kenyan Government, but we are from time to time approached by other countries, as are the Gambling Commission, and we will always offer advice. I do not know if it will surprise their Lordships to know that our regime is pretty well respected internationally.

Baroness Armstrong of Hill Top: I would have hoped, given the amount of aid money we are spending in Kenya anyway, that we would perhaps be a bit more proactive in giving them support on that. I know there is a big programme with their parliament on developing legislation and so on, so I would hope that you can take a bit of initiative here and offer them some support.

Julie Carney: I will ask my FCO colleagues about that.

Baroness Armstrong of Hill Top: Please feed that back, and to DfID, too.

The Chairman: If you are going to do that, could you write back to us and tell us what sort of response you got? We would love to hear from you about that.

Q15 **Lord Smith of Hindhead:** I am sure I am not alone in noticing that there seems to be a huge increase in the amount of gambling advertising. Everywhere I look there seem to be more and more adverts for gambling.

Bingo, online gambling—you name it, it seems to be everywhere. In 2016, Camelot spent £42 million on advertising, and recently there were some curbs with the whistle-to-whistle self-imposed ban on advertising during football matches.

We want to know whether you think the industry's own voluntary restriction on its advertising activities is successful? Do you know how much is being spent by the gambling industry on advertising? Do you have access to that, so that you can measure who sees those advertisements and how influential they might be on gamblers' behaviour? Do you have any of that?

Julie Carney: We have quite a lot of that.

Beth Hiles: Is it helpful to talk about the current system of what protections are in place and how the regulation works, because it is not just industry voluntary commitments?

Lord Smith of Hindhead: We would like to know how much is spent by the gambling industry on advertising. Do you have access to the data that enables you to measure who sees the adverts, and do you think they influence behaviour?

Beth Hiles: GambleAware commissioned research from a consortium of universities with Ipsos MORI and other bodies on the spend. It was published last week. That found that between 2015 and 2018 there had been a 24% increase in spend, which became nearly £330 million in 2018. That includes things like mailshots, and the biggest spenders overall were lotteries, which accounted for about £130 million.

Lord Smith of Hindhead: May I stop you there? The CEO of NHS England, announcing the first NHS clinic last month, said that this is an industry that splashes out £1.5 billion on marketing and advertising. Where did he get that from?

Beth Hiles: That was a figure last November that was estimated by Regulus Partners. It estimated the industry's total marketing spend was £1.5 billion.

Lord Smith of Hindhead: And it is actually £330 million.

Beth Hiles: That is what the recent research found.

Lord Smith of Hindhead: I do not think it has reduced from £1.5 billion to £330 million, has it?

Beth Hiles: They are different estimates, which are perhaps calculated in different ways.

Julie Carney: Did the GambleAware research cover online and social media?

Beth Hiles: That did not cover the social media marketing, which may account for some of the difference, and Regulus Partners found that companies expended five times more online than on television.

Lord Smith of Hindhead: So there is a £1.2 billion difference on advertising. Can you understand why we are getting frustrated with this? It goes back to my first point that you cannot manage what you have not measured.

Julie Carney: The difference is because the Regulus Partners' work looked at online and social media marketing and the GambleAware work did not. They are consistent in their broad estimates that about five times more is spent on online and social media than on TV.

Lord Smith of Hindhead: I am not being awkward about it, but my question was: do you know how much is spent by the gambling industry on advertising? Your answer was £330 million. The NHS person said £1.5 billion. Now you are saying that was because there were some extra things. I was talking about advertising. Is it £1.5 billion or £330 million? What do you think it is?

Julie Carney: The £1.5 billion is an estimate from the industry consultancy, and it includes online advertising and social media marketing and branding.

Lord Smith of Hindhead: So what is £300 million?

Julie Carney: £300 million is the GambleAware research, which looked in more detail at who was doing what and provided more of a breakdown of TV advertising and mailshots.

Beth Hiles: What that research could not say is how this compares with advertising spend on other categories of product, so there is definitely more work to be done. The approach that we, and the regulatory system, have taken is to look at the contents of adverts. There are strict rules on what you must not show in order to reduce the risk of harm from advertising to children, or other vulnerable people.

That guidance was tightened up recently by the Committee of Advertising Practice, following on from the gambling review. The published guidance restricted, for example, creating an undue sense of urgency, such as adverts that say, "Bet now", which could risk triggering problem gamblers to gamble.

The Chairman: One way of getting the data might be raised in Baroness Armstrong's question.

Baroness Armstrong of Hill Top: Mine has already been asked.

The Chairman: In that case, very simply, do you believe that the advertising spend should be one of the bits of data that is made available as part of the licence condition? That way, you would know the figure.

Beth Hiles: It is an interesting point. I have not heard that suggested before, but we could definitely take it away and think about it.

Q16 **The Chairman:** Would you like to take it away and consider it? It is interesting that the House downstairs is discussing lottery regulation at a time when you had the opportunity as a department to put a cap on the expenditure limit of society lotteries and so on and you decided not to, which has enabled them to spend as much as they like on advertising. Presumably there was discussion about that. Could you share with us the discussion as to why there is no cap on society lottery advertising?

Julie Carney: The consultation that we have responded to today did not look specifically at putting caps on expenses, you are right; it looked at the limits for society lotteries.

The Chairman: You asked questions that enabled people to suggest any regulatory change that they would like to see, and I know for a fact that a number of responses you received included the suggestion that there be a cap on the expenses of umbrella society lotteries.

Julie Carney: The way they are regulated at the moment is that the Gambling Commission has to satisfy itself that expenses are reasonable. There used to be various controls in the past, but the way they are regulated now is that at least 20% has to go to good causes, the maximum prize cannot be more than 10% of the sales and the Gambling Commission has to be satisfied that expenses are reasonable.

It is not that there are no restrictions; we announced today that there will be more transparency about expenses so that people will be able to choose where to spend their lottery pound, fully informed about the level of expenses from different lotteries and different types of lotteries.

The Chairman: Would that transparency require a statement specifically about advertising spend?

Julie Carney: The Gambling Commission will consult on transparency requirements, so it will look at expenses and a breakdown of expenses, which could include advertising or marketing.

Q17 **The Chairman:** You have all been very patient with us. Thank you very much indeed.

I want to end very quickly with one bullet point from each of you. I would love to know, if you were in our position—you are civil servants, and I accept the difficulty, but you can be human beings now—the one thing above everything which our report has to cover that would be helpful to you in your job in your department. Tim.

Tim Baxter: We are moving to a system, as I said before, where there is more NHS treatment alongside the existing, and indeed expanding, industry-funded treatment, so what are the ways in which we can best ensure that that is delivered in a way that maximises the outcomes for problem gamblers?

Baroness Armstrong of Hill Top: May I ask a supplementary, because we did not get round to treatment? Are you basing where the new treatment clinics will be located on evidence about problem gambling? It was interesting that the three announced were all in the north. Is this where most money is spent on gambling and most problems are arising?

Tim Baxter: I can try to answer that very quickly, Chairman, if that is helpful.

NHS England is starting off with investing in the new clinic in the north in Leeds, with what are called spoke clinics in Sunderland and Manchester. You would have to ask them precisely why, but I would imagine that in major urban centres like that, with a fair degree of deprivation, it does not seem, prima facie, a foolish place to start. It is planning to put up to 15 in place by 2023-24, and I imagine that it will take a view on where the best places to locate those future clinics are. It will be a matter for NHS England rather than the Department for Health and Social Care.

The Chairman: We will ask them when they come. Julie, what is the one thing you would love us to do?

Julie Carney: I suppose it is similar to Tim's, really. The areas where there are more evidence gaps seem to me to be in treatment and in understanding problem gambling and what works. Drawing out evidence and insights on that would be the most helpful, because we will be working with the DHSC on how to best use the increased industry funding.

The Chairman: Beth.

Beth Hiles: I will join with Julie in hers as one single department.

The Chairman: And Richard.

Richard Vaughan: With the profile that you are giving to this, and given that we want there to be more high-quality resources available to schools as we roll out our curriculum reforms, if you could stimulate the market and providers to come forward and be willing to put forward—for testing and quality assurance—pragmatic, sensible, deliverable materials that teachers could use in schools, that would be incredibly helpful.

The Chairman: You already have YGAM and a number of others, but you are saying more. That is very helpful.

Thank you, on behalf of the entire Committee, to all four of you. As I said at the beginning, if there is something you wish you had said and you did not get around to saying it, please write to us. If there are questions we should have asked you and you want to say what they are and give us the answers, please do, and we will no doubt be following up one or two of the issues that we have raised with you. Thank you.