

Sarah Healey  
Permanent Secretary  
Department for Digital, Culture, Media & Sport

2 December 2021

Dear Sarah,

Thank you for the evidence that you, Susannah Storey, Imran Shafi and Paul Norris provided to my Committee on 4 November 2021. I am writing to set out our observations on a number of the issues that we discussed, related to the National Lottery, gambling, the Cultural Recovery Fund, and the financial health of the charities sector, on which we would be grateful for your response. Please note that my Committee will also be producing a separate report on Project Gigabit.

### **The National Lottery**

The National Lottery is a major source of funding to the UK sports and culture sector. However, we are concerned about the impact of the declining rates of return to good causes, television advertising that we consider to be pushing the boundaries of what is permitted under current regulation, and possible links between the lottery and gambling.

We also raised with you our concern that the National Lottery advertises on television at a time when a significant proportion of those watching are too young to legally participate. Although this is a policy issue for the Gambling Commission, you told us that all aspects of preventing problem gambling will be part of the currently ongoing Gambling Act Review. In the same vein, on raising the minimum age of the National Lottery, you told us you were not aware of when this would happen but would follow this up.

In addition, we asked you for assurance that when the contract for the lottery is re-tendered there will be transparency about how much of the money raised through the National Lottery goes to good causes and how much is retained for administration centrally. You stated that this would be a matter for ministers to decide.

The announcement of the preferred bidder for the fourth National Lottery Licence was due in September 2021 but is now expected in March 2022. You told us that this delay was due to a request for more time to refine and evaluate their bid from one of the four bidders (with the support of the others). You expressed your concern about any further delays and assured us that you are monitoring this process very closely and are keen to conclude this.

***Following on from our discussions at the evidence session, please write to us with additional detail on:***

- ***when the minimum age for playing the lottery will be raised;***
- ***what the Gambling Commission is doing about:***
  - ***those who push the boundaries on lottery advertising and enforcing the restrictions on emphasising what people could do with their winnings;***
  - ***the timing of adverts to coincide with when a significant proportion of the audience will be too young to participate; and***
- ***how you will ensure transparency around returns to good causes from lotteries run by/for Charities, and how the new lottery licence will address the issue of declining returns.***

## **Gambling regulation**

Thank you for your recent letter dated 23<sup>rd</sup> November 2021 in which you provided further information on gambling and loot boxes. You told us that you ran a call for evidence from September to November 2020 to examine concerns around loot boxes in video games, which are not currently regulated as a gambling product. You explained that when you launched the consultation you committed to considering the results alongside the Review of the Gambling Act 2005 and inform future actions in regard to loot boxes. We note that you have commissioned an independent Rapid Evidence Assessment of the existing evidence base from the InGAME research and innovation centre and that you are evaluating the information gathered, including from the Rapid Evidence Assessment. We look forward with interest to reading your response, which is due to be published in the coming months, where you will set out your planned next steps. You have said you will continue to consider how the Government response aligns with the Gambling Act Review as you prepare for its publication.

Nevertheless, my Committee remains concerned that you have made insufficient progress with the Gambling Act review since we last discussed it with you on 27 April 2020. Your review of the Gambling Act 2005 opened with the publication of a call for evidence, which closed on 31 March 2021. Since then, there has been no update on the review, although you stated at the evidence session that you expect to announce your response to the consultation early in 2022. We are concerned about the impact of this ongoing delay on both the Gambling Commission and the gambling industry. We also wanted you to give us assurance that the outcomes of the Gambling Review will have a significant impact on the sector. You responded that the review aims to address significant issues, including those related to problem gambling.

In September 2021, Public Health England concluded that a public health approach is required to deal with issues related to gambling, including mental health issues and suicide prevention. We asked whether this was an approach that you will be taking within the review. You confirmed that the review will be looking at tackling gambling problems as effectively and holistically as possible, and that this could involve a public health approach.

We were also concerned about the extent to which you fully understand trends in gambling. For example, you informed us that there has been a shift from land-based to online gambling but did not have up to date data on this. In your recent letter, you have now provided us with the figures for the year to September 2021 and compared this to the same figures for the year to September 2020. However, your letter does not explain your view of whether this trend is likely to be a permanent or temporary change, brought about by the Covid-19 pandemic, or what analysis you intend to undertake to determine this.

We noted that recent reports suggested that gambling companies are sending promotional emails to individuals who had opted out of receiving these and wanted the Gambling Commission to take robust action on this. You agreed that you would expect robust action to be taken for any breaches to terms of agreement, licences and regulations.

*Please write to us setting out further detail on:*

- *your findings on whether the shift to online gambling was temporary or is permanent, based on the data you now have available since lockdown has ended;*
- *whether a response to the consultation on Loot boxes will be wrapped up into the Gambling Act review.*

## **Fraud and Error in the Culture Recovery Fund and other funding**

We discussed fraud and error within the Culture Recovery Fund at our evidence session on this on 26 April 2021. Post-event assurance on the first phase of the Culture Recovery Fund has begun and will be completed

by February 2022. You told us that 203 reviews have been completed so far, relating to about 10% of the organisations which received funding. These have to date found one case at a value of £4,471. It is currently being investigated whether this is genuine fraud or a case of error. The Arts Council England, which oversees the bulk of the Culture Recovery Fund, will begin post-event assurance on the second round of funding from February 2022.

You stated that you considered levels of fraud to be relatively low considering the scale of the funding, which is almost £2 billion. Nevertheless, our firm view is that every pound of public money must be recovered, which you agreed with.

***Please write to us when you have completed your post-event assurance programme with details of the final value of fraud and error identified and what action you are taking to recover the funds.***

### **Understanding the financial health of the charities sector**

We took evidence on the support being provided to the charities sector by government during the Covid-19 pandemic on 5 April 2021. At that session, you told us that your data and understanding of the financial state of the sector was not as strong as it could have been. In our most recent session, you said that you were working to improve this, including with the Charity Commission. You suggested that this work will significantly improve the granularity of the data it collects and will allow you to more accurately pinpoint which charities are in what condition financially over time.

You also told us that there is a 22-month lag in the way that the Charity Commission collects its data, meaning that the full impact of the changes made to data collection will not be seen for another year or so. Nevertheless, you asserted that despite current circumstances, work done by charities to adapt to the financial situation created by the Covid-19 pandemic and the support provided by government means that the sector is holding up relatively well.

While the viability of the sector is concerning, the data you currently hold does not suggest that the sector is financially fragile. Your key findings include that whereas two thirds of charities have, unsurprisingly, felt some financial threat over the last year and a half, 78% have reported that their financial position has either stayed the same or improved over this period.

We would like further assurance on how effective your new monitoring system will be in helping you understand the health of the sector:

***Please write to us to explain how you will use the more detailed data to help you understand the financial health of the charities sector, and what more you think you need to do to ensure you have a full picture of the sector.***

We would be grateful for your response by the **end of January 2022**. We will be publishing this letter on our website and would also expect to publish your response in due course. I am copying this letter to the Chair of the Digital, Culture, Media and Sport Committee, Julian Knight MP, the Chief Executive of the Gambling Commission, the Chief Executive of the Charities Commission, the Treasury Officer of Accounts and to the Comptroller and Auditor General.

**DAME MEG HILLIER MP**

**CHAIR OF THE COMMITTEE OF PUBLIC ACCOUNTS**

