



Department for  
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Dame Meg Hillier MP  
**Chair, Public Accounts Committee**  
House of Commons  
London SW1A 0AA  
Sent by email only

31st January 2022

Dear Chair

### **DCMS Recall - Response to follow up requests on National Lottery, Gambling and CRF**

Thank you for your letter on 2 December 2021 in response to my appearance at the Public Accounts Committee on 4 November. In this letter I enclose our response to your requests regarding the National Lottery, Gambling and the Culture Recovery Fund. Your question on the financial health of the charities sector, is addressed in a separate letter alongside an update on the evaluation of the Covid charities support package

### **Lotteries**

#### **National Lottery Minimum Age**

Firstly, legislation to increase the minimum age for buying and selling National Lottery products from 16 to 18 was laid in December 2020. The deadline for making the change was 1 October 2021, however the current operator and the retail network implemented the change ahead of this, on 22 April 2021, for both retail and digital sales.

#### **Advertising**

All gambling advertising is subject to strict rules which are written by the Committee of Advertising Practice and enforced by the Advertising Standards Authority (ASA). The rules are designed to ensure that marketing communications for gambling products are socially responsible, with particular regard to the need to protect children, young persons under 18 and other vulnerable persons from being harmed or exploited by advertising that features or promotes gambling. In particular, advertisements for gambling must not be targeted at under 18s or be of particular appeal to them. The Gambling Commission works very closely with the Advertising Standards Authority and if a gambling firm is found to be in serious or repeated breach of the rules, the Commission can take action, as was the case with financial penalties issued to Leo Vegas and Lottoland in recent years.



Regarding the timing of adverts which might coincide with when a significant proportion of the audience will be too young to participate all operators including society lotteries must abide by the rules in place which prevent adverts from running around programmes where children are over 20% overrepresented in the audience. Broadcast television and radio adverts are co-regulated by the ASA and Ofcom, who can sanction broadcasters if adverts that break the rules are run, and all broadcast adverts are subject to strict pre-clearance regimes by ClearCast for television and Radiocentre for commercial radio. The Gambling Commission have regular engagement with the Advertising Standards Authority and if Advertising Standards Authority rules are broken, then the Commission has powers to take enforcement actions of their own against operators under 7.53 of the Third Section 5 Licence, or under specific conditions within the Section 6 Class Licences, which pertain to specific games within the National Lottery portfolio.

### **Society Lotteries Transparency**

In July 2020 the Gambling Commission updated the Licence Conditions and Codes of Practice for all lottery licence holders to further strengthen the regulatory framework in this area. The new regulations require society lottery operators to provide players with more information about their odds of winning a prize, how good causes are selected and the breakdown of a lottery's proceeds.

### **Returns to good causes in the 4th National Lottery Licence period**

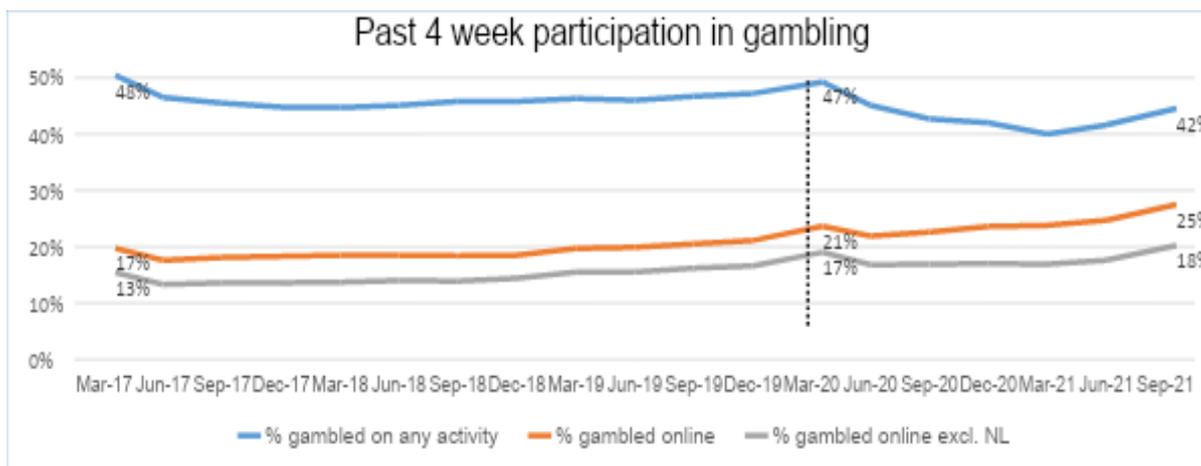
Government shares three statutory duties with the Regulator - to ensure that: the National Lottery is run with all due propriety, that the interests of every participant is protected, and - subject to those duties - that returns to good causes are maximised. The Gambling Commission are currently running the competition for the next, fourth, National Lottery licence, which has included designing a new incentive mechanism. The new incentive mechanism will align the operator's incentives more closely with maximising returns to good causes and there will be a robust regime to monitor performance. Recognising that the world is likely to be very different by the time the fourth licence concludes in 2034, the Gambling Commission have designed the licence to enable and incentivise the licensee to adapt, in a safe and responsible way, according to technological advancements, new opportunities, and changes in consumer preferences. The new incentive mechanism will address criticism of previous models by not differentiating good causes contributions based on game type, thereby, making the licence more adaptable to changing consumer trends.

## **Gambling**

### **Shift from land-based to online**

You asked for our findings on whether the general channel shift from land based to online gambling was permanent based on the data we have available since lockdown ended. The Gambling Commission has been collecting, analysing and publishing a significant amount of data from operators and consumers over the course of the pandemic. However, as outlined in my previous letter, there are difficulties in reaching final conclusions on whether any changes to gambling habits will endure post pandemic as consumer behaviours have not had a chance to return to normal for a substantial period of time. This has been further complicated by the emergence of the Omicron variant in late 2021 which is likely to have influenced behaviour irrespective of the public health measures in place.

The data on [consumer reported behaviour](#) suggests that overall population participation in gambling remains significantly lower than prior to the pandemic, and particularly that the period of eased restrictions in summer last year did not lead to a return to pre pandemic participation levels. Among those who do gamble, the shift to online as a means of access is a long term one which continued over lockdown and we expect to continue in the future, as with other sectors. Notably, much of the growth in online gambling since March 2020 has been concentrated in those aged over 45 and been driven by their playing the National Lottery online rather than via retail outlets. This has been a steady growth throughout the pandemic rather than a sudden spike in lockdown, but it is difficult to conclude whether it will continue at the rate seen over the past two years. If the National Lottery is excluded, the lasting impact of the pandemic appears to have been a slight slowing of the rate of channel shift to online gambling:



This is corroborated by the [industry data for 2020/21](#) (excluding the National Lottery), published last November which shows that there were approximately 32 million active online gambling accounts in 2020/21, lower than the 2017/2018 peak of 34.22 million. Equally, just under 33 million online gambling accounts were opened in 2020/21 which is fewer than the 33.28 million accounts opened in 2018/19.

### Loot Boxes

You also asked about our plans for the Loot Box call for evidence response. As we issued a bespoke call for evidence on Loot Boxes which was separate from the Gambling Act Review, we will issue a standalone response to that Call for Evidence. Our decision to publish a standalone response on the issue of loot boxes does not necessarily indicate how it is being considered alongside changes to gambling policy, and we continue to carefully consider how both areas will align.

## **Culture Recovery Fund - Counter Fraud**

The Committee requested that the Permanent Secretary provide an update when the Post Event Assurance work was complete for the first round of the Culture Recovery Fund (CRF) and an update on the steps taken to recoup funding.

Post Event Assurance for CRF Round 1 has been completed by the Arts Council with detected fraud of £4,471. As an additional level of assurance, the Arts Council England is re-reviewing historic allegations of fraud from an additional 20 CRF1 applicants. Testing began in November with no fraud or error identified to date. This testing has a target completion date of February 28th 2022.

Post Event Assurance for CRF Round 1 has been completed by the National Heritage Lottery Fund (NHLF) with no detected fraud.

With regards to the other Arms-Length-Bodies delivering the Culture Recovery Fund, Historic England and the British Film Institute, both are on track to complete Post Event Assurance for CRF 1 by March 2022. To date Historic England have identified a potential fraud of £9,000 and erroneous claim of £754 and the British Film Institute has not identified any fraud or error. The table below summarises the total funds awarded, the sample size selected and the total value of fraud and error identified through Post Event Assurance to date.

Table 1: Post Event Assurance for Round 1:

<b>Arms Length Body</b>	<b>Round 1 Fund Value (£m)</b>	<b>Sample Size (organisations surveyed)</b>	<b>Reviews outstanding</b>	<b>Potential cases of fraud detected</b>	<b>Value of potential fraud detected (£)</b>	<b>Cases of error detected</b>	<b>Value of error detected (£)</b>
Historic England	54.3	<b>100% (913)</b>	0	1	<b>9,000</b>	1	<b>754</b>
Arts Council England (Wave1)	656.1	<b>10% (207)</b>	0	1	<b>4,471</b>	0	0
National Lottery Heritage Fund	75.5	<b>5% (509)</b>	0	0	0	0	0
British Film Institute	21.1	<b>100% (208)</b>	0	0	0	0	0

On fraud and error identified through Post Event Assurance, the following steps have been taken:

- The potential fraud of £9,000 identified by Historic England was identified before the grant was made. It was not necessary to recover any money from the grant awardee.
- The erroneous claim of £754 identified by Historic England was rectified by reducing the final payment. It was not necessary to recover any money from the grant recipient.
- The fraudulent claim of £4,771 identified by Arts Council England was for artistic staffing fees from outside of the grant period. When the grantee was made aware of this the money was repaid in full.

Outside of Post Event Assurance across all rounds of funding, there are currently 24 allegations of potential fraud being investigated by the Arts Council, National Heritage and BFI totalling £1,750,846 and 1% of the total package. This is within the 0.5% - 5% pre-pandemic range for fraud and error in the public sector estimated by Cabinet Office Counter Fraud Function and, therefore, inside the department's minimal financial risk tolerance. These are currently under investigation and ALBs will report findings to the Department through the quarterly Consolidated Data Return.

DCMS (and ALBs, if required) now have access to Indesser debt recovery services should funding need to be recouped.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sarah Healey', written in a cursive style.

**Sarah Healey**  
**DCMS Permanent Secretary**