

## **CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE**

### **ARTS FUNDING INQUIRY**

#### **SUBMISSION FROM PEOPLE'S POSTCODE LOTTERY**

##### **People's Postcode Lottery – an overview.**

People's Postcode Lottery is an external lottery manager that runs society lotteries (also known as charity lotteries) in Great Britain. We are licenced by the Gambling Commission. People's Postcode Lottery's headquarters are in Edinburgh and the company currently employs over 340 people in the city.

To date, players of People's Postcode Lottery have raised over **£416 million** for good causes.

One of the Trusts supported by players of People's Postcode Lottery, the Postcode Culture Trust, has given **£13,762,153.20** of funding to **55** organisations. The Postcode Culture Trust is a charity registered with the Office of the Scottish Charity Regulator.

The Postcode Culture Trust provides largely unrestricted ongoing funding to numerous arts and culture organisations, including those based or active in Scotland, including Edinburgh International Book Festival, The National Galleries of Scotland, National Museums Scotland, Sistema Scotland and V&A Museum of Design Dundee.

A full list of the medium and large-scale charities our players fund can be found here: <https://www.postcodelottery.co.uk/good-causes>

Funds raised by players of People's Postcode Lottery are also awarded to small charities and community groups with grants up to £20,000 available from the Postcode Local Trust, People's Postcode Trust and the Postcode Community Trust. Local arts and culture-based organisations are eligible to apply for these funds. In particular the Postcode Community Trust exists to support organisations focused on improving health and well-being, including through the arts. More information on the work of this Trust is available here: <http://www.postcodecommunitytrust.org.uk/>

##### **Society lotteries and the National Lottery**

In the call for evidence you reference Creative Scotland raising concerns about society lottery reform potentially impacting the amount of money for good causes the National Lottery can raise.

Society lottery reform is not about competing with the National Lottery. It is about increasing the outdated annual sales limit contained in the 2005 Gambling Act, which is leading to unnecessary administration costs for society lotteries which limits the amount they can give to good causes and increases bureaucracy.

People's Postcode Lottery is calling for the society lottery annual sales limit to be raised from £10 million to £100 million.

This change in the annual sales limit is also the proposal recommended, on two separate occasions, by the Gambling Commission – the regulator of both the National Lottery and society lotteries. In recommending this change they explicitly make clear that a £100 million limit would maintain the protection of the National Lottery.

They stated: *"We consider the suggested changes would achieve the stated aims of DCMS and the Select Committee of allowing greater flexibility for all society lotteries to raise money for good causes, **whilst maintaining the protection of the unique space in which the National Lottery operates.**"* (Gambling Commission, Review of society lotteries advice, October 2017). They made the same point in their 'Society lotteries advice Phase 2' document of January 2016.

The Gambling Commission has also conducted extensive research into whether society lotteries negatively impact on the National Lottery and repeatedly found that they did not.

In the Gambling Commission's Review of Society Lottery advice of October 2017, they set out that they had run three rounds of economic modelling which all found that there was no impact on the National Lottery from society lotteries.

*"In 2012, and 2015 the Commission asked researchers to construct an econometric model to identify key drivers in National Lottery demand and the impact of society lottery growth. The Commission asked the researchers in February 2017 to update this forecast with current data. They reached the same conclusion as in the previous work done for the Commission – in that **there was no statistically significant effect of society lotteries affecting National Lottery sales.**"*

As well as the Gambling Commission evidence there are also several other reports which found no impact on the National Lottery from society lotteries. These include:

- The April 2012, NERA Economic Consulting report 'Assessment of Lottery Market Issues' which was commissioned by the UK Department of Culture, Media and Sport.
- The May 2013 nfpSynergy report 'A Chance to Give'.
- The February 2014 report 'How Society Lotteries could do even more for good causes' by the Centre for Economic and Business Research.
- The March 2015 House of Commons Culture, Media and Sport Committee report 'Society Lotteries'.
- The December 2017 National Audit Office report, 'National Lottery funding for good causes.'

It is also hard to understand how increasing the society lottery limit to £100 million could possibly have any impact on the National Lottery, as it is not a player-facing aspect of playing society lotteries and thus could have no impact on player behaviour.

### **Changes in National Lottery funds to good causes**

People's Postcode Lottery are supportive of a strong National Lottery complemented by a strong society lottery sector. As Gambling Commission statistics show, in eight out of the last ten years, the National Lottery and society lotteries have grown together, with the latest annual statistics showing a rise in funds to good causes from both the National Lottery and society lotteries.

There was however a dip in National Lottery sales in 2016-17 which is widely considered to be because of the changes in National Lottery's Lotto game. The Gambling Commission, the House of Commons Public Accounts Committee, Gambling expert Dr Carolyn Downs of Lancaster University, and Camelot are all on record making this point.

*"Despite remaining the most popular gambling activity there had been a continued decline in participation in the National Lottery draws coinciding with, amongst other factors, the increase in ticket price from £1 to £2 which was introduced in October 2013"*

Gambling Commission: 'Gambling participation in 2016, behaviour, awareness & attitudes'. February 2017.

*"The main reason for the fall in sales last year was the disappointing performance of the National Lottery's core draw based games – especially Lotto, with player confidence in the game still fragile following the recent game changes."*

Camelot Spokesperson, Financial Times, 2<sup>nd</sup> February 2017.

*"There has been a drop since the price went up and a further drop when they increased the number of balls in the game from 49 to 59 which of course made the odds of winning much lower, so it's 1 in 45 million chance of winning the jackpot now. So that was an issue for people as well."*

Dr Carolyn Downs of Lancaster University, BBC Radio Wales interview, 24<sup>th</sup> January 2018.

*"We asked Camelot whether these contradictory game changes had contributed to people spending less on the Lotto game. Camelot accepted that, after a short term boost to sales, these game changes had contributed heavily to a disappointing year in 2016-17."*

April 2018 House of Commons Public Accounts Committee Report 'The future of the National Lottery.'

*"The detrimental effects of tinkering with the format of the [National] Lottery, and a decline in public awareness of its support for good causes, are also clear."*

House of Commons Public Accounts Committee Chair, Meg Hillier MP.

## **Return to good causes of different Lottery products**

The Gambling Commission's annual statistical publication 'Industry statistics' published in November 2018, shows that the National Lottery return to good causes is 21.7%.

This compares to 32% from players of People's Postcode Lottery.

It is understood that one of the reasons for the decline in the National Lottery percentage to good causes has been the increase in scratchcard sales which return a lower percentage to good causes.

Commenting on this point the House of Commons Public Accounts Committee April 2018 Report 'The future of the National Lottery' said: *"The drop in returns to good causes was because more players bought scratch cards, whilst sales of draw based games, with higher returns to good causes, declined."*

The National Audit Office December 2017 report "Investigation: National Lottery funding for good causes", reported that the return from good causes from National Lottery scratch cards was 10%, with some scratchcards returning as little as 5%.

## **Support for a £100 million charity lottery annual sales limit**

As well as being recommended by the Gambling Commission and proposed by People's Postcode Lottery a £100 million charity lottery annual sales limit also has widespread support from across the charity and voluntary sector, including from the National Council for Voluntary Organisations, the Scottish Council for Voluntary Organisations, Museums Galleries Scotland, The Hospice Lotteries Association, the Institute of Fundraising, The Lotteries Council, the Office of the Scottish Charity Regulator, the Postcode Culture Trust and many MSPs and MPs across many political parties. It is also the UK Government's 'preferred option' as stated in last year's consultation on society lottery reform.

With the existing £10 million limit set in 2005, a new £100 million annual sales limit will future-proof the legislation for the decade ahead.

## **What are the major threats to sustainable funding of the arts in Scotland?**

Without society lottery reform the funds available to the Postcode Culture Trust, and also the local grant giving trusts, cannot increase.

In addition, due to the interaction of the existing £10 million annual sales limit and increasing ticket sales these funds are at risk of decreasing over time, even as the overall level of funds raised for good causes by players of People's Postcode Lottery increases.

## **What are the main challenges for artists and cultural freelancers in obtaining funding in Scotland?**

No comment.

**What measures could the Scottish Government take to ensure a sustainable level of funding for the arts?**

Support the implementation of a £100 million annual sales limit for charity lotteries.

**How could Scotland be innovative in attracting greater funding for the arts?**

No comment.

**How should public money be made available to support artists and cultural freelancers in Scotland, including any relevant international examples of best practice?**

No comment.

**What factors should be considered and how should decisions be made about which artists or cultural freelancers should obtain public funding in Scotland?**

No comment.