

Title:
The Legislative Reform (Exempt Lotteries) Order 2015

Impact Assessment (IA)

Date: 22/4/2014

IA No:
DCMS 101

Stage: Final

Lead department or agency:
Department for Culture, Media and Sport

Source of intervention: Domestic

Type of measure: Primary legislation

Other departments or agencies:
Gambling Commission

Contact for enquiries:

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Summary: Intervention and Options

RPC Opinion: GREEN

Cost of Preferred (or more likely) Option

Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out?	Measure qualifies as
£N/Am	£N/Am	£N/Am	Yes	Zero Net Cost

What is the problem under consideration? Why is government intervention necessary?

As part of the Red Tape Challenge, the Department agreed to consider lifting restrictions on some small scale lotteries (raffles) to enable charities to raise money from a greater range of businesses, organisations and individuals. Intervention is required by Government to amend the Gambling Act 2005 to lift the identified restrictions.

What are the policy objectives and the intended effects?

The policy objectives are to lift restrictions on fund-raising for charities using incidental non-commercial, private society, work and residents' lotteries. Currently restrictions on these types of lottery limit or ban raising money for charities. The intended effects are to allow business, organisations and individuals to use these type of lotteries to raise money for charities and therefore the benefit of wider society.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Policy Option 0: Do nothing.

Policy Option 1: Lift existing restrictions on certain small scale lotteries (raffles) by amending the Gambling Act 2005.

Policy Option 1 is the preferred option. Under this option charities will benefit from a greater ability to fund-raise. There was strong support for this option in the consultation.

Will the policy be reviewed? It will not be reviewed.

Does implementation go beyond minimum EU requirements?

N/A

Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.

Micro
Yes

< 20
Yes

Small
Yes

Medium
Yes

Large
Yes

What is the CO₂ equivalent change in greenhouse gas emissions? <input type="checkbox"/> (Million tonnes CO ₂ equivalent)	Traded: <input type="checkbox"/> N/A	Non-traded: <input type="checkbox"/> N/A
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I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.



Signed by Sajid Javid
Secretary of State
DCMS

Date: 24/4/2014

Summary: Analysis & Evidence Policy Option 1

Description: Lift existing restrictions on small scale lotteries (raffles) by amending the Gambling Act 2005

FULL ECONOMIC ASSESSMENT

Price Base Year 2009	PV Base Year 2014	Time Period Years 10
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Net Benefit (Present Value (PV)) (£m)		
Low: 0	High: 0	Best Estimate: 0

COSTS (£m)	Total Transition		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
	(Constant Price)	Years		
Low	0	0	0	0
High	0		0	0
Best Estimate	0		0	0

Description and scale of key monetised costs by 'main affected groups'

There are unlikely to be substantial costs from the proposal, and there is insufficient data to monetise any possible costs. The licences in scope for deregulation are not governed by a licence. This means that there is scant data on use of lotteries, average amount donated, the total market size over time, and (most importantly) the extent to which the deregulation is likely to cause growth in donations. This assessment has been made in consultation with sector experts.

Other key non-monetised costs by 'main affected groups'

There are some potential direct costs associated with any growth in number of raffles. These are likely to be minimal: prizes are commonly donated, raffles are ordinarily run by volunteers, and supporting equipment such as raffle books are very low cost. Additional raffles will not be staged unless benefits outweigh costs. Increased raffle donations might cause some indirect substitution away from other forms of giving or substitute commercial products.

BENEFITS (£m)	Total Transition		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
	(Constant Price)	Years		
Low	0	0	0	0
High	0		0	0
Best Estimate	0		0	0

Description and scale of key monetised benefits by 'main affected groups'

There are likely to be some limited benefits from deregulation, but there is insufficient data to monetise any possible benefits. See section on costs for assessment of the available evidence base. Although civil society organisations are counted as "businesses" under the Better Regulation Framework, because it was not possible to robustly monetise neither costs nor benefits, this measure is classified as zero net cost for the purposes on "One-in, Two-out".

Other key non-monetised benefits by 'main affected groups'

Allowing raffles to be held in pubs, residences, and workplaces increases the power of raffles to support good causes. This will be a direct benefit to civil society organisations. Raffles are approximated to generate £150.0m of funding annually; for illustration 1% growth would generate an additional £1.5m each year. The benefits of deregulation are likely to be disproportionately felt by small organisations who are more likely to rely on raffles as a source of income.

Discount rate %	3.50%
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Key assumptions/sensitivities/risks

Due to the nature of the raffles (very small amounts for low value prizes, with a clear purpose of donations to good causes) and the nature of organisations running them (very small community organisations with limited fundraising activities, or bigger organisations with proper governance processes in place), the Department does not consider there to be any risk of public harm associated with this package of proposals. This was tested at consultation, where no issues were raised.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m			In scope of OIOO?	Measure qualifies as
Costs: N/A	Benefits: N/A	Net: N/A	Yes	Zero net cost

Supporting Evidence Base

Problem under consideration

This intervention has come about through the Red Tape Challenge. The Red Tape Challenge is a cross-Government programme to tackle the stock of unnecessary and over-complicated regulation – reducing the burdens for business and society, saving taxpayers money and supporting economic growth.

As part of the Sport and Recreation theme of the Red Tape Challenge the Department for Culture, Media and Sport looked at the regulations governing gambling, including small exempt lotteries. The Department identified three Statutory Instruments dealing with exempt lotteries for possible repeal. After deliberation it was decided that it was necessary to keep the Statutory Instruments as they were necessary to ensure that exempt lotteries remain primarily small scale and for the benefit of good causes or for entertainment.

However, it was identified within the Gambling Act 2005 that there are certain exempt lotteries (that is exempt from requiring a licence from the regulatory body the Gambling Commission or the need to register with the relevant Local Authority), such as incidental non-commercial lotteries, private society lotteries and work and residents' lotteries where the legislation makes it illegal to donate proceeds from the lotteries to charities. This restriction is now considered to be unnecessary and blocks charities from maximising their fundraising efforts. The Department therefore committed to Cabinet Office to hold a public consultation on lifting this restriction as part of the Red Tape Challenge. Following the consultation it was decided to improve these regulations.

Rationale for intervention

Currently under the Gambling Act 2005 organisers holding incidental non-commercial lotteries, private society lotteries and work and residents' lotteries (referred to as "raffles" in this document) are restricted as to the places they can hold fundraising events and the causes to which they can put any donations towards.

The current regulations restrict 'incidental lotteries' to non-commercial events and all monies raised at the event by the organisers including entrance fees, food and drink sales, sponsorship etc, must go to the purpose for which the lottery is being held; i.e. the organisers of the lottery cannot retain non-lottery profits. In reality this means that pubs, clubs, event and concert organisers and other commercial businesses are not able to hold a raffle for charity or good causes since, to remain compliant with the Gambling Act 2005, they would also need to pass on any other revenue collected during the course of the event to the good cause.

Under the current regulations the holding of a private society lottery must be restricted to benefiting the cause to which the society is concerned – for instance a working men's club can hold a lottery but the proceeds can only be used for the benefit of that club.

Under the current regulations, work and residents' lotteries may not be promoted to raise funds for good causes. All the proceeds of a lottery must be used for prizes and/or the expenses of the lottery, leaving no profits. For instance, a work place sweepstake on the Grand National could not raise money for a charity or good cause.

The rationale for intervention is to allow business, organisations and individuals the ability to donate through incidental non-commercial, private society, work and residents' lotteries to the charity of their choice, allowing charities to maximise their fundraising efforts. This can only be done by altering the Gambling Act 2005 through primary legislation.

Consultation options considered

Two options have been considered in this analysis:

- **Policy Option 0: do nothing**
Incidental non-commercial, private society, work and residents' lotteries would still be limited or restricted from fund-raising for charities and good causes.
- **Policy Option 1: lift restrictions on Incidental non-commercial, private society, work and residents' lotteries**
This is the Government's preferred option which will allow businesses, organisations and individuals to hold these types of lotteries to raise money for charities and good causes.

Details of the proposals in Policy Option 1 includes allowing incidental lotteries to take place at both non-commercial and commercial events, which would enable pubs, clubs, shops, concerts, festivals, trade fairs, etc to offer lotteries as a fund-raising activity where they hold an event. Where the lottery is incidental to a commercial event, the intention is that the business or event organiser should only be allowed retain revenue directly incurred in the running of the event, including entrance fees, sponsorship deals, food and drink sales or commissions from traders. All profits of the lottery will be required to be directed to charities or other good non-commercial causes.

The Government also put forward the proposal that the restriction of result of a lottery being made public while the event takes place should be removed. The reasoning for this proposal is that it currently prevents lotteries such as balloon races to be permitted, as by their nature, they cannot produce a result during an event.

The proposal also intends to allow for any private, work and residents' lotteries to be promoted for any charity or non-commercial or non-private good cause. It is also proposed that the requirement for promoters of work and residents' lotteries to provide tickets bearing specific information, such as the name and address of the promoter be removed as this is regarded as an unnecessary administrative burden.

Summary of responses to consultation

The Government received 18 responses to the consultation which ran from 27 February-10 April 2014. The responses came from a range of correspondents – charities, a member of the public, private companies and organisations. Not all respondents commented on all the 21 questions in the consultation, instead commenting on those where they has a particular interest. All of the responses were in favour of the Government's recommendations apart from one response rejecting all the recommendations on the grounds that they promoted gambling.

The majority of responses were from charities mentioning that they have in the past had to refuse permission for fundraisers to raise money for them through these types of lotteries and that by removing the restrictions more money would be raised for charities. Several of the respondents mentioned that they disagreed with the limiting of work lotteries to single site premises – they urged that all properties in their company should be able to participate.

Impact of the preferred option

"One-in, Two-out" and the treatment of charitable organisations

This is a deregulatory measure. It is designed to remove legislative burdens in order to increase the freedoms for civil society organisations to raise donations through raffles. Under the Better Regulation Framework Manual, civil society organisations are defined as "businesses" for the purposes of "One-in, Two-out" (OITO). This measure is therefore in scope of OITO.

Evidence base on charitable donations

There evidence base around the raffles “market” is quite limited. The main source of information on charitable donations in the UK is the Charities Aid Foundation’s 2012/13 report UK Giving, which was published in 2014. Roughly half of all adults in the UK give to charity, with an estimated 29.5m individual donors (who might donate more than once in a year), equating to a total of £10.4bn in financial support for civil society organisations. These donors give a mean average amount of £29 per month (reflecting some extremely large gifts from wealthy donors).

There are a variety of pathways through which donors give to good causes. Cash is the most popular with 50% of donors using this route at some point, but other forms include direct debit, special events, and payroll deductions.

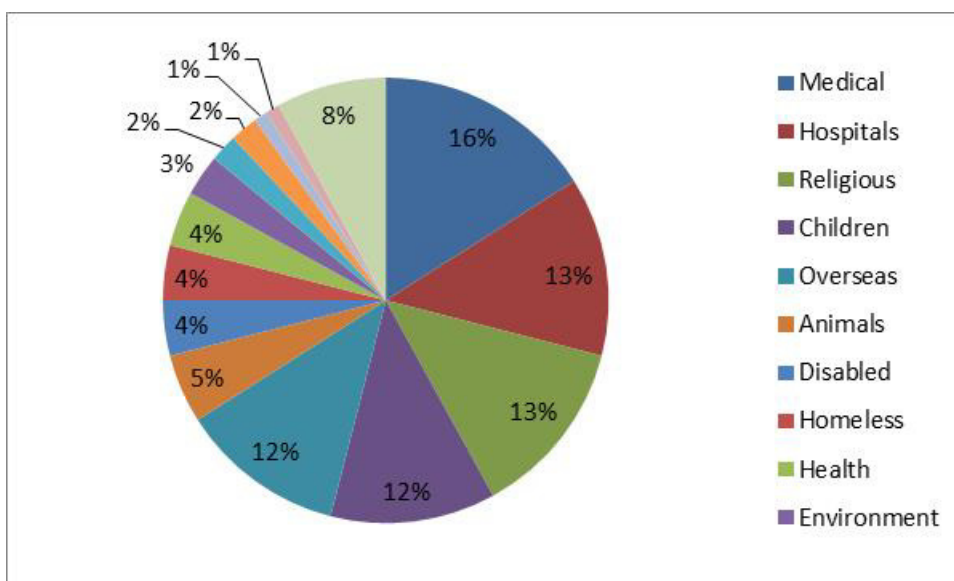
Lotteries and raffles are also a popular source of donations, with 24% of donors using this route. Evidence suggests that the median average amount spent on raffles in £4. This is the lowest level of donation recorded, and compares with a median average of £20 for donations made by cheque or card, for example.

In terms of the total amount donated, lotteries and raffles represent a relatively small amount of the total giving market with an estimated 5% of all gifts. Whilst this is a relatively small proportion, it is still a substantial absolute amount, equivalent to around £500m from the total donations base of £10.4bn.

The category “lotteries and raffles” includes a wide range of activities, not all of which are in scope of the proposed reforms. While the survey conducted by the Charities Aid Foundation excludes the National Lottery, it does include licensed lotteries including so-called society lotteries. Gambling Commission statistics show that the licenced lottery market was worth approximately £350m in 2012/13. Deducting this from the lotteries and raffles total leaves £150m spent on small scale raffles of the kind that are described in this reform package. This roughly equates to £3 raffle donation each year for every adult in the UK. There is no available data on the number of in-scope raffles held annually in the UK, or the average amount of money that is raised by a single representative in-scope raffle.

Donations are paid to a variety of good causes. The following pie chart summarises the share of total donations that are given to different types of good causes. Medical, religious, hospitals, children, and overseas organisations were the biggest recipients of donations. There is no breakdown of the types of good causes that are specifically supported by raffles.

Illustration 1: Proportion of donations going to different good causes



Reviewing the available literature, it is clear that there is an absence of basic facts, as well as detailed information on raffles as a form of giving. In line with the proportionality principle, no bespoke research has been conducted on raffles. The policy is considered to lead to positive outcomes (deregulation means individuals have greater choice in donations and good causes are likely to benefit from increased fundraising opportunities) and uncontroversial (all consultation responses were supportive).

The likely impacts of the policy are discussed below. Research experts in the field – from the Charities Aid Foundation, Charitable Giving and Philanthropy, and nfpSynergy – were consulted but it proved not to be possible to obtain detailed evidence of forecasts for generalised growth in raffles donations and the growth that might be expected under the deregulatory package examined here. The Gambling Commission were also consulted, but do not hold information on these types of raffles because they do not carry out any enforcement activity (such as licensing).

A trawl of academic articles in Google Scholar using the search terms “raffles”, “small lotteries” and “charitable donations” did not reveal any useful evidence. There were a number of studies of tangential relevance, but these tended to focus on large lotteries and other donation methods. Studies were also frequently focused on countries other than the UK, and many were dated. This search did not reveal additional relevant quantitative evidence. The analysis of impact below therefore focuses on qualitative analysis and illustrative scenarios of potential impact.

There is some anecdotal evidence that raffles are already occurring in some of the venues that are scheduled for deregulation. This is due to an incomplete understanding of the law in certain very small organisations, along with the fact that these activities are not an active target for regulation for the Gambling Commission. At the same time, there is also some anecdotal evidence that other (and in likelihood the majority of) small civil society organisations do see the current law as a genuine barrier to fund raising. Some large civil society organisations are known to have turned down offers of raffle-based fundraising opportunities from small civil society organisations who have suggested that they could hold events in the areas scheduled for deregulation (as well as explaining the nature of the current regulations to them).

Potential benefits to raffle organisers

The proposals give greater freedoms for charity organisations to raise funds through raffles. Essentially, the reforms allow for raffles to be held at venues in which they were previously not allowed. This includes pubs, clubs, workplaces, and residences. This is potentially a big market and a substantial extension to the number of venues that are currently available for raffles to be held: the UK has 50,000 pubs alone. The proposal also allows for new types of raffles, such as those based on balloon races. This will also have an impact on the popularity and the appetite of individuals to make donations.

It is not possible to quantify the benefit to raffle organisers. There is no baseline data on the number of raffles being held, and their capacity to raise donations. There is some data on the total size of the small raffles market – roughly £150m as described above – but no information on the extent to which this yield might grow was obtainable despite general consultation and discussion with sector experts. In the absence of any reliable information, we have set out three illustrative scenarios of 1%, 5% and 10% growth. These are summarised in the table below.

Illustration 2: Potential increase in raffle donations under deregulation

Scenario	Donations	
Estimated current level of donations	£	150.0m
Increase under 1% growth from deregulation	+£	1.5m
Increase under 5% growth from deregulation	+£	7.5m
Increase under 10% growth from deregulation	+£	15.0m

The deregulatory reforms proposed will therefore be likely to increase raffle donations, which will have a direct and positive impact on the funds available to charity organisations to discharge the services that they provide. This impact will be helpful but, in the illustrative scenarios discussed above, is unlikely to

be of high impact. This is because the increase in donations is relatively modest, and charitable organisations have other sources of fundraising.

There are also likely to be some small administrative benefits for raffle organisers. This includes removal of the requirement for residents' lotteries to provide the name and address of the organiser on all tickets. This will make a very small saving in the costs of running a raffle. It has not been possible to quantify this impact, because no information of the unit size of this cost was obtained in consultation with the sector. The number of residents' raffles held is also unknown, as described above. Note that no cost will be involved in replacing existing tickets, because these organisers will be able to continue to provide these details if they wish.

Potential costs to raffle organisers

No significant costs are anticipated to fall on raffle organisers. The legislation is permissive rather than compulsory, and merely allows charities to hold raffles in places that they were hitherto unable to use. They will only take advantage of this where the benefits outweigh the costs, and the illustrative scenarios above are net of any cost. There are some small costs associated with a raffle, but these tend to be minimised. Prizes are frequently donated; organisers are most commonly volunteers; and associated costs such as raffle books are very low cost. For the reasons explained above – particularly evidence on the expected growth in the number of raffles held – it is not possible to quantitatively assess the costs to raffle organisers. No familiarisation costs are expected; the changes that are proposed will be well advertised and are extremely easy to grasp (the reform basically allows for existing activities to be carried out at new premises).

Small and medium sized civil society organisation assessment

There is no data available on the number of organisations that use raffles, or their average size. There are 180,000 registered charities, with further very small organisations known to operate below the £5,000 per year funding threshold for registration. Raffles are a very simple but relatively low impact form of fund raising. It is reasonable to assume that they are both disproportionately used and disproportionately important for smaller organisations. Given that a positive impact on fundraising is expected to follow the deregulation, it is reasonable to assume that small and medium sized civil society organisations (and particularly micro civil society organisations) are likely to benefit from this policy.

Wider impacts of the policy

Given that an increase in donations to raffles is expected, it is possible that this measure could have a knock-on impact on demand in other markets. In particular, consumers could divert funds from other forms of donating to good causes, or even from products supplied by businesses. These potential costs are indirect, and cannot exceed the benefits that are felt directly by the good causes that benefit directly from increased spending on raffles. It is also possible that additional spending on raffles could be funded from savings. As described above, there is no robust data on the extent to which spending on raffles is likely to increase. Furthermore, there is no available literature on the average additionality created by spending on raffles, or other comparable vehicles for donation. This means that it is impossible to quantify this effect.

It is worth noting that while there might be substitution effects, increased consumer choice in the donations market will lead to more economically efficient outcomes. Increased freedoms for individuals to choose how they spend their disposable income are a direct benefit from the policy. Instead of being restricted in their choice to partake in raffles, consumers can now enjoy this activity in a variety of different locations. This has the potential to increase consumer welfare where there is unmet demand for these services. It is not possible to quantify the value of increased utility for the consumer because there is no available literature on the nature of the demand and supply schedules for giving.

The Gambling Commission is the regulator for the gambling industry, and is funded on a cost recovery basis. The raffles that are in-scope of this measure do not require a licence or registration with the Gambling Commission. They occasionally receive enquiries on the rules surrounding raffles, but this has a negligible impact on resources. It is therefore not anticipated that the Gambling Commission will be

able to make any tangible saving, or bear any tangible cost, from the liberalisation of rules around the raffles market. The proposal will therefore have no impact on the fee that the Gambling Commission charge to the industry on a cost recovery basis.

Conclusion and “One-in, Two-out” classification

The impact assessment has demonstrated that raffles are an important source of income, particularly for very small charitable organisations. It has also shown that the proposal will increase opportunities for these civil society organisations to increase the amount of money that they earn through raffles. It has been problematic to quantify the size of this impact: there is no robust data on the size of the raffles market, the extent to which this is changing naturally over time, and crucially the extent to which the proposals set out in this document are likely to grow the donations base. The impact assessment therefore sets out some possible scenarios purely for illustration. These scenarios do not have a solid evidence base and are not considered to be robust. There are also uncertainties around the extent to which any increase in raffle donations will be indirectly diverted from other civil society organisations or businesses.

The Better Regulation Framework Manual states that “A measure should be classified as zero net cost if neither the direct net incremental cost to business nor the direct net incremental benefit of the measure can be monetised at final stage.” The limitations in the evidence base, despite consultation with leading sources of sector intelligence, mean that the assessment of zero net cost clearly applies in this case.

Post-implementation review

This measure has been cleared under the Red Tape Challenge. The Better Regulation Framework Manual does not stipulate a post-implementation review. Following consultation, DCMS considers this to be a relatively low impact and uncontroversial policy change, and considers conducting a post-implementation review to be disproportionate.