



GAMBLING ACT 2005 - PART 5 SCHEDULE 11

GUIDANCE NOTES FOR SMALL SOCIETY LOTTERY PROMOTERS

Definition of society

1. 'Society' is defined as the society, or any separate branch of such society, on whose behalf a lottery is to be promoted. The Gambling Act 2005, Section 19 defines a society as such if it is established and conducted:
 - for charitable purposes;
 - for the purpose of enabling participation in, or supporting, sport, athletics or a cultural activity; and
 - for any other non-commercial purpose other than of private gain.

Administration and returns

2. As the purpose of permitted lotteries is to raise money for non-commercial causes, the Gambling Act requires that a minimum proportion of the money raised by the lottery is channelled to the goals of the society that promoted the lottery. If a small society lottery does not comply with these limits, it will be in breach of the Act's provisions and, consequently, be liable for prosecution.
3. The limits placed on small lotteries are:
 - at least 20% of the lottery proceeds must be applied to the purpose of the lottery (schedule 11, paragraph 33);
 - no single prize may be worth more than £25,000 (schedule 11, paragraph 34)
 - rollovers between lotteries are only permitted where every lottery affected is also a small society lottery promoted by the same society, and the maximum single prize is £25,000 (schedule 11, paragraph 35); and
 - every ticket in the lottery must cost the same and the society must take payment for the ticket fee before entry into the draw is allowed (schedule 11, paragraph 37).
4. Returns must be made to the licensing authority with which the promoting society is registered, **following each lottery held**. The information to be submitted is as follows:
 - the arrangements for the lottery, specifically the date on which tickets were available for sale or supply, the dates of any draw and the value of the prizes, including any donated prizes and any rollover;
 - the total proceeds of the lottery;
 - the amounts deducted by the promoter(s) of the lottery in respect of costs incurred in organising the lottery;
 - the amount applied to the purpose for which the promoting society is conducted (this must be at least 20% of the proceeds); and
 - whether any expenses incurred in connection with the lottery were not paid for by deduction from the proceeds, and, if so, the amount of expenses and the sources from which they were paid (schedule 11, paragraph 39).
5. Returns must:
 - be sent to the licensing authority no later than three months after the date of the lottery draw, or in the case of 'instant lotteries' (scratch cards) within three months of the last date on which tickets were on sale; and

- be signed (electronic signatures are acceptable if the return is sent electronically) by two members of the society, who must be aged eighteen or older, are appointed for the purpose in writing by the society or, if it has one, its governing body, and accompanied by a copy of their letter or letters of appointment (schedule 11, paragraph 39).
6. Where societies run more than one lottery in a calendar year, the cumulative totals of returns must not breach the monetary limit of £250,000 on ticket values.

Lottery tickets

7. Lottery tickets may involve the issuing of physical or virtual tickets to participants (a virtual ticket being non-physical, for example in the form of an email or text message). All tickets must state:
- the name of the promoting society;
 - the price of the ticket (which must be the same for all tickets);
 - the name and address of the member of the society who is designated as having responsibility at the society for promoting small lotteries, or (if there is one) the external lottery manager; and
 - the date of the draw, or information which enables the date to be determined.
8. Small society lottery operators are required to maintain written records of any unsold and returned tickets for a period of one year from the date of the lottery draw. The licensing authority is permitted to inspect the records of the lottery for any purpose related to the lottery.
9. The Gambling Act requires that lottery tickets may only be sold by persons over the age of 16 to persons over the age of 16.
10. With regards to where small society lottery tickets may be sold, the following criteria applies to all small society lottery operators:
- tickets should not be sold in a street, where street includes any bridge, road, lane, footway, subway, square, court or passage (including passages through enclosed premises such as shopping malls); and
 - tickets may be sold from a kiosk, in a shop or door to door.

Prizes

11. Prizes awarded in small society lotteries can be either cash or non-monetary. The value of the prizes declared on returns must not exceed the limits on prizes set out by the Act i.e. that combined with any expenses incurred in the running of the lottery they must not comprise more than 80% of the total proceeds of the lottery. Donated prizes do not count as part of this 80% (as no money would be withdrawn from the proceeds to cover their purchase) but should still be declared on the return following the lottery draw.
12. Small society lottery operators must check with the licensing authority if they wish to award items containing alcohol as prizes to ensure that no breach of the Licensing Act 2003 occurs.

Specific offences in relation to lotteries

13. If a society running small lotteries fails to comply with any of the conditions of running such lotteries specified in part 4 schedule 11 of the Act, it will be operating in an illegal manner, irrespective of whether it is registered with a licensing authority or not. Under these circumstances small lottery operators may face prosecution by the Gambling Commission, a licensing authority, or the police. The lead organisation for initiating prosecutions will vary depending upon the specific circumstances of the case.
14. The Gambling Act 2005 sets out a number of offences that apply to lotteries, as follows:

| Section of the Act | Offence |
|---------------------------|--|
| section 258 | Promoting a non-exempt lottery without a licence. |
| section 259 | Facilitating a non-exempt lottery without a licence. |
| section 260 | Misusing the profits of a lottery. |
| section 261 | Misusing the profits of an exempt lottery. |
| section 262 | Purporting to operate a small society lottery when not registered, or failing to make the required, or making false or misleading, returns in respect of such lotteries. |
| section 326 | Without reasonable excuse, obstructing or failing to co-operate with an authorised person exercising his/her powers. |
| section 342 | Without reasonable excuse, giving false or misleading information to the Gambling Commission or a licensing authority. |

Social responsibility

15. Participation in a lottery is a form of gambling and, as such, societies are required to conduct their lotteries in a socially responsible manner and in accordance with the Gambling Act 2005.
16. As the minimum age for participation in a lottery is 16 years, societies are required to implement effective procedures to minimise the risk of lottery tickets being sold to children, including procedures for:
- checking the age of potentially underage purchasers of lottery tickets; and
 - taking action where there are unlawful attempts to purchase tickets.
17. Societies should refer to the Gambling Commission's 'Lotteries and the Law' document for further information regarding social responsibility requirements for lottery operators.

Lottery inspections – organisation and record keeping

18. As the Gambling Commission has the power to require societies to allow it to inspect any aspect of the management of a lottery and to take copies of documents, lottery promoters should determine appropriate administrative arrangements to ensure that lotteries are controlled properly and remain within the law.

Individual lotteries

19. The finances, tickets and records of each individual lottery must remain separate from those of other lotteries to allow promoters to maintain proper control over their lottery operation and to satisfy the licensing authority that each lottery has been conducted properly in accordance with the requirements of the Gambling Act 2005.

Record keeping

20. Promoters must ensure that before proceeding with a lottery that adequate record keeping and accounting procedures are in place, such as:
 - details of tickets ordered and received from the printer;
 - details of all tickets issued to each point of sale, details of tickets sold, returned unsold and not returned (together with brief reason for the failure to return unsold tickets);
 - details of all income received from the sale of tickets, together with supporting banking records;
 - details of all expenses, together with relevant invoices. The records should distinguish between those expenses met directly from the proceeds, those met by the society or the beneficiary and those met by donations from a third party;
 - details of all prizes together with relevant invoices;
 - details of winners and winning tickets (if it is accepted that for 'instant' lotteries it will be impossible to maintain lists of small winners but major winners should be duly listed together with winning tickets);
 - details of the distribution of the proceeds of each separate lottery to the beneficiary where the beneficiary is other than the society conducting the lottery;
 - where agents are employed, records should be maintained showing their remuneration and the number of tickets sold and returned.

Retention of records

21. Societies are required to preserve all documents relating to their lotteries for at least two years and failure to preserve appropriate documents may lead to revocation of the society's small lottery registration, however:
 - following the submission of the necessary return to the local authority, unsold tickets may be destroyed, due to the impracticality for societies to retain large numbers of unsold tickets;
 - destruction of unsold tickets is subject to the strict condition that precise records of destroyed tickets are kept and that such records include evidence that the destruction was witnessed by two responsible officers of the society;
 - promoters should be aware that the six year Statute of Limitations applies to unclaimed winning tickets and, therefore, keep adequate records to ensure that fraudulent claims are not successful.

Inspection of lottery operations

22. As the Gambling Commission may wish to inspect a lottery operation at any time, involving detailed examination of all records, it is recommended that the society keeps all records and winning tickets for as long as practicable.