CAMELOT

Camelot UK Lotteries Limited
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THE NATIONAL LOTTERY

Operator of The National Lottery

Registered office: Tolpits Lane Watford WD18 9RN
Registered in England and Wales No. 2822203

Julian Knight MP
Chair, Digital, Culture, Media & Sport Committee
House of Commons
London
SW1A 0AA

By email: julian.knight.mp@parliament.uk

28 June 2022

Dear Mr Knight,

Another record year for The National Lottery with best-ever Good Cause Returns from ticket sales

I am very pleased to share with you that this morning Camelot announced its best-ever returns to Good Causes from National Lottery ticket sales for the second consecutive year. Including unclaimed prizes, £1,911.8 million was generated for Good Causes - the equivalent of £36 million every week going to people, projects and communities at a time when funding has never been more needed.

This means that annual returns to Good Causes are now more than £530 million higher than they were at the start of the licence in 2009 and total Returns to Good Causes since The National Lottery's launch have now exceeded £46 billion. In addition, Lottery Duty paid this year was £970 million and brings the total paid to the Exchequer to date to £19.5 billion.

These record returns to Good Causes were generated from sales of £8,090.7 million for the 2021/22 financial year. It is only the second time in The National Lottery's 27 year history that ticket sales have broken the £8 billion mark and follows four consecutive years of growth.

At a time when The National Lottery has faced uncertainty on a number of fronts, a record-equalling £3.1 billion has been generated for society through Good Causes, Lottery Duty and retailer commission. In fact, retailers last year earned the equivalent of around £6,000 in commission per store which for many small, independent stores keeps them in business.

We will publish our profit figures - which are a function of our licence - for 2021/22 in our statutory accounts later this year but, in line with previous years, profits after tax will be around 1% of total revenue.

These results show that The National Lottery as a whole remains in fantastic shape as it delivers for the nation and we are extremely grateful to the wider National Lottery family, including National Lottery distributors and retailers, for the role they have played. All of us at Camelot are incredibly proud of these results and we will continue to invest and innovate to respond to the changing consumer environment because we all care deeply about the future of The National Lottery – and the vital difference that it continues to make to the whole of the UK.

Finally, I also thought that you might be interested in the attached factsheet answering some of the questions we are frequently asked but please do let me know if you have any queries on the operation of The National Lottery.

All my very best wishes,

Hugh Robertson

Rt Hon Sir Hugh Robertson KCMG DL
Chair

The National Lottery Factsheet

The National Lottery is currently operated by Camelot. Camelot is responsible for maximising returns to National Lottery Good Causes in an efficient and socially responsible way, but plays no role in the allocation of funding. This is the specific responsibility of 12 National Lottery distribution bodies, each with specialist knowledge of their sector.

Operating The National Lottery is a complex undertaking. Below we have set out some Q&As that address the questions we are most frequently asked and which we hope are helpful.

Have returns to National Lottery Good Causes increased over the Third Licence?
Yes. Good Causes are in a far better monetary position now than at the start of the Third Licence in 2009 because the slice of money they receive from sales comes from a much larger National Lottery pie.

In 2009, The National Lottery generated £1.37 billion for Good Causes – or 26.75% of total sales. In 2021/22, The National Lottery generated £1.91 billion for Good Causes – or 23.6% of sales. So even though the percentage rate of return to Good Causes was lower in 2021/22, the amount of actual money generated for them was more than £530 million higher because the size of the pie has grown.

Why can't Camelot increase the proportion of money given to Good Causes?
The short answer is that the only way to do that would be to reduce the level of prize money available to players. With Lottery Duty fixed at 12% of sales, and with retailer commission and the proportion that Camelot can retain for operating costs and profit a function of its licence, the only lever available to increase the percentage given to Good Causes is to reduce prize money for players.

The key to sustaining the long-term health of The National Lottery – and therefore returns to Good Causes – is to give people a broad choice of games that are rewarding and that they want to play, in order to maintain their appeal in what has become a fiercely competitive market. If players look for better value elsewhere, ticket sales would soon decline – and The National Lottery's contribution to Good Causes and the Treasury would also fall.

Why has The National Lottery's games mix changed so much?
As in any line of business, success depends on offering products that consumers want to buy. The National Lottery is no different – and so that means giving people a choice of safe and enjoyable games that they want to play. Since the launch of The National Lottery in 1994, Camelot has regularly refreshed and developed the games portfolio to reflect changing consumer appetites, needs and behaviour, including increasing its digital offering.

Ensuring it offers a balanced and appealing range of games that provides something for everyone, and making those games convenient and safe to play, drives sales and is therefore vital in helping Camelot to fulfil its objective – and The National Lottery's purpose – of raising as much money as possible for Good Causes by getting lots of people to play a little.

Have Camelot's profits changed throughout the Third Licence period?
It is important to note that the proportion of sales that Camelot can retain for operating costs and profit is a function of its licence. Since the start of the Third Licence period, the profile of Camelot's profit after tax has grown from a low base to more normalised levels at around 1% of total sales. This reflects the need for disproportionate investment in the early years in the expectation that profits grow over time. It is also important to remember that Camelot bears the risk of fluctuations, upwards or downwards, in its operating costs – and, as a responsible operator and custodian of a national asset, must ensure careful financial management of the business to ensure that Good Causes contributions continue to be maximised.

Camelot will publish its profit figures for 2021/22 in our statutory accounts later this year but, in line with previous years, profits after tax will be around 1% of total revenue. In comparison, around 95% of all sales revenue went back to winners and society – including record-equalling returns of £3.1 billion to Good Causes, retailers and the Treasury. Camelot believes that this is one of the highest percentages of lottery revenue given back in the world. In addition, Camelot runs one of the most cost-efficient major lotteries in Europe, with only 4% of total revenue spent on operating costs.

You may also be interested to know that between 2016/17 and 2020/21, annual returns to Good Causes have grown by 19.4%, almost double the rate of Camelot's profit after tax which has increased by 10.8% over the same period.

How does The National Lottery support local and national projects?
As well as helping to fund truly world-class arts, sports and heritage projects of which the whole nation can be proud, The National Lottery is continuing to make a massive difference at a local level. With around 70% of all funding grants being for £10,000 or less, it is giving small, grassroots community projects a real boost at a time when other sources of funding are being, or face being, cut.

Since The National Lottery's launch in 1994, more than £46 billion has been raised for Good Causes and 670,000 projects have received funding – the equivalent of around 240 lottery grants in every UK postcode district.

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Julian Knight MP
Chair, DCMS Committee
House of Commons
London, SW1A 0AA

By email: julian.knight.mp@parliament.uk

4 July 2022

Dear Mr Knight,

Returns to Good Causes under Camelot's operation of The National Lottery

During the Committee's oral evidence session on 30 June 2022 with the Gambling Commission's Chief Executive Andrew Rhodes and Executive Director John Tanner, members of the Committee made comments suggesting they had concerns about returns to Good Causes under the Third Licence and that Camelot is seeking a multimillion pound figure in damages.

Firstly, I am pleased to reassure you and the Committee that Good Causes are in a far better monetary position now than at the start of the Third Licence. As you will have seen in the letter from Camelot's Chair Sir Hugh Robertson on 28 June 2022, Camelot last week announced its best-ever returns to Good Causes in the history of The National Lottery from ticket sales for the second consecutive year. Including unclaimed prizes, £1.91 billion was generated for National Lottery Good Causes.

At the start of the current Third Licence period in 2009, The National Lottery generated £1.37 billion for Good Causes – or 26.75% of total sales. In 2021/22, it generated £1.91 billion for Good Causes – or 23.6% of sales. So even though the percentage rate of returns to Good Causes was lower in 2021/22, the amount of actual money generated for them was more than £530 million higher because the size of the pie has grown and in fact total returns to Good Causes since The National Lottery's launch have now exceeded £46 billion.

I also thought it would be helpful to clarify that Camelot would prefer a non-monetary remedy (i.e. the award of the Fourth Licence to Camelot) should the Court later find that the Gambling Commission ought to have determined Camelot to be the preferred applicant. That is why we asked the High Court - and now the Court of Appeal - to maintain the stay on the award of the Fourth Licence and the consequent transfer of the operation of The National Lottery until after the Court has established exactly what happened. I would add that, were damages to be awarded to Camelot at the conclusion of the current litigation, it would be on the basis that the Gambling Commission had breached the relevant procurement rules and should have awarded the Fourth Licence to Camelot - ultimately for the benefit of players, Good Causes and the National Lottery as a whole. Finally, in the court hearing on 12 May Counsel for the Commission denied that damages awarded to Camelot would necessarily come from the National Lottery Distribution Fund, and that it would be a matter for the Secretary of State, the Treasury and the Commission to decide the appropriate source of funds.

I hope this information is helpful but please do let me know if you have any queries on the operation of The National Lottery.

Yours sincerely,

Nigel Railton
Chief Executive

CC: Kevin Brennan MP
Steve Brine MP
Clive Efford MP
Julie Elliott MP
Rt Hon Damian Green MP
Dr Rupa Huq MP
Simon Jupp MP
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