

Written evidence submitted by National Lottery Distributors

National Lottery Distributors' response to Digital, Culture, Media and Sport Committee inquiry What Next for The National Lottery?

September 2021

1. The National Lottery Distributors welcome the opportunity to contribute to this inquiry.
2. All Distributors want the Good Causes to receive the best possible returns from The National Lottery under the new licence, allowing us to plan for the future with confidence. We have had helpful engagement to date with Gambling Commission to explore issues relevant to us, and we are confident this will continue.
3. The National Lottery Distributors use the Good Causes money raised by National Lottery players – **currently in the region of £36m a week** - to support arts, sports, heritage, charities and communities. Our funding has a transformational impact on the well-being and quality of life of people across the whole of the United Kingdom.
4. Most recently this has been evident in our **Olympic and Paralympic successes** in Tokyo. No-one does more to support our Olympic and Paralympic athletes than National Lottery players. This summer the overall total number of medals won by British athletes across both the Paralympic and Olympic Games, summer and winter, since National Lottery funding was introduced passed the 1000 landmark.
5. In the last eighteen months the **coronavirus pandemic** has created massive challenges in the sectors the National Lottery supports: from the postponement of the major sporting and cultural events; to the closure of theatres and visitor attractions; to local charities facing increased demands just at a time when fundraising became more difficult.
6. National Lottery support through these challenging times has **exceeded £1bn** across the United Kingdom. This money has boosted the arts, heritage, sport and community/charity sectors and helped protect the future of thousands of organisations across Great Britain and Northern Ireland. It has supported initiatives and programmes tackling loneliness and isolation, provided support for the elderly and vulnerable young people, and promoted physical and mental health in the community. We are very proud that The National Lottery has been able to make this significant contribution at such a challenging time.
7. National Lottery investment has supported a range of major cultural and sporting events, including UK City of Culture. For 2022 Distributors are working together to support the **Commonwealth Games** in Birmingham. This will have significant National Lottery funding covering: investment in infrastructure; programmes supporting both elite performance and community grassroots sport and activity; employment, training and volunteering opportunities for young people; broader and deeper audience reach through the Cultural Programme and Festival in Birmingham and the West Midlands. Plans to celebrate and Her Majesty the Queen's **Platinum Jubilee** are also in development.
8. Climate change is everyone's concern, and the **environment** is a funding priority for The National Lottery. The National Lottery has contributed £2.2bn to environmental good causes in the last decade (2011 – 2020). Initiatives cut across heritage, arts, community and sport. Everything from community groups preserving natural habitats to art installations educating young people on climate change. National Lottery Distributors are seeking to ensure that organisations receiving National Lottery grants manage their funding in an environmentally responsible way, and are taking measures to manage their own environmental impact.

Background

9. This evidence is offered jointly by all twelve National Lottery distributor bodies:
- Arts Council England
 - Arts Council of Northern Ireland
 - Arts Council of Wales
 - British Film Institute
 - Creative Scotland
 - The National Lottery Community Fund
 - The National Lottery Heritage Fund
 - Sport England
 - Sport Northern Ireland
 - **sportscotland**
 - Sport Wales
 - UKSport
10. The National Lottery Distributors are Non-Departmental Public Bodies accountable to Parliament and sponsored by DCMS or the relevant devolved government department. For those of us sponsored by DCMS our budgets represent almost half – if one puts the BBC to one side – of the funding for which DCMS is responsible.

Questions

How effectively has the fourth National Lottery licence competition fulfilled the Gambling Commission's objectives?

11. It would not be appropriate for us to comment on the licence competition while it is ongoing.

What will the way in which returns for good causes are calculated under the fourth licence mean for the distributing bodies and the projects they support?

12. The core purpose of The National Lottery is to maximise funding for Good Causes. As Distributors we ultimately want to do the best we can for our Good Causes, and **maximising returns** is central to this. We want to be ambitious for the sectors we support.
13. We have had good engagement with Gambling Commission in this area and have highlighted two key issues to them, which they have sought to address in the next licence.
14. We have highlighted to Gambling Commission our concern that **operator profits and returns to good causes should be aligned**. In the current licence we have sometimes found that returns to good causes have reduced while operator profits have been growing. This has been an unintended consequence of the current licensing structures and game-by-game retention arrangements.
15. In addition, Distributors benefit from **clarity and confidence in income streams**. This enables us to make longer term investments – where this is in the interests of our Good Causes – with confidence. Those Distributors with smaller income streams – such as the arts and sports distributors in Scotland, Northern Ireland and Wales - feel any variability in income more acutely. Distributors who manage a higher proportion of long-term investments have fewer flexibilities available to them should short-medium term changes be required. Certainty of income streams can also provide confidence for Distributors to take greater risk in our own funding decisions.

16. We understand that the mechanism for calculating returns to the good causes has been developed with both these points in mind. If it delivers successfully, this will be of benefit to The National Lottery and the good causes it supports.

What needs to happen to ensure a smooth transition between the third and fourth licence period?

17. We welcome Gambling Commission's intention to allow a significant period of time for transition to ensure the operator of the next licence, whether the incumbent or a new operator, is able to hit the ground running at the start of the licence period. We are keen that there should be no loss of income to good causes due to teething issues that could have been addressed in transition. We are also keen that there should be no decline in income during the transition period itself; the current operator must remain incentivised to invest and maximise good cause returns for the full licence period, regardless of the outcome of the competition.
18. The success of The National Lottery is down to the family of organisations all working together to deliver the whole: DCMS, devolved national Governments, Gambling Commission, the Operator, the Distributors. The flow of information to aid each of these parties – particularly financial information – needs to be timely and of good quality. Timely and transparent financial information is essential for Distributors to be able to plan with confidence and do the best job we can for the Good Causes we support. We want to see good quality and timely forecasts of income from the operator of the next licence.

What will the outcome of the fourth National Lottery licence competition mean for the UK's wider lottery market?

19. The National Lottery was created to be the sole large-scale lottery operating in the United Kingdom. This needs to be preserved for The National Lottery to continue to occupy its present place in the national consciousness.
20. We are not in a position to comment on the likely impact of the next National Lottery licence on others. The National Lottery Distributors value and support society lotteries as part of the ecology of charitable giving in the UK. However, we have expressed concern in the past that the more recent growth of larger 'umbrella' society lotteries has begun to change the lottery landscape, to the detriment of the National Lottery, with the risk not only to the total funds available for The National Lottery Good Causes, but also the breadth of organisations supported. We support the development of a robust evidence base before any further changes are considered. In advance of this we would view any ambition for further change as premature.