

National Assembly for Wales

National Lottery – Questions and Answers January 2010

This research paper provides answers to some of the most frequently asked questions about the UK's National Lottery, including information on the legislative background of the Lottery, the organisations involved, how money is distributed between the good causes and across the UK, opportunities for Lottery funding, and where detailed information can be found about where Lottery awards have been distributed.

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January 2010

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Paper Number: 10/002

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Contents

When did the National Lottery begin?.....	1
Who has responsibility for the National Lottery?	1
Who regulates the National Lottery?	2
Who runs the National Lottery?	2
How is money distributed?.....	2
In what ways might Welsh Ministers influence the distribution of Lottery funds? ...	4
Where can I find out about the opportunities for Lottery funding?	4
How much money has been distributed in Wales?.....	5
Where can I find details of the distribution of Lottery funding?.....	5
Is the distribution of Lottery funding fair?	6
How has the Olympic Games impacted on Lottery funding in Wales?	6

National Lottery – Questions and Answers

When did the National Lottery begin?

The National Lottery was launched on 14 November 1994 and the first draw took place on 19 November 1994.

The National Lottery was established under the [*National Lottery etc Act 1993*](#). It has been reformed by the [*National Lottery Act 1998*](#) and the [*National Lottery Act 2006*](#).

The 1993 Act established the legislative framework under which the lottery would operate. The Act created the post of lottery regulator, whose office, the Office of the National Lottery (OFLOT) was responsible for establishing and regulating the lottery, and established five good causes to benefit from the Lottery: sport, the arts, heritage, charities and projects to mark the year 2000 and the beginning of the third millennium.

The 1998 Act established the National Lottery Commission as the new regulator of the Lottery and created a sixth good cause allowing Lottery money to fund projects in health, education and environment and a new distributor, the New Opportunities Fund, to allocate it.

The 2006 Act made several changes to the provisions for the licensing and regulation of the Lottery: the provision for extending the Licence period (to a maximum of 15 years); the appointment of a fixed-term Chair of the Commission; replaced three existing distributors (the Community Fund, the New Opportunities Fund and the Millennium Commission) with the Big Lottery Fund as a single body with a new good cause; and a single set of simpler rules, to make it easier for potential applicants to access Lottery money.

In addition, the [*Horse Race Betting and Olympic Lottery Act 2004*](#) made provision for the National Lottery Commission to license Olympic Lottery games. It also established a fund to hold the proceeds generated by Olympic Lottery games and created a body to distribute the money held in this fund to meet expenditure in connection with staging the London 2012 Olympic Games and Paralympic Games.

Who has responsibility for the National Lottery?

The UK Government's [**Department for Culture, Media and Sport**](#) (DCMS) has responsibility for National Lottery policy, including the legislation governing the National Lottery.

DCMS sets the policy and financial framework within which the distributing bodies for National Lottery grants operate. The Secretary of State for Culture, Media and Sport issues policy and financial directions to the English and UK wide Lottery distributing bodies, while the devolved nations issue policy directions directly to their Lottery distributing bodies.

Who regulates the National Lottery?

DCMS sponsors the [National Lottery Commission](#), a non-departmental public body set up on 1 April 1999 to regulate the National Lottery game and the game operator. The Commission's duties are to protect players' interests, to ensure that the Lottery is run properly, and to maximise the amount raised for good causes.

Who runs the National Lottery?

The National Lottery Commission is responsible for awarding a single licence to a commercial operator to run the National Lottery. It does this by running international competitions for the licence and inviting consortia to bid for the opportunity.

There have been three competitions for National Lottery licences:

- First licence (including an interim licence): 1994 - 2002
- Second licence: 2002 - 2009
- Third licence: 2009 - 2019.

The most recent competition took place between January 2005 and August 2007, whereafter [Camelot Group plc](#) was announced as the preferred bidder for the third licence.¹ Camelot has held the licence since the Lottery was established.

How is money distributed?

From November 2005 to February 2006, DCMS consulted on the future share of National Lottery support for the arts and film, heritage and sport after 2009. The decisions were: that the Lottery shares for arts and film, sport, and heritage would be retained for ten years from 2009-2019; that there is no case for changing the current, population based arrangement for Lottery funding for arts and sport between the

¹ [National Lottery Licence Competition](#)

home countries; and that the UK Film Council will in future take on all film funding from Arts Council England with the same budget.

Of every £1 spent on the Lottery, 28p goes to the good causes. The three causes of arts and film, and heritage, and sport each receive 16.7 per cent while the remaining 50 per cent goes to the good cause of “charities, education, the environment and health”.

The remainder is distributed as prizes to lottery winners (50p), to the Treasury in duty (12p), to Lottery retailers in commission (5p) and to Camelot to cover operating costs (4.5p) and profits (between 0.3p and 0.5p depending on performance).

There are four main organisations in Wales that distribute funds from the National Lottery. Each one has its own programme and funding priorities. The distributors are:

- The Arts Council of Wales (ACW)
- The Sports Council for Wales (SCW)
- The Heritage Lottery Fund (HLF)
- The Big Lottery Fund (BIG) ²

At the time the National Lottery was launched, the share of the funding for each of the good causes paid to each of the home nations was calculated according to a formula based on population figures set out in the 1991 census.³

The position for each Lottery good cause is as follows:

- In respect of the arts good cause, the Arts Council of Wales receives 5 per cent of the arts allocation, or 0.83 per cent of the total National Lottery Distribution Fund (NLDF). However, there is also a UK wide distributor (UK Film Council) in this good cause which receives 2.25 per cent of the NLDF for the whole of the UK, and it is for UK Film Council to decide how much money to spend in each country - some of its Lottery money will also be spent in Wales each year on top of what the Arts Council of Wales spends.
- In respect of the sports good cause, all of the home nations received a smaller allocation to subsidise UK Sport, which administers funding for UK athletes competing in international events. This resulted in Wales’s share of funding for sports being reduced to 4.5 per cent; hence the Sports Council for Wales receives 0.75 per cent of the NLDF total. UK Sport receives 3.8 per cent of the NLDF for the whole of the UK, and it is for UK Sport to decide how much to spend in each

² *The National Lottery Act 2006* replaced three existing distributors (the Community Fund, the New Opportunities Fund and the Millennium Commission) with the Big Lottery Fund as a single body.

³ Communities and Culture Committee Paper, [CC\(3\) 06-07 Paper 1](#), *Inquiry into the Funding of Voluntary Sector Organisations in Wales*, 14 November 2007

country - some of its Lottery funds will be spent in Wales each year on top of what Sports Council for Wales spends.

- The Heritage Lottery Fund has allocations for each of the home nations and a separate UK budget. Wales receives 4.5 per cent of the total Heritage Lottery Fund budget directly, but can access the UK allocation as well.
- In respect of the charities, health, education and environment good cause, the Big Lottery Fund (BIG) receives 50 per cent of the NLDF for the whole of the UK. BIG uses an adapted formula which includes a deprivation weighting figure, and this increases Wales's share of funding by a further 1.5 per cent, hence BIG aims to spend 6.5 per cent of its funds in Wales each year (which works out at 3.25 per cent of the total NLDF).

In what ways might Welsh Ministers influence the distribution of Lottery funds?

Although distribution of Lottery funding in Wales has not been devolved to the Welsh Government, the Heritage Minister is able to influence the strategic direction of the Lottery distributors operating in Wales through the issuing of high level policy directions setting cross-cutting priorities for the distributors to deliver. The Welsh Government can set the strategic framework within which distributors operate within Wales but cannot determine the split of funding between the home nations or the good causes. Those matters remain reserved.

The Welsh Government has the power to issue policy directions to the Arts Council of Wales, the Big Lottery Fund, the Heritage Lottery Fund and the Sports Council for Wales under the terms of the *National Lottery Etc Act 1993* (as amended by the *National Lottery Act 1998* and the *National Lottery Act 2006*).

- [*Lottery Policy Directions for the Big Lottery Fund*](#), December 2006.
- [*Lottery policy directions for the Heritage Lottery Fund*](#), March 2008.
- Lottery policy directions to the Sports Council for Wales can be found in its annual reports, available on the [Sports Council for Wales](#) website.
- Lottery policy directions to the Arts Council of Wales can be found in its annual reports, available on the [Arts Council of Wales](#) website.

Where can I find out about the opportunities for Lottery funding?

Information on current funding programmes across the UK can be found on the [Lottery Funding website](#). Lottery Funding is a joint website run by all Lottery funders

in the UK which allows individuals to search information on current funding programmes across the UK.

Information on how to apply for lottery funding, news on the lottery distribution organisations and case studies of lottery-funded projects can also be found on the [National Lottery Good Causes website](#).

How much money has been distributed in Wales?

Since the first National Lottery draw on 19 November 1994:

- In Wales there have been 27,000 grants awarded to the value of £1.08bn (around five per cent of the total by value).
- For the UK, 332,000 grants have been awarded to the value of £22.22bn.⁴

Where can I find details of the distribution of Lottery funding?

The [National Lottery grants search database](#) allows individuals to search for Lottery grant information using various criteria and also provides some pre-defined searches:

- by good cause area (the current four good causes: arts, heritage, sport, and the joint good cause of health, education, the environment and charitable expenditure and the separate causes of charitable expenditure; health, education and the environment; and millennium which were funded in the past);
- by distributing body (for example, the Arts Council of Wales or the Sports Council for Wales);
- by geographical area;
- by local authority;
- by parliamentary constituency;
- by the name of the grant recipient;
- by the name of the project;
- by grant date;
- by grant amount.

The database gives details of Lottery grants which have benefited a specific location or postcode and also those grants which either by their nature cannot be linked to a

⁴ [National Lottery grants search database](#) at 6 January 2010.

specific location or where the Lottery grant benefits a wider area than a specific location.

The 'Overseas' area includes the Isle of Man, the Channel Islands, and worldwide. 'Not Derived' refers to grants where the geographic area cannot yet be determined from the postcode associated with the grant.

Is the distribution of Lottery funding fair?

A recent report from Theos, a public theology think tank, argued that the National Lottery is regressive, with lottery money disproportionately garnered from lower socio-economic groups and then used for projects which disproportionately benefit middle and higher income groups, effectively redistributing wealth from the poor to the rich.⁵

However, the Big Lottery Fund has responded to this report, arguing that the Theos report contained incorrect data and misrepresented the grants awarded by the BLF, leading to "inaccurate and ill-informed" press coverage. The Big Lottery Fund contended that it carefully targeted its programmes towards the most deprived communities across the UK.⁶

How has the Olympic Games impacted on Lottery funding in Wales?

In May 2003, the UK Government announced its decision to support the British Olympic Association's bid to stage the 2012 Olympic and Paralympic Games in London. At that time, it was envisaged that a public funding package of up to £2.375 billion would be sufficient funding to meet costs, including support for elite athletes, and to provide an acceptable level of provision for potential contingencies. This was later supplemented by £1.044 billion from the Exchequer to support Olympic regeneration. The £2.375 billion included up to £1.5 billion from National Lottery proceeds.⁷

The Lottery contribution of up to £1.5 billion had three elements:

- £750 million from new National Lottery games specifically to support the 2012 Olympic and Paralympic Games and designated as Olympic Lotteries.
- £340 million to be spent by the home country sports Lottery distributors from their share of income from the proceeds of mainstream National Lottery games.

⁵ Paul Bickley, *The National Lottery: Is it Progressive?*, August 2009

⁶ *Big Lottery Fund*, 29 July 2009

⁷ *Explanatory Memorandum to the payments into the Olympic Lottery Distribution Fund Etc. Order 2007*

- £410 million from the proceeds of mainstream National Lottery games from 2009 to 2012. The UK Government confirmed in June 2006 that the full £410 million would be required

In March 2007, the UK Government announced plans to redirect a further £675 million from the National Lottery along with the earlier allocation of £410 million. The legislation to transfer funds from National Lottery good causes to help fund the London 2012 Olympic and Paralympic Games was laid before Parliament on 25 October 2007. The statutory instrument enables the Government to transfer £1.085 billion from National Lottery distributors to help meet the cost of the facilities and infrastructure for the 2012 Games, including £8.1 million from the Arts Council of Wales and £7.3 million from the Sports Council for Wales.⁸ The overall Lottery contribution to the Games would therefore be £2.175 billion.⁹

In the Welsh Affairs Committee Eighth Report of Session 2008–09, the Rt Hon Tessa Jowell MP, Minister for the Olympics, recognised that funding of the Olympic Games would lead to a total of £65 million of Lottery funding being diverted away from Wales in order to fund the Games. However, the report also highlighted that a common feature of lottery grant applications is matched funding, hence the figure of £65 million of funding to be diverted away from Welsh projects did not take into account the leverage value of the money. The Welsh Government Minister for Heritage, Alun Ffred Jones AM, is noted as saying that this could result to a loss to Wales as high as £100 million.¹⁰

⁸ [HC Deb 22 March 2007 c1054W](#)

⁹ The Department for Culture, Media and Sport, [Olympic Lottery funding order laid before Parliament](#), 25 October 2007.

¹⁰ [HC 162](#), *Potential Benefits of the 2012 Olympics and Paralympics for Wales*, 22 May 2009

