

# 1. Introduction

## The organisation of the National Lottery

The National Lottery, launched in November 1994, was set up to raise money for a variety of good causes and thereby benefit the public and enhance the quality of life in the United Kingdom. This report covers the period of the first Lottery licence until September 2001.

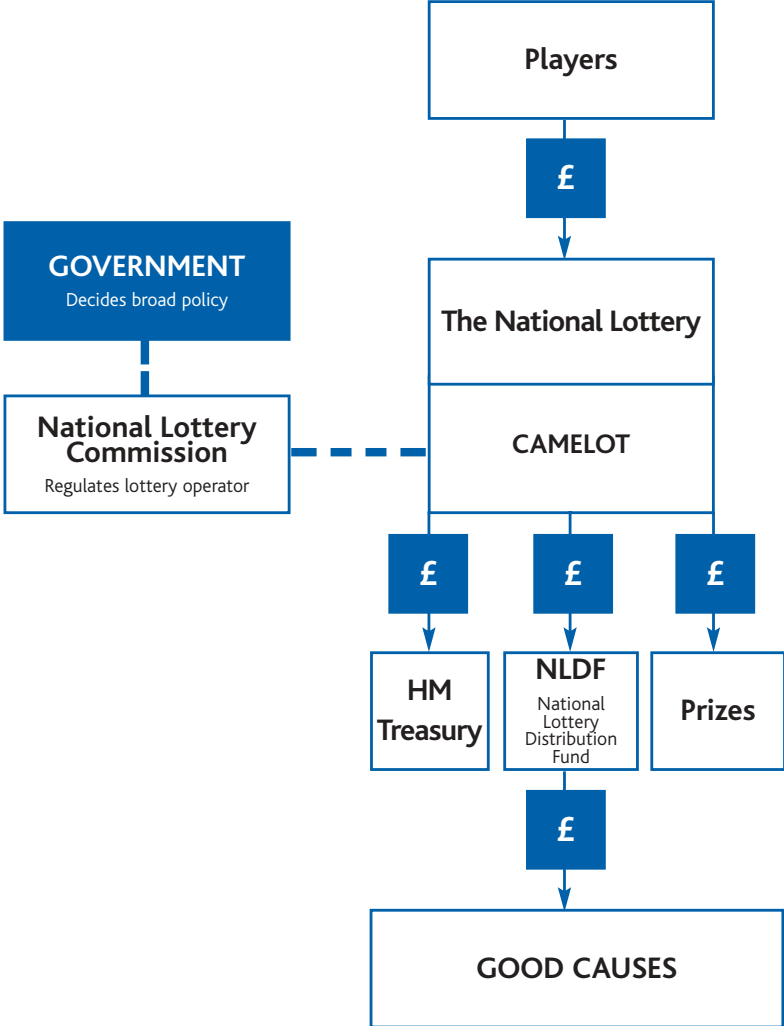
The National Lottery etc. Act 1993 established five areas to benefit from the Lottery: sport; the arts; heritage; charities; and projects to mark the year 2000 and the beginning of the third millennium. In addition, the National Lottery Act 1998 created a sixth good cause allowing Lottery money to fund innovative projects in education, health and the environment.

Camelot is the operator of the National Lottery. Camelot's task is to run the National Lottery responsibly, efficiently and in a way which will maximise the money raised for the good causes. Camelot was originally awarded the licence to run the National Lottery in 1994 following a competitive application process in which they offered to give more to good causes than any other bidder.

The Lottery is regulated by a five-person National Lottery Commission. Its duties are to protect players' interests, to ensure that the Lottery is run properly, and to maximise the amount raised for the good causes. After evaluating the competing bids, the Commission has decided to award the next seven-year licence to Camelot.

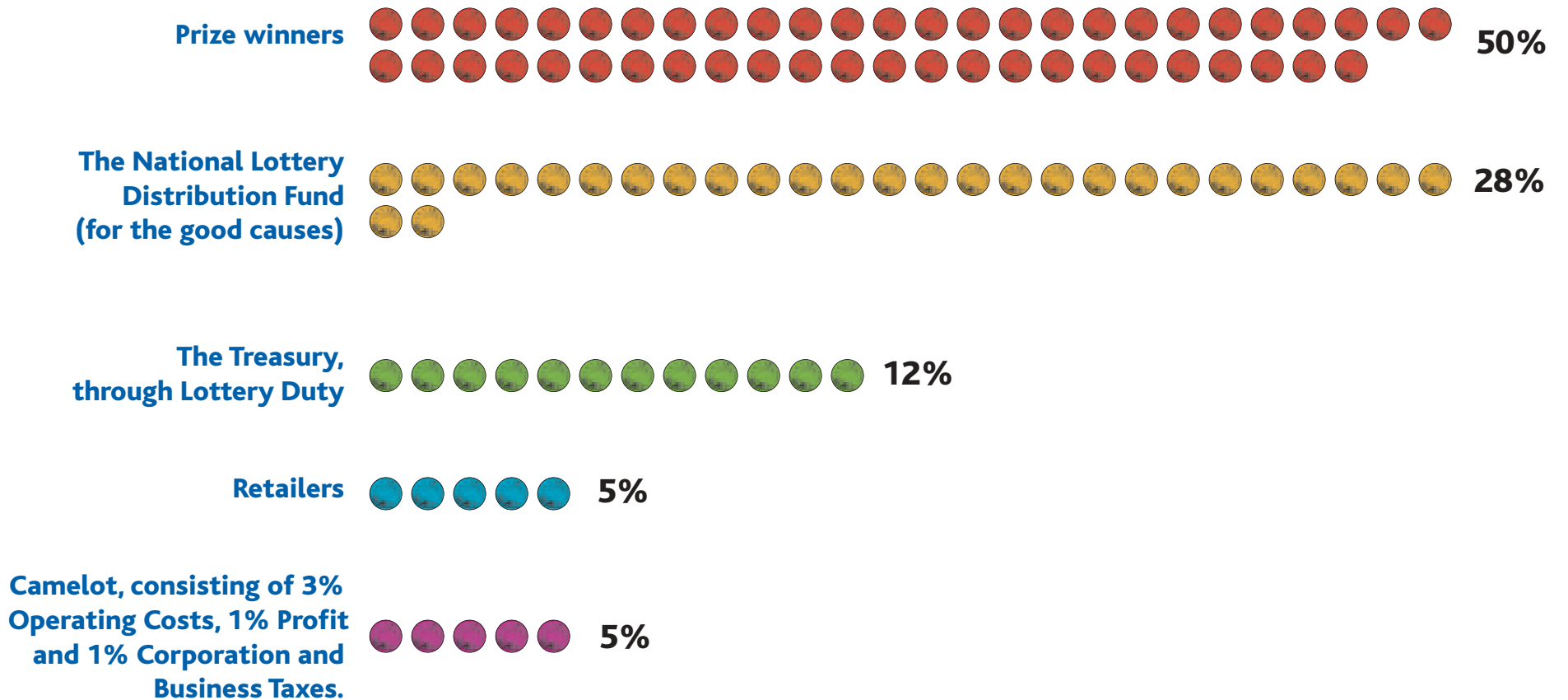


# Roles and responsibilities



## Distribution of income

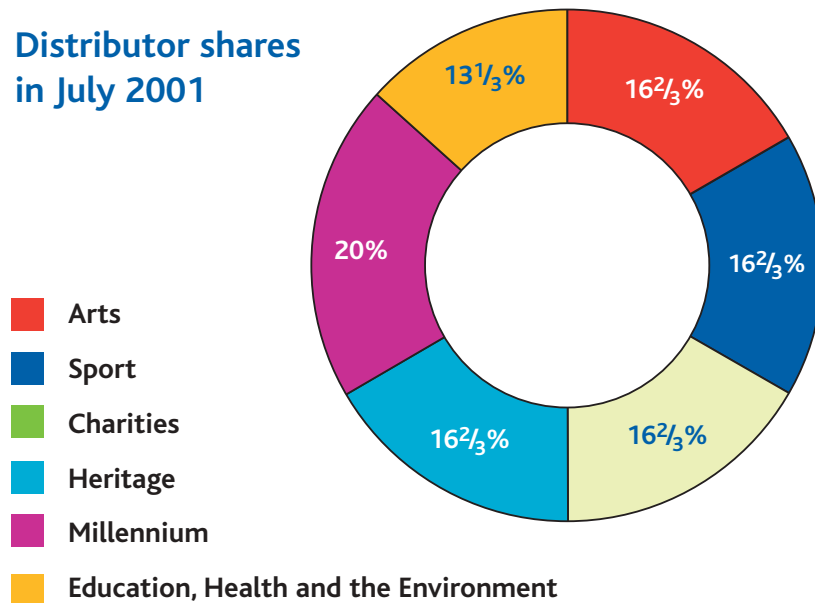
The money spent by players on Lottery tickets is approximately shared out among the following stakeholders as follows:



## Shares to Good Causes

Income to the National Lottery Distribution Fund (NLDF) is now divided between the good causes as follows:  $16\frac{2}{3}\%$  each for arts, sport, heritage and charities; and  $33\frac{1}{3}\%$  for health, education and the environment. The arts and sports shares are further subdivided among the countries of the United Kingdom. Before August 2001, 20% of funds went to projects to mark the Millennium and  $13\frac{1}{3}\%$  to education, health and environment projects.

### Distributor shares in July 2001



Responsibility for distributing proceeds from the Lottery does not rest with the Government, but with a number of independent distributing bodies:

### Good cause

### Distributing bodies

#### Arts

Arts Council of England  
 Scottish Arts Council  
 Arts Council of Wales  
 Arts Council of Northern Ireland  
 Film Council  
 Scottish Screen

#### Sport

Sport England  
**Sport**scotland  
 Sports Council for Wales  
 Sports Council for Northern Ireland  
 UK Sport

#### Heritage

Heritage Lottery Fund

#### Charities

Community Fund (formerly  
 National Lottery Charities Board)

#### Millennium

Millennium Commission

#### Education, Health and the Environment

New Opportunities Fund

Distributors are responsible and accountable for the distribution of Lottery funds in their sectors, and for individual decisions on Lottery applications. However, they must take into account policy directions issued by Ministers. These set out a framework for the wider aims of Lottery funding, types of projects and general grant criteria. Their financial controls and procedures must also be in line with Financial Directions issued by Ministers.

The distribution of Lottery money is based on three fundamental principles to ensure that there is maximum public benefit:

- projects should be for the public good, not primarily for private gain
- decisions on individual grants are taken at arm's length by the distribution bodies
- Lottery grants should be additional to core Government spending.

## Reforms of Lottery distribution

Aside from the introduction of the new good cause and the creation of a new distributor, the New Opportunities Fund, the National Lottery Act 1998 also changed Lottery distributors' responsibilities and powers. These changes are designed to allow them to be more strategic and proactive, to work together, to take decisions closer to the grass-roots and to make the application system more user-friendly. As a result of these changes:

- distributors are required to produce strategic plans for their use of Lottery money. These plans must reflect their assessment of the needs of their sectors

- distributors can solicit applications for particular projects. This power is meant to be used where soliciting is the only, or the most effective, way to achieve a significant element of the strategic plan
- distributors can delegate decisions on grants either internally, to committees or officials, or externally, to another distributor, agency or local body
- distributors can pool funds and work together on joint schemes more easily than was previously possible.

The Government also issued revised policy directions in 1998 which:

- encourage distributors to ensure that all parts of the United Kingdom have access to funding
- give distributors scope for reducing economic and social deprivation at the same time as creating benefits for their sectors
- highlight the need for greater emphasis on people, activities and access
- highlight the particular developmental and creative needs of children and young people
- remove the requirement for significant levels of partnership funding and encourage distributors to seek contributions from other sources
- encourage distributors to consider how their strategies will contribute to sustainable development.