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The National Lottery: how does it work?



Summary

1 The National Lottery

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Summary

The National Lottery began in November 1994. Since then, it has raised over £43 billion for good causes.

There are four parties that contribute to running the Lottery:

- the [Department for Digital, Culture, Media and Sport](#) (DCMS).
- [Camelot Group plc](#), the current operator.
- the [Gambling Commission](#).
- the individual distributing bodies of Lottery money.

The minimum age for playing National Lottery games is 18.

Competition for the next Lottery licence

The third licence to run the Lottery came into force in February 2009 and was due to expire in 2023. The Gambling Commission [launched the fourth licensing competition](#) in August 2020.

The original timeline for the competition would have seen the award of the next licence announced in October 2021, with a transition period to July 2023, and the fourth licence beginning in August 2023. However, in August 2021, the Commission [said that](#), following “representations” from applicants, the timeline had been amended. The third licence has been extended by six months. The fourth licence will begin in February 2024. The Commission intends to announce the preferred applicant in February 2022.

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The National Lottery

The National Lottery etc Act 1993 set up the National Lottery. The first draw took place on 19 November 1994.

There are four parties that contribute to running the Lottery:

- the [Department for Digital, Culture, Media and Sport](#) (DCMS).
- [Camelot Group plc](#), the current operator.
- the [Gambling Commission](#).¹
- the individual distributing bodies of Lottery money.

There are two types of game:

- draw-based games - such as Lotto and EuroMillions;
- instant win games - where a prize can be won immediately (scratch cards and online instant win games).

Since its launch, the National Lottery has raised over £43 billion for good causes.² It has contributed over £1.2 billion in response to the Covid-19 pandemic.³ Further information about Lottery support during the pandemic can be found on the [National Lottery Promotions Unit website](#).

1.1

How is National Lottery money distributed?

Camelot passes income from the sale of Lottery tickets to the National Lottery Distribution Fund (NLDF). The DCMS administers the NLDF, passing the money to the individual distributing bodies.

The apportionment of money in the NLDF is set out in [section 22\(3\)](#) of the National Lottery etc. Act 1993 (as amended):

- 20% for expenditure on or connected with the arts.

¹ The National Lottery Commission was responsible for regulating the National Lottery until October 2013. It was then abolished and its functions transferred to the Gambling Commission through the [Public Bodies \(Merger of the Gambling Commission and the National Lottery Commission\) Order 2013](#) (SI 2013/2329)

² [HL Deb 14 July 2021 c1821](#); National Lottery website, [Where the money goes](#) [accessed 9 September 2021]

³ [PQ 8739 \[on the National Lottery and scratch cards\]](#), answered 7 June 2021; [Camelot website: Thanks a billion](#) [accessed 9 September 2021]

- 20% for expenditure on or connected with sport.
- 20% for expenditure on or connected with the national heritage.
- 40% for expenditure that is:
 - (i) charitable, or
 - (ii) connected with health, or
 - (iii) connected with education, or
 - (iv) connected with the environment.

[Section 28](#) of the 1993 Act gives the Secretary of State for Digital, Culture, Media and Sport the power to amend these shares. This was most recently done through the [Apportionment of Money in the National Lottery Distribution Fund Order 2010](#) (SI 2010/2863).⁴

1.2 Who are the distributing bodies?

The distributing bodies give grants to support the arts, heritage, health, education, sport, voluntary groups, and the environment. Decisions about grants are made by the individual distributing bodies independently of government.⁵ The twelve distributing bodies are:

- [Arts Council England](#)
- [Arts Council of Wales](#)
- [Creative Scotland](#)
- [Arts Council of Northern Ireland](#)
- [British Film Institute](#)
- [Sport England](#)
- [Sport Scotland](#)
- [Sport Wales](#)
- [Sport Northern Ireland](#)
- [UK Sport](#)
- [The National Lottery Heritage Lottery Fund](#)

⁴ The 2010 Order followed a [DCMS consultation](#) that ran from 19 May 2010 to 21 August 2010. A summary of the consultation, the policy background, and an Impact Assessment can be found in an [Explanatory Memorandum](#) to the Order.

⁵ [HC Deb 6 January 2014 cc156-7W](#)

- [The National Lottery Community Fund](#), the largest distributor.

The percentages given to the distributing bodies are set out in [section 23](#) of the 1993 Act. [Section 29](#) gives the Secretary of State the power to amend these shares.

Under [section 26](#), the Secretary of State issues policy and financial directions to the English and UK-wide lottery distributing bodies. The policy directions set the framework within which the distributing bodies operate. These include considerations relating to:

- who can receive funding.
- what funding can be used for.
- the conditions the distribution body must meet.

The financial directions relate to financial propriety and efficiency. They are designed to secure the proper management and control by a distributing body of the Lottery funds available to it.

Welsh, Scottish, and Northern Irish Lottery distributing bodies' policy directions are issued by the Welsh Government, the Scottish Government, and the Northern Ireland Executive.

The distributing bodies offer various funding programmes, each programme has its own eligibility criteria.

In October 2019, the DCMS said that, when making funding decisions, “geographical balance is considered by all distributors, alongside where funding will have the most impact in terms of outcomes and benefits”:

(...) 70% of National Lottery funding has been awarded to projects outside of London and the South East.

Funding levels for areas are often determined by how many applications are submitted. Distributors are aware of some areas being more active in applying than others and actively run specific programmes to encourage applications from less funded areas.⁶

1.3 What is the “additionality principle”?

The “additionality principle” is the idea that money from the National Lottery should fund activities that are additional to what the state provides through general taxation. The principle was set out in the March 1992 [White Paper](#) on the National Lottery:

Under standard conventions, the disbursements of a national lottery will be classified as public expenditure in the national accounts. The

⁶ [PQ 6495](#) [on the distribution of Lottery funding], answered 31 October 2019

Government does not intend that the money provided from the lottery should substitute for that provided in other ways: the proceeds will not be brought within the planning total, and the Government will not make any case by case reduction in conventional expenditure programmes to take account of awards from the lottery proceeds.⁷

[Section 12](#) of the National Lottery Act 2006 amended the 1993 Act so that the Lottery distributors must outline the ways in which they ensure that Lottery funding does not act as a replacement for government funds.

1.4 Where can I get details of National Lottery grants?

The GOV.UK website has a section that can be searched to obtain [details of National Lottery grants](#) by:

- good cause area.
- distributing body.
- geographical area, local authority, or parliamentary constituency.
- grant amount.
- date range.

The Gambling Commission's website has statistics on [funds raised for good causes](#).

Camelot's website includes details of [National Lottery sales and annual reports](#).

1.5 How does Camelot protect players?

Camelot has a [Consumer Protection Strategy](#) that focuses on:

- preventing underage play (in retail and online).
- preventing excessive play.
- ensuring consumer safety.

Camelot also makes an annual contribution to [GambleAware](#) (a charity that funds research, education and treatment to reduce gambling-related harm).

⁷ Home Office, [A National Lottery Raising Money For Good Causes](#), Cm 1861, March 1992, para 41

1.6 Minimum age for playing Lottery games

The minimum age for playing National Lottery games was set at 16 in 1994.⁸ Section 12 of the National Lottery etc. Act 1993 allows the Secretary of State to amend this through secondary legislation. The minimum age was increased to 18 years in 2021. The change followed a DCMS [consultation](#) in 2019.

DCMS consultation (July 2019)

In July 2019, the DCMS published a [consultation](#) on raising the minimum age. This was prompted by:

- the growth of online and mobile platforms for playing games.
- the increase in the relative proportion and total sales revenue of instant win games, especially scratch cards.⁹

The consultation sought views on three options:

- retaining the minimum age at 16.
- increasing the minimum age to 18 for instant win games only (because they have a slightly higher risk profile than draw-based games).
- raising the minimum age to 18 for all games.

An [Impact Assessment](#) was published. The consultation closed in October 2019.

Government response (December 2020)

In its December 2020 [response](#), the DCMS noted there was “overall support” for raising the minimum age.¹⁰ To protect young people, the DCMS would be taking a “precautionary approach” and raising the minimum age for playing all games to 18:

While the evidence of risk to 16 and 17 year olds as a result of playing National Lottery games is not definitive, some evidence of correlation has emerged, public opinion is clear, and the international evidence shows that we are anomalous. On that basis, we will - as a precaution - make regulations to **increase the minimum age of sale for all National Lottery products to 18**. As is the case for other age-limited products, we will increase the minimum age to sell National Lottery products accordingly.¹¹

⁸ DCMS, [Consultation on the minimum age for playing National Lottery games](#), July 2019, para 2.9

⁹ Ibid, para 1.3

¹⁰ DCMS, [Government response to the consultation on the minimum age to play National Lottery games](#), December 2020, paras 3.4 and 3.5

¹¹ Ibid, para 5.3, emphasis in original

The Regulations implementing the change come into force from 1 October 2021.¹² This date was chosen to give retailers and Camelot time to prepare for the change.¹³ However, in its consultation response, the DCMS said it hoped that online sales to under-18s would stop from April 2021.¹⁴

According to a [PQ response](#) of 24 May 2021, online and retail sales to the under-18s stopped in April 2021.¹⁵

1.7

The fourth licence competition

The third licence to run the National Lottery came into force in February 2009 and was due to expire in 2023. In August 2020, the Gambling Commission [launched the fourth licensing competition](#). According to a Commission [document](#), the most significant changes that would be introduced for the new licence would be in the following areas:

- Player protection - the licensee will be held fully accountable for protecting players.
- Monitoring performance - the licensee will be empowered to respond to technological advancements, new opportunities, and changes in consumer preferences.
- Incentive mechanism - a restructured incentive mechanism will ensure the licensee's incentives are closely aligned with contributions to good causes.
- Length of licence - the licence will run for a fixed 10-year period with no provision for the licensee to request an extension.
- Channels of sale - the licensee must ensure players can easily enjoy games through a range of sales channels, whilst ensuring they continue to meet high standards of player protection and propriety.
- Branding – the licensee must do everything it can to safeguard and promote the reputation of the National Lottery, as well as the value, integrity and strength of the National Lottery brand.

¹² The relevant Regulations were originally the [National Lottery \(Amendment\) Regulations 2020](#) (SI 2020/1475). These have been revoked by the [National Lottery \(Revocation and Amendment\) Regulations 2021](#) (SI 2021/1009). The new Regulations still increase the minimum age from 16 to 18, but also introduce approved sales mechanisms for the sale of National Lottery products by 16 and 17 year-olds. For further background, see the [Explanatory Memorandum to SI 2021/1009](#) and [Written Ministerial Statement HCWS272](#), 9 September 2021

¹³ DCMS, [Government response to the consultation on the minimum age to play National Lottery games](#), December 2020, para 5.4

¹⁴ *Ibid*, para 5.4

¹⁵ [PQ 4020 \[on the National Lottery and player protection\]](#), answered 24 May 2021

- Portfolio - the licensee is responsible for maximising the appeal and accessibility of National Lottery products to those who are eligible to play.¹⁶

Original timeline

The original timeline for the competition was:

- August 2020 to October 2020: Selection Questionnaire.
- October 2020 to July 2021: Invitation to Apply.
- September 2021: Announcement of preferred applicant.
- October 2021: Fourth licence award.
- October 2021 to July 2023: Transition period.
- August 2023: Fourth licence begins.

Revised timeline

In August 2021, the Commission [said that](#), following “representations” from applicants, four weeks would be added to the phase 2 application stage, with a further six weeks added for evaluation.¹⁷ To facilitate the changes, the third licence would be extended by six months. The fourth licence to run the Lottery would begin in February 2024. The Commission intends to announce the preferred applicant in February 2022.

¹⁶ Gambling Commission, [The future of the National Lottery – competition launch](#), August 2020

¹⁷ [“Fourth National Lottery licence competition timetable update”](#), Gambling Commission News, 4 August 2021. The news item doesn’t give details of the representations

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