



National Lottery
Commission

Corporate Plan

2007 - 2010

Run an open
and transparent
competition
process...

Regulate with
excellence...

Maintain the
reputation of
the National
Lottery...

Develop our
internal
capacity...

Foreword by Dr Anne Wright, Chair

When I introduced the Commission's Corporate Plan last year my term of office by election was for a one-year period. That Corporate Plan anticipated the changes allowed for in the National Lottery Act 2006, one of which was the appointment of the Chair of the Commission for a four-year period. I am delighted that during 2006 I was appointed by the Secretary of State for Culture Media and Sport to be the first fixed term Chair of the Commission. I believe the increase in the term of the Chair will lead to stronger leadership for the Commission. During 2007 I anticipate that the provision in the Act to allow for the appointment of additional Commissioners will also be implemented. My fellow Commissioners and I look forward to the enhancement of our existing strengths through the experience and skills of a sixth Commissioner.

The period of my Chairmanship, to October 2010, will cover the whole of this Corporate Plan period, and it will be a busy and exciting period for the Commission.

At the time of writing, the evaluation of the bids received for the third National Lottery licence will be underway. The evaluation will be ongoing for the first three months of the period of the Corporate Plan, and I know my fellow Commissioners are looking forward as I am to the challenging task of evaluating bids. We will ensure that the decisions we take will maximise the proceeds to good causes over the duration of the ten-year licence, subject to ensuring that the National Lottery is run with due propriety and that the interests of all participants in the Lottery are protected.

Transition is a key theme of this Corporate Plan. There will be a transition period between the selection of the operator of the next licence in 2007 and the licence becoming effective in 2009. The Commissioners and staff of the Commission have put in place a structure that will ensure the operator of the next licence has robust plans in place for transition, and will monitor and support that process.

The next three years will also be a period of change and transition for the Commission itself. We will be taking forward the work on reviewing and changing the regulatory model that we began in 2006. We want to ensure that we regulate in a way that is in step with current best practice and maximises the performance of the Lottery. Changes to the model will not only require changes within the operator: we will also need to review the way we work and the skills our people need. We will identify and make these changes during the period of the Corporate Plan.

Last year we committed ourselves to giving a stronger emphasis to maintaining the reputation of the National lottery and supporting the National Lottery brand. During 2006 we published our research into underage play of the National Lottery, and encouraged debate on the issues the research had raised. During the next three years we will follow through this work and continue to investigate debate and publicise issues raised by the National Lottery.

The National Lottery plays an important role in national life and touches the lives of millions of people. Our number one priority will remain to ensure the National Lottery is run with all due propriety, that the interests of participants are protected, and subject to these to maximise returns to good causes. I look forward to working with my fellow Commissioners and the staff of the Commission to achieve the objectives we have set ourselves for the next three years.

Dr Anne Wright CBE
Chair
April 2007

Introduction by Mark Harris, Chief Executive

Our Corporate Plan reflects our statutory duties and provides an overview of our strategic objectives for the next three years. The corporate planning documents are underpinned by business plans for each of our four directorates, and by personal targets set by agreement with each member of staff.

Key issues

Our key priorities for the next three-year period are:

- To run an open and transparent process for the competition for the third licence;
- To regulate with excellence;
- To energetically play our part in maintaining the reputation of the National Lottery and shaping the environment; and
- To develop our internal capacity and strengthen the organisational culture.

These priorities have not changed substantively from those published in our 2006-09 Corporate Plan, but the work we have undertaken and our achievements in 2006-07 have enabled us to develop a clearer vision of what we must do to achieve them.

Licence competition: 2006-07 was an important and demanding year for the team working on the next licence competition and for the Project Board. We published both the Draft and Final ITAs, and worked with our advisers to ensure all potential bidders had the opportunity to contribute during the consultation phase and had the necessary information to decide whether to bid and, for those who chose to bid, develop as strong a bid as possible. The team also planned for the stages of the competition that fall within the period of this Corporate Plan. A comprehensive Evaluation Manual has been drawn up, which will be crucial in delivering a fair and transparent evaluation to a tight timetable. Looking beyond the evaluation and award of the licence, we have developed plans for overseeing the transition to ensure an effective and smooth introduction of the third licence in February 2009. Many of the members of the transition team will be drawn from staff in the Commission who have expertise in Lottery licensing and compliance. They will be supported by specialists where necessary, for example in project management and information technology.

Regulating with excellence: Last year we undertook to carry out a fundamental review of our regulatory model. We progressed this by developing views on what our future regulatory model might look like. These views were influenced by our experience of regulating under the current licence and by best and developing practices within the world of regulation. We published a consultation document on our regulatory model, and invited key stakeholders to respond. In this planning period we will develop our vision of our future regulatory model further and fully implement the changes we need to achieve it. We anticipate that we will move towards a risk and output-based approach. This will impact on our approach to licensing, compliance and enforcement, and we plan to review each of these areas to ensure that they are joined up, that they meet established best practice standards and that they deliver a risk-based, fair and proportionate approach. In conducting all parts of the review to date we have consulted with the operator, the regulatory community and other stakeholders, and we will continue to do so. Over the next three year period we will also explore our engagement with Lottery players and the general public, to ensure we have an understanding of their views and how these might be reflected in our decision making.

Reputation of the National Lottery and shaping the environment: Last year we made a commitment to be more active in speaking up for the National Lottery on issues that affect both players and the National Lottery brand as a whole. During 2006-07 we published the results of research we commissioned into participation of underage players in the National Lottery. In order to disseminate our research and stimulate debate, we hosted a roundtable discussion for interested academics, and a seminar for our wider stakeholder group. The research attracted

positive press coverage about controls on underage gambling enforced by the National Lottery. We are planning further research into aspects of player behaviour in 2007-08 and will look to use the findings to stimulate further debate. The issues of preventing underage and excessive play in all areas of gambling are increasing areas of concern and ones which, as they have been at the heart of our regulatory approach for 12 years, we can make a positive contribution to. In order to fulfil this commitment, we also undertook to develop our approach to policy work. This is essential if we are to understand and influence our environment, and to promote the interests of the Lottery. We have made good progress, agreeing where we should focus our effort, and identifying individuals in the organisation to take the lead in tracking the developments in each area in order to feed into the National Lottery Commission view. We expect to make further progress, and to see the benefits flow from our developmental work, over the period of this Plan.

Developing our internal capacity: During 2006 we achieved reaccreditation of the liP standard. This is an important recognition of the emphasis we place on developing the knowledge and skills of our people and ensuring everyone has an opportunity to participate in setting the objectives for the organisation, their team and for themselves. The work we have planned over the next three years will have implications for all our people. The terms of the third licence and the development of the way we approach regulation will require us to adapt to different ways of working and call on different skill sets. Our commitment to maintain the reputation of the National Lottery and shape its environment requires data, analysis and advocacy skills. We have made considerable progress in these areas in recent years, and expect to maintain this progress over the next three years. We will need to review the competency framework for each post within the Commission and ensure we have accurately defined the competencies we need going forward. This will help us identify how to target training and development activity. We will also review our organisational structure, pay and grading, and performance management systems to ensure that they continue to meet our needs by retaining the expertise we already have and further developing it to meet the new demands that will be placed on us if we are to achieve our strategic priorities.

My senior team and I are very grateful for the way all staff have risen to the substantial challenges we have faced over the past year. We have been impressed by the positive attitude staff have shown in dealing with change whilst maintaining their efforts on more routine business. I have no doubt that, going forward, staff will continue to show the same level of commitment and enthusiasm for the work they do individually and the contribution they make to meeting our strategic objectives.

Mark Harris
Chief Executive
April 2007

The Commission's Duties and Functions:

- ensure that the National Lottery, and every lottery that forms a part of it, is run with all due propriety;
- ensure that the interests of every participant in the Lottery are protected; and
- subject to these two duties, do its best to secure that the proceeds of the National Lottery are as great as possible.

The Commission has the following functions:

- to issue a licence to authorise a body corporate to run the National Lottery (under Section 5 of the Act). Only one such licence may be in force at any one time;
- to issue licences to authorise a body corporate to promote lotteries as part of the National Lottery (under Section 6 of the Act). Each game that forms part of the National Lottery is subject to such a licence; and
- to ensure that the provisions of the licences that it grants are complied with. The Commission has a range of remedies available to it, which include publicly recording licence breaches, the power to impose financial penalties, the power to seek enforcement in the High Court, and, in extreme cases, revocation.

Mission Statement:

We will regulate the lottery so as to ensure that players are treated fairly, protect the nation's interest in the lottery and motivate the operator to maximise the enjoyment and benefits that the lottery brings to the nation.

Core Values:

Integrity	We will be fair, honest and open in our dealings and demonstrate integrity in all our decisions and actions.
Teamwork	We will respect and support each other, encourage each other to develop and make the organisation an enjoyable and rewarding place to work.
Accountability	We will take ownership of our responsibilities, working effectively, efficiently and with professionalism, to achieve the Commission's goals.
Communication	We will communicate transparently and in a trustworthy manner with each other and our stakeholders.

Strategic context 2007-2010

As we begin the period of this plan, the National Lottery has been established for over 12 years, raising £20 billion for good causes, supporting over 250,000 projects across the UK and creating more than 2,000 millionaires.

Operation of the Lottery

The period of this Corporate Plan will see us complete the competition for the third Lottery licence and the commencement of the third licence period. The third licence will introduce significant changes to the way the National Lottery operates and to the way we regulate. This three-year period will be important for the National Lottery in ensuring that both the operator that has been awarded the next Licence and we, as the regulator, are fully prepared for these changes.

At the start of the period, 1 April 2007, we will be part way through the evaluation of the bids received in February. The announcement of the preferred bidder and the detailed work on awarding the Licence will be completed during the summer of 2007. There will then be a period of transition; we are putting in place a structure for supporting and monitoring the progress of the successful bidder while they implement the arrangements for the third Licence period. The Project Board will continue its role in overseeing the process through this transition phase.

Internally the transition period will also be an important time of preparation and change. We have already started work to review our regulatory model, and the changes identified will be designed to improve both our current practices and prepare us for working within the terms of the next Licence. We will review our internal structures, ways of working and most importantly the skills of our people to ensure we continue to regulate effectively and efficiently. These reviews will consider our current practices and be in preparation for the changed environment of the third licence.

The Lottery Environment

The Lottery operates in an increasingly competitive environment, and one in which concerns about the social impacts of gambling are increasingly coming under scrutiny.

In the first year of the period covered by this plan, the Gambling Act will become fully effective. The changes in the wider environment will have consequences for the National Lottery: there will be greater competition in the gambling market. This increased competition has the potential to impact on National Lottery sales. In addition, greater scrutiny is being placed on the social impacts of gambling such as excessive and underage play. We will need to make our voice heard to represent the interests of both the National Lottery and of players in these debates. We will need to make sure that we collect and analyse the data necessary to understand how these changes affect the Lottery, and to inform our views.

We will continue to develop our relationship with the Gambling Commission and overseas regulators, looking for opportunities to share experience and cooperate on matters where our interests overlap. Changes in this wider gambling environment – including potential impacts of European legislation and international competition – may have significant effects on the National Lottery. We will be active in monitoring such developments, assessing potential impacts and promoting the long-term interests of the National Lottery as they are debated.

We will work closely with the 'Lottery family'- DCMS, the distributors, the NLPU and the operator – to ensure that we understand their interests and concerns, that we reflect these within our work, and that we promote the interests of the National Lottery in an appropriate manner, working jointly wherever appropriate. We will also work closely with DCMS, the OLD, the delivery agencies and the operator to ensure that the Lottery meets its commitments for the funding of the London 2012 Olympics, and takes full benefit from the association between the Lottery and the games.

Social concerns will need to be better understood, and research into problem and underage gambling will be important if this is to be achieved. As well as conducting our own research, we will work closely with other organisations - such as DCMS, RIGT, the Gambling Commission and GamCare – to ensure that our research programmes are properly aligned and that we all get the maximum benefits possible available from close collaboration.

Strategic objectives 2007-2010

Strategic objective 1: To run an open and transparent process for the competition for the third licence, in order to secure high quality bids and so secure the best return possible for good causes

Strategic direction. In the period 2007-2010, we will:

- Deliver a fair and transparent evaluation process that:
 - bidders, stakeholders and the public have confidence in;
 - secures propriety and player protection;
 - focuses on the required standards on which the Commission must be satisfied and key differentiator of the returns to good causes;
 - delivers a licence which meets the need of the Lottery, both over the period of the third licence and in the longer term;
 - explains our decisions clearly, and recognises our accountability for them; and
 - is completed in a timely manner.
- .
- Oversee the smooth management of the transition period from the award of the third licence to the licence taking effect in February 2009 through a series of transition reviews.
- Record what we have learned throughout the competition process, to ensure that this is available for consideration during the design and execution of the fourth licence competition;
- Co-operate fully with all external reviews of the process (such as those undertaken by Parliament and the Office of Government Commerce), consider their recommendations carefully and take prompt action wherever we consider it appropriate to do so.

Strategic objective 2: To regulate with excellence, securing the optimum performance from the operator and so delivering the best possible outcome for the National Lottery.

Strategic direction. In the period 2007-2010, we will:

- Establish a formal evidence-based framework for assessing risk, which we will apply to all aspects of our regulatory work to ensure that we regulate proportionately. This will be done in consultation with stakeholders and will draw upon the experience of other regulators. It will be in place for the commencement of the third licence period.
- Identify opportunities to relax our regulation of regulatory inputs and define appropriate outcomes that can be measured and enforced, such as the use of recognised standards. We will work with our stakeholders, including the operator, to achieve this.
- Adopt a clear policy for publication of our regulatory decisions and set out our plans for improving the transparency with which we fulfil our responsibilities. We will capture regulatory decisions in a form which could be published as and when it is appropriate to do so.
- Review our approach to monitoring compliance and performance, to ensure that our resources are targeted appropriately. Our compliance approach will be risk-based and resourced to reflect past operator performance. We will monitor and evaluate operator performance relative to the wider context in which the Lottery operates. We will undertake a project to benchmark the key performance drivers of the operator during the third licence period.
- Review our approach to enforcement and, in particular, to the application of sanctions for non-compliance. We will consider both existing and potential new sanctions to give ourselves the best opportunity to secure compliance in a fair and proportionate manner. We will publish the outcome of our review, which we will implement in time for the commencement of the third licence.
- Seek the views of the operator and of the regulatory community to make certain that our approach to regulation, and the processes that underpin it, reflect best practice and avoid unnecessary burdens. We will consider how we can best integrate regulatory impact assessments into our policy making process in a manner that adds value, but does not lead to undue delays in regulatory decision making.
- Engage with players and the general public to ensure that we fully understand their views and can take account of these when developing our approach to regulation, as well as when making regulatory decisions.

Strategic objective 3: To energetically play our part in maintaining the long-term reputation of the National Lottery and shaping the environment in which it operates.

Strategic direction. In the period 2007-2010, we will:

- Continue and strengthen our dialogue with the stakeholders and organisations that are influential in shaping the Lottery environment, especially those within the Lottery family. We will pursue ways of working together more closely that may include meetings, group briefings, consultation submissions, sharing of research or joint working/committee representation.
- Undertake work to understand better our own brand and how it relates to other Lottery brands, and use the outcomes of this work to communicate the work, value and policy positions of the NLC more effectively.
- Speak up – in public and in private - for the interests of National Lottery players and the National Lottery brand. We will clarify roles for achieving this, and ensure that we have the resources, processes and training in place to deliver it.
- Identify key policy issues that reflect the Commission's statutory duties and priorities define our position and advance it with conviction. This will be underpinned by a sound evidence base derived from independent sources, the research of partner organisations and the Commission's own research programme.
- Build our reputation as leading thinkers on relevant Lottery matters and as an organisation with strategic insight and a long-term vision.
- Increase the transparency of the work undertaken by all parts of the organisation by publishing details on our website.

Strategic objective 4: To develop our internal capability, using the skills and knowledge base of our people, to strengthen the organisational culture that reflects the Commission's values.

Strategic direction In the period 2007-2010, we will:

- Reconsider our mission and values, to ensure that they reflect our strategic objectives and are, in turn, reflected in the culture of our organisation.
- Undertake a full review of our governance arrangements, to reflect the appointment of the Chair of the Commission for a fixed term period and our evolving approach to regulation. We will ensure that:
 - the frequency and duration of Commission meetings is appropriate to deal with the necessary business and decision making required;
 - the Commission places appropriate emphasis on longer-term, strategic issues;
 - delegation and monitoring arrangements are appropriate and clearly recorded;
 - decisions are made effectively and in a timely manner; and
 - the Executive is held accountable for the activities delegated to it.
- Review our:
 - organisational structures;
 - competencies;
 - staff reward and performance appraisal systems; and
 - recruitment, training and development arrangements;

to ensure that we have and can retain, motivate and develop the right levels of resource and skills to deliver our strategic objectives.

- Use our key performance indicators and internal management reporting structures, to measure progress against our strategic objectives and assess our operational performance, taking action as necessary to ensure we meet targets. We will develop and enhance this system to reflect experience and our changing needs.
- Ask our staff for feedback, through surveys, awaydays and other means. We will build on their feedback, together with findings from previous surveys and our liP assessment, to improve the way we work together and deliver appropriate, timely and high quality outcomes.
- Emphasise the importance of effective internal communications, ensuring we have the best possible arrangements for working together. We will develop arrangements for holding information in a manner that is easily accessible across the organisation and to promote joint working between teams.

Workstreams

This section describes the key stages in meeting the strategic objectives set out in this Corporate Plan. Each directorate within the Commission completes an annual business plan that will further describe how these objectives will be met, setting target dates and milestones and allocating responsibility for tasks at an individual level. In addition, business plans describe how ongoing tasks to fulfil our regulatory function and meet our statutory objectives will be resourced. Both the Corporate and Business Plans form the basis of an individuals' personal objectives agreed for each year.

Workstream	Activity	Completion
Competition and transition	Announcement of the preferred bidder and publication of Statement of Reasons.	Q2 07-08
	Finalise the terms of the draft Licence.	Q2 07-08
	Undertake periodic transition stage reviews during the transition stage period.	Q4 08-09
	Prepare a report on the competition process, to inform the approach taken for the fourth competition.	Q4 07-08
Regulatory model	Publish a statement setting out our approach to regulation, to include a summary of the responses to our consultation document.	Q3 07-08
	Review our approach to licensing, compliance monitoring and enforcement.	Q3 07-08
	Implement changes to licensing, compliance and enforcement activity, where these have been identified following the review. To include: <ul style="list-style-type: none"> • Publishing our enforcement policy. • Developing a risk assessment framework. • Implementing the risk assessment framework. • Reviewing the Commission's approach to vetting to ensure that it is proportionate, risk-based and effectively delivered. 	Q4 08-09
	Review the Commission's role in resolving consumer and player complaints.	Q4 07-08
Consumer engagement	Review best practice in consumer engagement and make recommendations for implementation by the Commission.	Q4 07-08
	Implement consumer engagement programme.	Q4 09-10

Transparency	Develop and publish our clear strategy for securing the transparency of our regulatory decisions.	Q4 07-08
	Implement that strategy.	Q4 08-09
	Update our publication scheme to ensure it reflects the additional information we will be routinely publishing.	Q4 08-09
Monitoring external developments and best practice	Embed our market intelligence programme and arrangements for promulgation of significant developments in lottery, gaming and regulatory environments to Commissioners and staff.	Q3 07-08
	Undertake a project to benchmark the key performance drivers of the Lottery.	Q1 08-09
	Review benchmarks and make any changes necessary for monitoring performance under the next licence.	Q1 09-10
Reputation	Develop clear roles and responsibilities for communicating the Commission's views and key messages, and ensure that those roles are properly supported.	Q3 07-08
	Establish a system that will build internal expertise on policy matters to enable a swift, coherent and evidence-based pro-active and re-active input.	Q3 08-09
	Review and respond positively to stakeholder feedback.	Q4 07-08
	Run a project seeking to understand the positioning of the NLC brand in relation to other Lottery brands, and use their lessons from this work in developing our future plans.	Q3 07-08
	Identify the most effective way of cementing and growing our stakeholder and research network and implement our findings.	Q2 07-08
Enlarging our voice in the Lottery world	Identify and undertake a major flagship project that will raise the NLC profile within the Lottery, governmental, public policy and regulatory sector.	Q4 07-08
	Deliver a significant campaign to promote the value of the work undertaken by the NLC.	Q4 07-08
Cultural change	Work with all parts of the organisation to review our mission and values and publish revised statement.	Q4 07-08
	Draw up and implement an action plan to ensure	Q4 07-08

	<p>changes in our values are communicated to staff and reflected in the culture of the organisation.</p> <p>Review of Governance arrangements to ensure decisions are made effectively and in a timely manner and that the scheme of delegation provides an appropriate framework for decision-making and accountability.</p> <p>Review arrangements for supporting Commissioners in their role.</p> <p>Review our key performance indicators and revise to meet the needs of Commissioners and the senior management team in reviewing the operational and strategic performance of the organisation.</p> <p>Conduct a structural review of the organisation to ensure fit with other changes and initiatives – terms of the third licence and the management of the transition to the third licence and the new approach to policy development. The review to encompass organisational structure, pay and grading arrangements, competencies, performance appraisal system, and recruitment and development arrangements.</p> <p>Conduct staff attitude survey.</p> <p>Implement any necessary improvements identified by the staff survey.</p>	<p>Q3 07-08</p> <p>Q3 07-08</p> <p>Q4 07-08</p> <p>Q4 08-09</p> <p>Q4 07-08</p> <p>Q1 08-09</p>
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How our strategic objectives contribute to the achievement of our statutory duties and the strategic objectives of our sponsor department

Statutory Duty	Strategic Objectives			
	1	2	3	4
Propriety	✓	✓	✓	
Player Protection	✓	✓	✓	
Maximising Proceeds	✓	✓		
DCMS Strategic Objective: Economy	✓	✓	✓	
DCMS Strategic Objective: Modernising Delivery	✓	✓		✓

Risk Management

The Commission recognises that impediments may arise to the successful achievement of its strategic objectives. In response to this it has drawn up a strategic risk register which identifies the risks to the achievement of its objectives, and the controls necessary in order to reduce these risks to an acceptable level.

The Commission's Audit Committee reviews the register at each of its meetings to ensure that the risks listed in it remain current and the controls devised to mitigate them continue to be appropriate and proportionate to the risks, and reports on this function to the Board.

Budget

The table below shows the budget for the three year period, 2007-10, together with budget and forecast outturn information for the current year.

	Budget 2006-07	Forecast Outturn 2006-07	Budget 2007-08	Budget 2008-09	Budget 2009-01
	£000	£000	£000	£000	£000
Annual running costs	4,200	4,067	4,334	4,335	4,339
Capital	95	95	40	60	75
Total annual costs	4,295	4,162	4,374	4,395	4,411
3rd licence competition	6,000	5,250	6,267	737	-
Olympic IP payment	-	-	3,375	-	-
TOTAL	10,295	9,412	14,016	5,132	4,411

Budget commentary

Our total annual running costs have increased by 1.8 per cent over the budget for 2006-07. The main areas of increase are staff salaries and premises costs. On salary expenditure our market rates were increased by 2.5 per cent in 2006-07. Premises costs are increasing due to higher rent and rates for the year. We have sought to offset increases by seeking efficiency savings in our office running costs – we will achieve this by looking for better deals when procuring all office goods and services. In other areas, for example expenditure on training and development and legal advice we are retaining expenditure at same level for 2006-07, in both cases expenditure is less than budgeted.

Spend on the competition for the third licence will peak in 2007-08, this is budgeted at £6.3 million. The main period when the evaluation of bids takes place will be in the early part of the year, there will be intense activity among staff and advisers in this three month period.

A one-off payment of £3.375 million is shown in our budget. This is an amount the National Lottery Commission has been asked to pay to secure the intellectual property rights of the Olympic Games for use on National Lottery products where proceeds are designated as Olympic Lottery games.