



National Lottery
Commission

Corporate Plan

2008 - 2011

Manage a
smooth
transition to the
new licence...

Regulate with
excellence...

Maintain the
reputation of
the National
Lottery...

Develop our
internal
capacity...

Foreword by Dr Anne Wright, Chair

The year since the publication of our last Corporate Plan has been an extremely busy one for everyone at the National Lottery Commission. In the first half of the year we completed the final stage of the licence competition. We received bids for the third Lottery licence in February and then carried out the evaluation of those bids in the months that followed. To deliver on our commitment to a fair and transparent evaluation process required a dedicated effort from my fellow Commissioners, NLC staff and our advisers. I would like to record my thanks to all those involved in this work.

The Commission would again like to thank Camelot and Sugal & Damani for the depth and quality of their bids. In August I announced that the Commission had selected Camelot Group plc as the preferred bidder for the third Licence following a hard fought competition. By the end of that month, we announced we had finalised terms and signed an Enabling Agreement with Camelot for a ten-year licence starting on 1 February 2009. Camelot impressed the Commission with its innovative ideas for taking the National Lottery forward with exciting new games and opportunities to participate in new channels.

I believe the next year and on through the period of this Corporate Plan will be an exciting one for all concerned with the National Lottery – the operator, players and us as the regulator - and that after February 2009 we will all experience the Lottery in new ways.

The start of the next Licence on 1 February 2009 means that during the first year of the Corporate Plan we will focus very much on transition. This includes not only the work we need to do in monitoring Camelot's progress in implementing the changes to meet the commitments made in the bid document and in the Licence itself but also in ensuring internally the Commission will be able to regulate that Licence. We have been considering how to integrate the principles of better regulation in our work. Next year will see us publish explanations of how we propose to begin to introduce those changes and what our regulatory model will look like.

We go into this year with a strengthened Commission. Using the provisions of the National Lottery Act 2006 the overall number of Commissioners has increased by two. The Secretary of State appointed the Chief Executive as a Commissioner in December 2007. This expansion has allowed us to recruit to ensure the Commission has the range of skills to regulate the third licence period, which will be make use of more complex technology and operate in an increasingly competitive environment.

The National Lottery is a unique institution that plays a crucial role in national life and touches the lives of millions of people. We have a great responsibility towards the lottery and must address the challenges ahead if we want it to remain as important in the future as it is today. Strong, forward-looking regulation is essential is we are going to fulfil our responsibility to protect the integrity and deliver the best possible returns for good causes. Of course, we need an operator that can deliver a modern and exciting Lottery, but we also need a regulator that can look to the future and act in the interest of good causes *and* players. This Corporate Plan set outs how we intend to meet this challenge over the next three years.

Dr Anne Wright CBE

Chair

April 2008

Introduction by Mark Harris, Chief Executive

Our Corporate Plan reflects our statutory duties and provides you with 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 oversee the smooth management of the transition period to the licence taking effect in February 2009;
- 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 2007-10 Corporate Plan. Set out below is a review of key achievements in 2007-08 and an overview of how our work will be continue through 2008-2011 and take us forward in meeting our strategic objectives.

Overview of the National Lottery

As we begin the period of this plan, the National Lottery has been established for over 13 years, raising in excess of £21 billion for good causes, supporting over 280,000 projects across the UK and creating more than 2,000 millionaires and multi millionaires. By October 2007 £200 million had been raised towards the National Lottery's contribution to the 2012 London Olympic and Paralympic Games.

Licence competition and transition

Last year saw us complete the process for the competition for the third licence, and the award of the licence to Camelot. We have published a review of how we conducted the competition, "Creating a lottery for the future: The third licence competition". This can be downloaded from our website at:

http://www.natlotcomm.gov.uk/CLIENT/content_subpage.ASP?ContentId=351.

We have published this document to provide a full and open record of the competition process and to record our experience and help shape thinking for the award of the fourth licence. In addition, we hope it may be useful to others who run similar competition processes in the future.

Having concluded the competition process, we moved into phase of transition to the third licence in the second half of 2007-08. Camelot has ambitious plans for the third licence and February 2009 will see many changes to the National Lottery: there will be new terminals installed at more than 27,000 retailers and terminals will be supported by the installation of a satellite communications network. Camelot have plans to introduce new games, for example plans have been announced for a World Game, and there will be new ways of playing lottery games on interactive channels. This is a significant change programme and one in which we are committed to playing our part by monitoring the operator's progress. We have put in place a structure to undertake this monitoring function, we will conduct stage reviews throughout the year and report our findings back to Camelot in an open, constructive and supportive way.

During the design and evaluation stages of the competition we used a number of external experts to inform our work: for transition I believe the experts on the regulation of the lottery and

planning for the third licence are the Commission staff: therefore resources to monitor transition will be largely internal.

Regulating with excellence

During 2007-08 we clarified our thinking on the development of our regulatory model: I commissioned an extensive review of our licensing, compliance and enforcement functions, this together with results from our earlier consultation and results of internal reviews of the various elements of our licensing and compliance functions informed the design of the third licence. Changes to the licence and our internal processes will give us the opportunity to introduce fundamental changes to the way we work.

During the early part of this corporate plan period we will set out and publish a clear vision for Regulating with Excellence. Our vision will be based on the principles of better regulation and will see us move towards outcome based regulation, built on a clear understanding of risks and the development of our arrangements and tools for reviewing operator performance.

The introduction of new lottery games for the third licence will provide challenges for our Licensing and Compliance teams. We recognise that the plans for new games are innovative, but these innovations will inevitably raise new issues for us to consider when making licensing decisions. We will need to consider carefully game plans in the light of our statutory duties.

Reputation of the National Lottery and shaping the environment

The National Lottery Commission has a strong record of conducting research into aspects of the National Lottery, particularly into those areas linked to our statutory duties relating to preventing underage and excessive play. Our research programme has tended to be based on large scale quantitative surveys; in the last year we have shifted this approach to one where the sample size is smaller but with more in depth questioning methods.

Our first area of research with this approach was into female participation in the National Lottery and In November 2007 we published the findings of two pieces of research. These can be found at: http://www.natlotcomm.gov.uk/CLIENT/content_inner.ASP?ContentId=338.

During 2008-09 we will host a conference looking more widely at the issues of Women and Gambling; this is a developing area of interest for academics and the gambling industry. Our aim is to stimulate interest and lead the debate across all sectors of the industry and to inform our regulation of the National Lottery going forward.

We have had a commitment to work with stakeholders for some time. We have looked to experts and "lottery watchers" to inform and share our thinking. 2007-08 saw us engage directly with the public, seeking the views on those who play the National Lottery and those who don't, in a piece of deliberative research. Our key findings will be important in taking forward our objective to shape the environment in which the lottery operates.

2007-08 has seen us strengthen our relationship with other regulators, particularly in seeking ways to work constructively with the Gambling Commission, exploring opportunities for both formal and informal exchanges of views and sharing of skills, knowledge and experience. While there are areas of common interest between us there are also areas where we feel the interests of the National Lottery are being challenged. In these instances we will continue to speak up for the Lottery.

Developing our internal capacity

Our work over the last year on the competition, both through the evaluation and into the transition phase and the planned changes to our regulatory approach have required and will continue to require our staff to adapt the way they work. Staff have worked in cross-functional teams and have become familiar with working with formal project management techniques. I

have been impressed by the way everyone at the Commission has approached these changes positively and contributed to the successful outcome of the competition and the first stages of transition.

As we move into 2008-09 and a statement of our vision for Regulating with Excellence we will undertake a formal review of the way we work. This will encompass our organisational structure and competencies, pay and reward and performance management systems. The aim of the review will be to organise our resources and equip and reward our staff to work effectively to meet our strategic objectives.

In parallel to these changes we will continue to develop our governance arrangements. In the last year Commissioners have begun to consider on how they can ensure they place emphasis on longer term strategic issues and are keen to explore creative methods to ensure they are meeting their responsibilities in relation to our statutory duties.

In conclusion

The first year of this Corporate Plan period, will see both the Commission and the Lottery go through a period of great change. I and my senior team are very grateful for the way all staff have risen to the substantial challenges we have faced over the past year. I have no doubt that 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 2008

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 objectives 2008-2011

Strategic objective 1: To oversee the smooth management of the transition period to the licence taking effect in February 2009.

Strategic direction. In the period to February 2009, we will:

- Work in co-operation with the Camelot through the transition period to ensure it delivers on the commitments given in the Camelot's bid documents and in licence conditions to implement the next Licence. Although the operator is responsible for delivering the Lottery operation, the Commission will undertake regular monitoring of the operator's progress against its transition plan through a series of transition stage reviews to track progress and provide constructive feedback to the operator on our findings.
- Put in place a planning process for the management of our internal resources during the transition period. We will build on the expertise developed in the organisation over the planning and evaluation phases of the Licence competition.
- Ensure that we have a programme of internal communications to keep all our staff informed of progress on transition and their role.
- Continue to maintain a strong risk management regime for risks relating to the transition to the third Licence.
- Ensure any residual matters arising from the end of the second Licence are dealt with.
- 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 2008-2011, we will:

- Set out and publish a clear vision for Regulating with Excellence explaining how we will adopt the principles of better regulation tailored to our circumstances.
- Review our existing regulatory imperatives to identify a hierarchy of outcomes. From this develop a tool to assess risk and a methodology for using the risk assessment to inform how we regulate.
- Seek opportunities to apply our regulatory regime in a proportionate manner which recognise the skills and track record of Camelot. We will undertake a review of the third licence to identify requirements that might be reduced or disapplied by placing reliance on the operator's processes or assurances, based on our assessment of risk, operator incentives and our knowledge of the Camelot's past performance.
- 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 arrangements for assessment of Camelot performance, paying particular regard to the level of returns to Good Causes generated. We will review the tools and methods we use for assessing poor performance should it occur, and the steps we take to encourage Camelot to improve its performance in such cases.
- Implement changes to our approach to enforcement to reflect better regulation principles and emerging best practice.
- 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 2008-2011, 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.
- Use the outcomes of our deliberative research with players and the public to inform our programme for communicating the work, value and policy positions of the Commission.
- 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 of what we do and how we do it 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 2008-2011, we will:

- Communicate the conclusions agreed from the review of the organisation's vision and values.
- Implement any actions identified and agreed as a result of our staff survey.
- Continue to keep our governance arrangements under review, seeking to ensure the Commission places emphasis on longer term strategic issues and uses innovative methods to assess performance against our statutory functions.
- Review our:
 - organisational structures;
 - competencies;
 - staff reward and performance appraisal systems;
 - 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.
- Develop our relationships with other regulators, seeking to identify where we can share training and other staff development opportunities.
- 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.
- 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.
- Develop an accommodation strategy to ensure the Commission has the best information on which to base future accommodation decisions.

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 individual's personal objectives agreed for each year.

Workstream	Activity	Completion
Transition	Undertake periodic transition stage reviews during the transition stage period	Q1 – Q4 08-09
	Publish a report on the competition process	Q1 08-09
	Award the Third Licence	Q4 08-09
Regulating with Excellence	Principles of Regulating with Excellence <ul style="list-style-type: none"> Set out and publish a clear statement for Regulating with Excellence 	Q3 08-09
	Carry out reviews and implement findings of aspects of regulation, including: <ul style="list-style-type: none"> Outcome based regulation Earned autonomy/proportionality Operator performance Transparency Enforcement 	Q3 08-09 to Q2 09-10
Public engagement	Agree an approach to public engagement	Q2 08-09
	Deliver the agreed programme of work on public engagement	Q4 09-10
Reputation	Deliver a major flagship project that will raise the NLC profile, supported by media work.	Q1 08-09
	Commission an independent review of communications resources and structure	Q2 08-09
	Implement recommendations of the review as agreed	Q4 08-09
	Develop a corporate narrative	Q2 08-09
	Agree policy priorities for 2009-2010	Q3 08-09
Cultural change	Implement any necessary improvements identified by the staff survey carried out in February 2008.	Q1 08-09
	Work with all parts of the organisation to review our mission and values and publish revised statement.	Q1 08-09
	Draw up and implement an action plan to ensure changes in our values are communicated to staff	Q2 08-09

	<p>and reflected in the culture of the organisation.</p> <p>Review of Governance arrangements to ensure decisions are responsive and are made effectively 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>Ways of working: Review the use of project management disciplines and techniques and consider how they could best be applied to the Commission's activities.</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>Q3 08-09</p> <p>Q3 08-09</p> <p>Q1 08-09</p> <p>Q4 08-09</p> <p>Q4 08-09</p>
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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, 2008-2011, together with budget and forecast outturn information for the current year.

	Budget 2007-2008	Forecast Outturn 2007-2008	Budget 2008-2009	Budget 2009-2010	Budget 2010-2011
	£000	£000	£000	£000	£000
Annual running costs	4,334	4,334	4,815	4,428	4,364
Capital	40	40	60	60	60
Total annual costs	4,374	4,374	4,874	4,488	4,424
3rd licence competition/ Transition	3,282	3,282	934	-	-
IP payment	3,375	1,400	520	520	520
TOTAL	11,031	9,056	6,328	5,008	4,944

Budget commentary

The first year of the Corporate Plan period, 2008-2009, sees a substantial drop in our budget from the previous two financial years. The primary reason for this is that 2008-2009 sees us complete the work on the transition to the third licence. The cost of this project in 2008-2009 is £934,000 – this cost is split between the additional internal resourcing of the Project Office and the costs of consultants- the main consultancy cost is the independent consultant contracted to lead the transition stage review process; this is the process we have put in place to monitor and provide constructive feedback and support to the operator through the period to 1 February 2009.

While the table above shows the cost of the competition/transition declining, the budget for our ongoing business has risen for the financial year 2008-2009 by £500,000, the budget then returns to the base level of about £4.4 million for subsequent years. The reason for this peak in 2008-2009 is that we have identified likely additional costs of preparing the Commission for the third licence period and delivering the significant transition and change programme planned for the year. These costs will fund an organisational review and will provide for any interim staff resource that may be needed to cover for permanent staff seconded to work on the transition project. We have increased the budget for legal advice by about 25 per cent for 2008-2009, as we anticipate that licensing decision relating to games being launched under the third licence may be more complex and require additional scrutiny. During 2007-2008 we

carried out a piece of research looking at the public's views of the Lottery and of regulation. We have allocated a budget of £100,000 which we will use to further our public engagement work, using the outcomes of the first exercise to inform our planning.

For each of the Corporate Planning years we will be required to make a payment to acquire the rights to use intellectual property relating to the London 2012 Olympic and Paralympic Games, for example this will be used on scratchcard games designated to provide funds to the Olympic Lottery Distribution Fund. We anticipated making a one-off payment in 2007-2008. It has now been agreed with DCMS that the payment will be spread over the period that the intellectual property is in use. As a result a payment will be made each year until 2012-2013.