

# GAMBLING COMMISSION

Dame Meg Hillier MP  
Chair of Public Accounts Committee  
House of Commons  
London  
SW1A 0AA

14 March 2022

Dear Ms Hillier

## Accounting Officer Assessment: 4th National Lottery Licence Competition

It is normal practice for Accounting Officers to scrutinise significant policy proposals or plans to start or vary major projects, and then assess whether they measure up to the standards set out in Managing Public Money. From April 2017, the government has committed to make a summary of the key points from these assessments available to Parliament for projects within the Government's Major Projects Portfolio (GMPP).

### Background

The National Lottery is a national asset. Since its launch in 1994, the National Lottery has raised over £43 billion for good causes, transforming lives through its contribution to the arts, sports, heritage and communities up and down the UK. The National Lottery is also one of the world's largest lotteries. 12 million people take part in its draw-based Lotto game each week and millions more play its instant win games. There have been three previous competitions for the licence to run the National Lottery and the current licence is due to expire in 2024.

The Gambling Commission is responsible for designing and running the 4th National Lottery licence competition (4NLC) programme, and subsequently regulating the next licence.

In relation to the National Lottery, the Secretary of State for DCMS and the Gambling Commission share three Statutory Duties, to secure:

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

This AO assessment considers the four accounting officer standards of regularity, propriety, value for money and feasibility.



Victoria Square House  
Victoria Square  
Birmingham B2 4BP

T+44 121 230 6666  
F+44 121 230 6720  
[www.gamblingcommission.gov.uk](http://www.gamblingcommission.gov.uk)

## **Regularity**

Regularity considers whether the proposal rests on clear legal grounds. The programme is funded from the National Lottery Distribution Fund and the legal basis for this is Section 31 of the National Lottery etc. Act 1993. The required approval was provided by DCMS at Strategic Outline Business Case (SOBC). The Outline Business Case (OBC) amendment reflecting the impact of Covid 19 has been approved by DCMS and HMT approval point in August 2020. A further update to the OBC amendment, reflecting the 2nd extension to the 3rd Lottery licence, was approved by DCMS and HMT in September 2021.

**Summary: No issue of regularity arises.**

## **Propriety**

I assess the 4NLC programme as correct and proper. It is compliant with parliamentary control procedures and expectations. The programme is engaging with the Infrastructure and Projects Authority (IPA), Cabinet Office Complex Transactions Team and Crown Commercial Service to ensure it follows best practice.

Several improvements to our internal processes have been put in place to ensure we remain compliant with Parliamentary procedures and controls.

**Summary: On propriety grounds, there is no cause for concern.**

## **Value for Money**

The update to the OBC addendum, approved in September 2021 sought approval for £102.95m whole life programme costs and carried clear narrative that the management model for both transition and 4th Licence regulation were under development and would require an additional 20-30% uplift to be sought in the Full Business Case.

The revised whole life costs now stand at £154.87m which reflects a £28.31m (27.5%) increase in core costs in line with the indication in the update to the OBC addendum. Additional contingency of £13.51m (13.1%) is included in the £154.87m whole life costs as is the full effect of the second 3rd Licence extension which has added £10.10m (9.8%) for an enhanced evaluation period and greater resilience during the transition period.

The returns to good causes generated by the preferred, outcomes- based approach (£14,817m from FY21/22-34) far outweigh the costs (£66.6m from FY22/23-34) to design and deliver the 4th Licence competition. The Net Present Social Value (NPSV) is £14,750m for preferred option and is higher than the do-nothing option (£6,268m) and do minimum option (£12,442m). The preferred option of a more outcomes-based licence provides value for money in comparison to “do nothing” or “do minimum” options and is consistent with the Commission’s Statutory Duties to maximise returns to Good Causes. The total programme spend (whole life costs) represents 0.7% of the total returns to the Good Causes (total benefits), representing very high value for money.

The programme adheres to corporate policies that are aligned to HMT Managing Public Money. The programme controls have been reviewed and assured by the DCMS finance committee. Contract extensions over £1m (£500k October 21) in value have been approved by DCMS and Cabinet Office

where appropriate, although on one occasion a retrospective approval was required as the contract spend had exceeded the approved limit by the time the spend control was submitted. Contracts have been competitively tendered using available frameworks.

**Summary: There are no significant concerns regarding value for money of the 4NLC programme.**

### **Feasibility**

The programme established baseline projections for the 4th licence term which have been independently updated and verified by external market analysts, LEK Consulting.

There has been a healthy competition with 7 responses of which 5 passed the Selection Questionnaire and were Invited to Apply. Of these, 4 submitted Phase 1 applications and successfully went onto to submit the final phase 2 applications. From this, a preferred applicant and reserve applicant have been selected by the evaluation mechanism.

The applications show good evidence of achieving/exceeding the projections together with comprehensive plans to implement the 4th Licence and transition from the current 3rd Licence.

The programme has a robust plan in place including suitable resourcing as demonstrated in the Full Business Case this Accounting Officer Letter accompanies.

**Summary: There are no significant concerns regarding feasibility of the programme.**

### **Conclusion**

It is concluded that the 4NLC programme remains an appropriate use of public resources and that the programme should continue.

As the accounting officer for the Gambling Commission, I considered this assessment of the 4NLC programme and approved it on 14 March 2022.

I have prepared this summary to set out the key points which informed my decision. If any of these factors change materially during the lifetime of this programme, I undertake to prepare a revised summary, setting out my assessment of those factors.

This summary will be published on the government's website ([www.gov.uk](http://www.gov.uk)). Copies will be deposited in the library of the House of Commons and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

Yours sincerely



Andrew Rhodes  
Chief Executive  
Gambling Commission