

Title: The Apportionment of Money in the National Lottery Distribution Fund Order 2010 Lead department or agency: DCMS Other departments or agencies:	Impact Assessment (IA)
	IA No: DCMS 002
	Date: 15/06/2010
	Stage: Consultation
	Source of intervention: Domestic
	Type of measure: Secondary legislation
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Summary: Intervention and Options

<p>What is the problem under consideration? Why is government intervention necessary?</p> <p>The shares of the Lottery for arts, heritage and sport were reduced from 20% to 16.66% in 1998 to help fund additional projects in health, education and environment . The Government believes that some of the health, education and environment funding has been used for projects which should have been funded by statutory bodies rather than the Lottery, in effect reducing the amount of funding available for arts, heritage and sport. "The Coalition:Our Programme for Government" states that the Government will reform the National Lottery so that more money goes into sport, the arts and heritage. The Government believes that a vibrant cultural, media and sporting sector is crucial for our well-being and quality of life.</p>
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<p>What are the policy objectives and the intended effects?</p> <p>To restore the Lottery good causes of sport, arts and heritage to their original shares of 20% each of the National Lottery Distribution Fund, resulting in more Lottery money going to projects in these good causes. The Government wishes to focus the Lottery on its original causes. The Government also wants to ensure that the levels of funding to the voluntary and community sector through Big Lottery Fund are protected.</p>
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<p>What policy options have been considered? Please justify preferred option (further details in Evidence Base)</p> <p>i) Do nothing. Arts, heritage and sport could not benefit additionally as Government has proposed. ii) Make the change as part of primary legislation, but that would delay its implementation and the Government wants to see the change happen as soon as possible. iii) Secondary legislation (needed to make this change sooner, under the terms of the legislation)with the change implemented on 1 April 2011. iv) As in (iii) but with the change staged. From 1 April 2011, the shares for arts, heritage and sport would each increase to 18%, and the Big Lottery Fund reduced to 46%. From 1 April 2012, the shares for arts, heritage and sport would each increase to 20%, with the Big Lottery Fund reduced to 40%. This is the preferred option. The Government believes it will enable funding to the voluntary and community sector through Big to be protected, while ensuring that the additional benefits to arts, heritage and sport are not delayed. v) As in (iii) but delaying the change until 1 April 2012.</p>
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<p>When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?</p>	<p>It will be reviewed [after 1 year?]</p>
<p>Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?</p>	<p>Yes</p>

SELECT SIGNATORY Sign-off For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY:..... Date:.....

Description:

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	None	None	None

Description and scale of key monetised costs by ‘main affected groups’

There are no costs associated with this proposal. It is simply a redistribution of funds from the good cause of health, education, environment and charitable expenditure to the good causes of arts, heritage and sport. The voluntary and community sector funding in the good cause of health, education, environment and charitable expenditure will be protected in cash terms.

Other key non-monetised costs by ‘main affected groups’

None.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	-	-	-

Description and scale of key monetised benefits by ‘main affected groups’

This is merely a redistribution of funds, although organisations in the sectors of arts, heritage and sport can expect to benefit by around £50 million a year in respect of each good cause (total £150 million extra a year).

Other key non-monetised benefits by ‘main affected groups’

It will be possible to support additional arts, heritage and sport projects each year and the voluntary and community sector will benefit from this.

Key assumptions/sensitivities/risks

Discount rate (%)

It is the Government's policy intention that the voluntary and community sector (VCS) should be protected, hence it proposes, additionally, that Big Lottery Fund focuses its funding on the voluntary and community sector in future. Funding decisions are made by the Lottery distributors acting independently of Government. A projection of £1.5 billion a year Lottery good causes income for each of the next five years is assumed but actual income is dependent on the sale of Lottery tickets and investment income to the National Lottery Distribution Fund.

Impact on admin burden (AB) (£m):		Impact on policy cost savings (£m):		In scope
New AB:	AB savings:	Net: nil	Policy cost savings:	No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	United Kingdom				
From what date will the policy be implemented?	01/04/2012				
Which organisation(s) will enforce the policy?	DCMS				
What is the annual change in enforcement cost (£m)?	nil				
Does enforcement comply with Hampton principles?	Yes/No				
Does implementation go beyond minimum EU requirements?	N/A				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: no ch'ge		Non-traded: no ch'ge		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs: nil		Benefits: nil		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

Specific Impact Tests : Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	Yes	To be completed
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No.	Legislation or publication
1	National Lottery Act 1993 http://www.opsi.gov.uk/acts/acts1993/ukpga_19930039_en_1
2	National Lottery Act 1998 http://www.opsi.gov.uk/acts/acts1998/ukpga_19980022_en_1
3	National Lottery Act 2006 http://www.opsi.gov.uk/acts/acts2006/ukpga_20060023_en_1
4	The Coalition: Our Programme for Government (page 14) http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_187876.pdf

+ Add another row

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Annual recurring cost	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total annual costs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Transition benefits	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Annual recurring benefits	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total annual benefits	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

There is discretion for departments and regulators as to how to set out the evidence base. However, it is desirable that the following points are covered:

- Problem under consideration;
- Rationale for intervention;
- Policy objective;
- Description of options considered (including do nothing);
- Costs and benefits of each option;
- Risks and assumptions;
- Administrative burden and policy savings calculations;
- Wider impacts;
- Summary and preferred option with description of implementation plan.

Inserting text for this section:

Select the notes here and either type section text, or use **Paste Without Format** toolbar button to paste in the standard EBodyPara Style. Format text by applying EB styles from the toolbar.

Problem under consideration

The Government set up the National Lottery in 1994 with the intention that it should fund arts, heritage, sport and charities. In the case of arts, heritage and sport, it was deemed that Government support could not be expected to provide the level of funding deemed appropriate, particularly, at that time, for capital projects. The shares of the Lottery for arts, heritage and sport were reduced from 20% to 16.66% in 1998 to help fund additional projects in health, education and environment. There was no evidence of any detrimental impact at the time as Lottery income was rising. The Government believes that some of the health, education and environment funding has been used for projects which should have been funded by statutory bodies rather than the Lottery, hence reducing the amounts available for arts, heritage and sport. The Government wishes to restore the National Lottery to its original purpose and for the good causes of sport, heritage and the arts to have their original allocations of 20% of good cause money restored so that the arts, heritage and sport can receive the additional funding original intended. The Government believes that a vibrant cultural, media and sporting sector is crucial to our well-being and quality of life. Lottery funding through arts, heritage and sport has increasingly benefitted local community and voluntary groups over the years, and the proposed changes would further this, including such things as increased participation in legacy of major sporting events such as the Olympics. The change to the good cause shares can only be made by Government.

Rationale for intervention

The Government believes that a vibrant cultural, media and sporting sector is crucial to our well-being and quality of life. Without secondary legislation, no increase to the percentage of Lottery funding going to arts, heritage and sport can be made.

Policy objective

20% of Lottery good causes funding to go to each of the good causes of arts, heritage and sport and the Big Lottery Fund to be restricted to 40% and to focus its funding on the voluntary and community sector.

Descriptions of options considered

Other than through primary legislation, which would impose delay, this order is the only method available under the legislation (National Lottery etc. Act 1993).

- i) The “Do nothing” option would mean that the benefits of the changes could not be achieved.

- ii) Wait for a suitable bill to include the changes in primary legislation. This would impose delay and would be an unnecessary use of primary legislation, since provision to make the change by secondary legislation already exists.
- iii) A change implemented on 1 April 2011. This would allow early additional benefits to the arts, heritage and sports sectors, but may have some negative impact on the voluntary and community sector funding through Big Lottery Fund.
- iv) A staged implementation. On 1 April 2011, the shares for arts, heritage and sport increased on 1 April 2011 from 16.66% each to 18% each, and Big Lottery Fund reduced to 46%. On 1 April 2012, the shares for arts, heritage and sport increased from 18% each to 20% each and the Big Lottery Fund reduced from 46% to 40%. After initial discussions with the Big Lottery Fund, the Government believes this option will enable the funding to the voluntary and community sector through Big to be protected at the same time as providing early additional funding to the good causes of arts, heritage and sport. In 2011/12 it should enable the Big Lottery Fund to provide the same amount to the voluntary and community sector that it provided in the previous year and from 2012/13, more funds should be available to the voluntary and community sector through Big Lottery Fund as the transfers from the National Lottery Distribution Fund to the London 2012 Olympic and Paralympic Games (to which the Big Lottery Fund is contributing £638 million over the five years) will end in that year. This is the preferred option, therefore.
- v) A change implemented on 1 April 2012. While this would allow more time for Big Lottery Fund to prepare (since it would have an extra £60 million available in 2011/12) it would delay increase in funds for arts, heritage and sport (each of these good causes would have £20 million less in 2011/12) and the Government believes such a delay is not necessary to protect the voluntary and community sector funding.

Costs and benefits

As noted above, the net Lottery position is unchanged. This is a redistribution of resources from existing uses to arts, heritage and sport. Arts, heritage and sport currently receive around £250 million each of Lottery income a year. Big Lottery Fund currently receives around £750 million a year. These amounts are dependent on ticket sales and so vary from year to year, but current projections are healthy.

The change would mean around £50 million a year extra for each of arts, heritage and sport, with Big Lottery Fund receiving around £150 million a year less for other uses.

The Government believes that there are benefits from increasing funding in arts, heritage and sport, and that these sectors are crucial to the well-being and quality of life of the public. These benefits would nonetheless come at a cost of reduced expenditure on other sectors, such as health, education and environment.

	Approximate amounts based on current income levels		
	16.66%	18%	20%
Arts	£250M	£270M	£300M
Heritage	£250M	£270M	£300M
Sport	£250M	£270M	£300M
	50%	46%	40%
Big Lottery Fund	£750M	£690M	£600M

Risks and assumptions

While less money will be available through the Big Lottery Fund, it is the Government's policy intention that the voluntary and community sector (VCS) should be protected and hence it proposes, additionally, that the Big Lottery Fund focuses its funding on the voluntary and community sector in future. This will ultimately ensure that the VCS funding through Big will be protected. Funding decisions are made by the Lottery distributors acting independently of Government. A projection of £1.5 billion a year Lottery good causes income for each of the next five years is assumed but actual income depends on the sale of Lottery tickets and investment income to the National Lottery Distribution Fund, in which the Lottery good causes funding is held on behalf of distributors until they need to draw it down.

Wider impacts

The amount of Lottery money available will remain the same. However, the actual amounts are dependent on ticket sales. At present, around 28p of each Lottery pound goes to good causes. At current projected levels of around £5.4 billion a year in ticket sales, this means good causes income of around £1.5 billion a year. For example, a 5% change either way would increase or decrease the amount available for good causes by around £75 million a year. It should be noted that Lottery income has been increasing; the September 2009 projection was £5.1 billion a year in ticket sales.

The amounts to the arts, heritage and sport good causes would each increase, under the preferred option of two stages, from 16.66% of Lottery good causes income to 20% of Lottery good causes income, while the amount available for distribution by the Big Lottery Fund will be reduced from 50% to 40%. This approximates to about £50 million extra a year for the arts, heritage and sport, and £150 million a year less for the Big Lottery Fund. Under the preferred option, for the transition year, 2011/12, the arts, heritage and sport would each receive 18% of good causes income (which would work out at an extra £20 million for each of arts, heritage and sport) and £60 million less for the Big Lottery Fund.

Impact on the voluntary and community sector

The Government intends that the voluntary and community sector funding through Big should be protected by making the change in two stages. While the voluntary and community sector received 92% of Big Lottery funding in the last financial year (2009/10), it can expect, on current projections, to receive more, in cash terms, as a result of the change. Applying a 92% figure to the income Big Lottery Fund received in 2009/10 works out at around £250 million. Under current projections, Big Lottery Fund can expect to receive some £620 million a year, after the transfers from the National Lottery Distribution Fund to the London 2012 Olympic Games end in 2012 (to which Big Lottery Fund is contributing £638 million over five years 2008/09 to 2012/13), and at 40% of the National Lottery. All of this £620 million would be focussed on the voluntary and community sector. The sector will also receive additional funds through the increases to the good causes of arts, heritage and sport.

Impact on countries

On current projections, all the non-Olympic Lottery distributors should have higher incomes so there should be no detriment. More money should be available in each country. Specific issues are as follows:

England

It is expected that Big Lottery Fund will delay the pace of some programmes.

Scotland

On current projections, Lottery funding for the arts in Scotland should increase by over £5 million a year, and for Sport by some £4 million extra a year. On top of this will be increased funding available through Heritage Lottery Fund, UK Sport and UK Film Council but it is not possible to say how much of this will go to Scotland as it is for the distributors to decide how much to spend there. Across the UK, the Heritage Lottery Fund should receive an extra £50 million a year, UK Sport an extra £12 million a year, and UK Film Council an extra £7 million a year. Big Lottery Fund, after deducting 10% for UK wide programmes, currently allocates 11.5% of the rest to Scotland. It will have £150 million a year less across the whole of the UK as a result of the changes. Big Lottery Fund has already announced levels of funding for the period 2010 to 2015 and it can be expected to re-evaluate these.

Wales

On current projections, Lottery funding for Arts Council Wales and Sports Council Wales should increase by around £2.5 million a year each. On top of this will be increased funding available through Heritage Lottery Fund, UK Sport and UK Film Council but it is not possible to say how much of this will go to Wales as it is for the distributors to decide how much to spend there. . Across the UK, the Heritage Lottery Fund should receive an extra £50 million a year, UK Sport an extra £12 million a year, and UK Film Council an extra £7 million a year . Big Lottery Fund, after deducting 10% for UK wide programmes, currently allocates 6.5% of the rest to Wales. It will have £150 million a year less across the whole of the UK as a result of the changes.. Big will probably make adjustments to the previously announced portfolio of programmes for Wales.

Northern Ireland

On current projections, Lottery funding for Arts Council Northern Ireland and Sport Northern Ireland Council Wales should each increase by between £1 million and £2 million a year. On top of this will be increased funding available through Heritage Lottery Fund, UK Sport and UK Film Council but it is not possible to say how much of this will go to Northern Ireland as it is for the distributors to decide how much to spend there. Across the UK, the Heritage Lottery Fund should receive an extra £50 million a year, UK Sport an extra £12 million a year, and UK Film Council an extra £7 million a year . Big Lottery Fund, after deducting 10% for UK wide programmes, currently allocates 4.5% of the rest to NI. It will have £150 million a year less across the whole of the UK as a result of the changes. Big has consulted on a portfolio of proposals for four new programmes and it is likely to review the budgets for these.

It is the Government's belief that by protecting the voluntary and community sector using the staged approach, there will be no adverse effect on the sector in Scotland, Wales and Northern Ireland.

Summary of preferred option and detailed implementation plan

Change the shares by means of this Order with implementation in two stages. On 1 April 2011, the shares of the National Lottery for arts, heritage and sport would be increased from 16.66% each to 18% each, with the Big Lottery Fund reduced from 50% of the National Lottery to 46%. On 1 April 2012, the shares of the National Lottery for arts, heritage and sport would be increased from 18% each to 20% each, with the Big Lottery Fund reduced to 40%.

The Government is consulting on a draft Order and the consultation period ends on 21 August 2010. Having considered the results of the consultation, the Government proposes to introduce the draft Order to Parliament after the Summer recess.

Burdens on local government

Local authorities currently receive some £100M a year from Big Lottery Fund, although this is not a fixed amount and is dependent on applications. There will be no impact on existing award holders but this funding will be phased out. The Government believes these bodies should not be funded from the National Lottery which is intended to be additional funding, independent of Government.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added to provide further information about non-monetary costs and benefits from Specific Impact Tests, if relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<p>Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review]; We would monitor how much extra was going to arts, heritage and sport, and how much the VCS was receiving from Big and the other distributors.</p>
<p>Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?] To assess the cash benefit of the change to the arts, sport and heritage, and to ensure that the voluntary and community sector has indeed been protected.</p>
<p>Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach] Review Lottery income figures to the National Lottery Distribution Fund and VCS funding figures from Big Lottery Fund and other distributors</p>
<p>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured] Health, Education, Environment and Charities good cause (50% of Lottery good cause income) Arts (16.66% of Lottery good cause income), Heritage (16.66% of Lottery good cause income) Sport (16.66% of Lottery good cause income)</p>
<p>Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives] Health, Education, Environment and Charities good cause receives 40%, arts, heritage and sport 20% each, VCS protected</p>
<p>Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review] Information from National Lottery Distribution Fund and distributors</p>
<p>Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here] -</p>

Add annexes here.