

13/03/2014

PAC-R-1301

Mr. Watt, Assistant Secretary
Mr. McNally, Second Secretary

Minister
from Deirdre Hanlon

Mr Watt the Minister agreed to the proposed reduction for 2010 and a reduction of £m for 2011. When we spoke to him on 9/7 he said there is a good case to reduce and abolish this scheme which was supposed to be temporary when it started in 1997

Generally

cc Carmel Keane 19/7

FOR DECISION:

Proposal for Savings on Vote 6 - Reductions in Subhead J :
Payments to the Promoters of Certain Charitable Lotteries

*Ms. Blood,
see note above re Minister's decision in this case. Re pursue with Finance Unit (Mr. Leonard). 14/20/14*

Summary

As a contribution from the Programme Side of the Department's Vote towards the savings that are required to be secured, we recommend that you agree to the following in respect of the allocation for the Charitable Lotteries Scheme:

- 2010 - reduce the REV allocation from €8.618m to €8m, thus saving €0.618m;
- 2011 - reduce the allocation to €5m, thus saving a further €3m in that year; and
- phase out the scheme thereafter over a period of 2, or perhaps 3, years.

Background

In June 1997, the Government decided to make available a fund of £5m per annum for three years from the proceeds of the National Lottery to supplement the income of certain private charitable lotteries, whose products were competing directly with National Lottery products. The Charitable Lotteries Scheme was introduced against a background of State-imposed constraints on the ability of private charitable lotteries to compete with the National Lottery and following strong representations from REHAB in particular. The measure has been continued since then (mainly on a temporary basis, following periodic reviews in the interim) and for the last few years is now at a level of €8.618m. Under the terms of the Scheme - overseen by an inter-departmental committee, with an external independent chair - the annual amount is shared among the qualified applicants (viz. charitable lotteries) each year in proportion to the size of their lottery business. A list of the 2009 Scheme recipients is attached at Tab A for reference. As you can see, there is a huge variation in the size of the amounts granted under the Scheme, reflecting the variation in size of the qualifying charities' lottery businesses. Rehab is consistently by far the largest beneficiary under the Scheme; it received over 60% of funding under the 2009 Scheme. The fund recipients have regularly lobbied for retention of the Scheme and increases in the level of the annual fund; the initial 3-year Scheme is still in existence some 13 years later.

Case for Reductions and Abolition of Scheme

We consider that the case for the continued existing of the Scheme is questionable, and put forward the following points:

- The Scheme was reviewed in 2009 by the Scheme's Advisory Committee, an interdepartmental group, operating under an independent external chair. The Review concluded that the Scheme should be phased out over a suitable period. Copy of the Review is at Tab B.

- The main area of operation of the charitable lotteries is healthcare. The State is already spending massive sums of money in that sector, including making various payments to charities that also receive funds under this Scheme. Since 1997 when the Scheme was established, Exchequer support for healthcare has more than trebled.
 - The National Lottery has been operating for about 25 years. By now, charitable lotteries should have diversified their fundraising base rather than depending on the Scheme to sustain their income. Continued existence of the Scheme is an incentive for them to retain existing lotteries/raffles/draws; perversely, the Scheme actually incentivises a charity to continue with such draws etc. even when the draw itself doesn't contribute to the charity's net funds and is run at breakeven or at a loss. (This is because payments under the Scheme are based on the size of the applicant's gross income from draws; thus, to maximise its receipts from the Scheme, a charity needs to maximise its gross revenue from draws.)
 - The situation of charities which began lotteries/draws after 1997 is also worth considering. Such charities have had to contend with the existence of the National Lottery in framing their fundraising strategy. The purpose of limiting the Scheme to charities which had been operating lotteries prior to 1 January 1997 was to recognise that charities which commenced operating a lottery after this date should be expected to have reckoned with the existence of the National Lottery. The charities which had been operating a lottery prior to 1997 should be expected to have now come to terms with the existence of the National Lottery and compensation should not be for an indefinite period.
- The 1997 Memo for Government about the introduction of the Scheme also said that it would help "to deal effectively with complaints from domestic charities who claim that the tax concessions in ... [the 1997] Finance Act in respect of donations to charities operating in developing countries will damage their fund raising". That 1997 tax relief for the "third world charities" has long since been extended to apply also to charities that operate in the domestic sphere. So this justification for the Scheme no longer applies.

Proposal

In the light of the above, and in the context of securing savings on the Department's Vote, serious consideration must be given to this Scheme. We are of the view that there is a strong case for reducing the allocation – indeed for abolishing the scheme, which could be phased out over a short number of years.*

* Technical Note

Under the National Lottery legislation, the surplus (i.e. profit) generated by the National Lottery can be used for various specified purposes: support of sport, arts, culture, Irish language, healthcare, community development, etc. The mechanism used from getting the National Lottery profits through to these "good causes" is that the National Lottery surplus is transferred to the Exchequer and forms part of the funding from the Exchequer to a number of identified sub-heads across various Votes; these are the sub-heads relevant to support of sport, arts, culture, etc. and they are used to finance various programmes, projects, grant schemes, etc. that are run by the relevant Departments.

The total paid out from the Votes to these "good cause" areas far exceeds what is received annually from the National Lottery; in 2009, for example, the Exchequer expended a total of €435m on the relevant subheads (supporting sport, arts, culture, etc.) but only received €275m from the National Lottery. (For 2010, the REV figures are €409m and €260m respectively.) So, notwithstanding the fact that these areas of spending are part-funded by the National Lottery, there is also a considerable level of direct Exchequer support for them.

Several of the Lottery-supported subheads are being cut by their relevant Departments as part of the ongoing review and reduction in public expenditure. Such cuts will contribute to improving both the gross and the net position of the public finances.

We recommend the following:

- (i) that the **current year allocation** for the Scheme be cut from the REV level of €8.618m to a round amount €8m. This is a 7% reduction, and because of the nature of the share-out of the Scheme it would affect all recipients pro-rata. It should be noted that the annual funding level for the Scheme has never previously been reduced. A 7% cut as recommended, could be presented as a follow through on the average 8% cuts which were made last year to several other areas of expenditure. The Scheme is usually advertised in the summer and applications considered in the autumn, with the payments being made in December, so no advertisement has yet issued for 2010;
- (ii) that the **2011 allocation be reduced by €3m** to a new level of €5m; and
- (iii) that the Scheme be further reduced over the following years so that it is **completely phased out by 2013**.

D. Mr. Hanlon

National Lottery Section
Sectoral Policy Division

14th July 2010.

c.c. Secretary General, Mr. Leonard (Finance Unit)
Ms. Herbert – Special Advisor

