

LABOUR'S LOTTERY 'GOOD CAUSES'

An investigation into the shocking waste of money that should be benefiting arts, sports, heritage and charities

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A report by Jeremy Hunt MP, Shadow Secretary of
State for Culture, Media & Sport

SUMMARY

- Over £700m spent on lottery tickets – or 1 in 6 of all lottery tickets sold - generates no money for good causes because it is used up in administration costs and overheads.
- Good causes don't receive a penny of Lottery cash for the equivalent of the first two months of every year due to the bloated bureaucracy of distributors.
- The Big Lottery Fund spends £77 million each year on administration costs.
- £616,800 of Lottery 'Good Causes' funding finds its way back to DCMS, the Government department responsible for overseeing the Lottery, equivalent to the good causes proceeds of 2,202,857 lottery tickets.
- A staff of 41 is employed and £9.2m is spent on regulating the single National Lottery operator.
- £267,000 of good cause money went towards government overheads.
- National Lottery distributors spend £47,797 a year on surveys to find out how happy staff members are.
- £471,504.56 is spent by just *four* of its bodies on managing their relations with Government and monitoring Parliament and the media
- 47 press officers are employed by National Lottery distributors and regulators.

BACKGROUND

The National Lottery was established by the Conservative government with the National Lottery Act 1993 and has, arguably, been the single biggest catalyst for community regeneration in the last twenty years.

It was founded by John Major with clear principles: 'That it could raise funds – free from the grasping hand of the Treasury – that could be used to improve the enjoyment and, in some cases, the lifestyle of many millions of people.'¹

Following the 1997 General Election, Labour diluted the funds going to the original good causes by adding a funding strand for health, education and the environment. For the first time Lottery revenue would replace exchequer funding when the clear motivation for the establishment of the National Lottery was to generate *additional* funds for the causes that undeniably get squeezed during difficult financial times.

Since then the Government has consistently pushed for measures which break the additionality rule that was a fundamental founding principle. The Big Lottery Fund alone has awarded around £1 billion in grants to statutory bodies since 2004.

More recently, the financing of the 2012 Olympics has further squeezed Lottery revenues. Its initial contribution of £410 million was added to in March 2007 when it became apparent that Government mismanagement of the Olympics budget would cost the Lottery distributors another £675 million.

At a time of strains on the finances of the National Lottery what is required is a government that will maximise and protect the Good Causes income. This all makes the present Government's inability to do so even less defensible.

Jeremy Hunt raised this issue with the Government on the floor of the House of Commons during Culture, Media and Sport oral questions on 12 May 2008. He asked when the Government would 'take concrete action to ensure that lottery money is spent not on bureaucracy, Olympics miscalculations and Government pet projects, but on helping the good causes that are now struggling, but which the lottery was set up to protect?'² In reply Gerry Sutcliffe, the Parliamentary under-Secretary at the DCMS said that administration costs were 'a matter for the different agencies'.³

¹ Foreword by Sir John Major, 'The Larceny of the Lottery Fund' (2006), *Centre for Policy Studies*

² *Hansard*, 12 May 2008: Col. 1055. Click [here](#) for the online version.

³ *Ibid.*

INTRODUCTION

Labour's Lottery good causes are anything but. The Government has allowed money destined for charities, arts, sport and heritage to instead be used to expand the armies of Lottery distributors.

Compiled through a combination of Freedom of Information requests, written parliamentary questions and careful scrutiny of National Lottery accounts, this report demonstrates the shocking – and often bizarre – uses for National Lottery money. It outlines how scandalous waste by Lottery distributors and cynical accounting by the Government is depriving the very good causes the Lottery was established to help of vital funding.

The £730m of waste highlighted in this report should be used to invigorate the arts, heritage and grassroots sports; activities that enhance the lives of us all. Instead, it is being used to keep Labour's Lottery Gravy Train on track.

When National Lottery players up and down the country go to their local shop to buy a ticket they do so, not just because of the prospect of winning a life-changing pot of money but also because they believe that 28 pence of every £1 paid goes to good causes.

In fact, this report reveals that almost 5 pence out of this 28 pence good cause money from every Lottery ticket sold goes entirely towards paying for surveys, consultancies, the salaries of a growing army of administrators and press officers and a percentage of the overheads at the Department for Culture, Media and Sport.

TOTAL ADMINISTRATION COSTS

The National Lottery Distribution Fund's income for 2006/7 was more than £1.2 billion. **17.6%** of that money will never find its way to good causes. Instead, it is used to fund the quangos that run the Lottery.

Administration costs for the National Lottery distributors totalled **£204 million** in 2006/7. That means that 731,014,285 million Lottery tickets are sold each year before a single penny goes to the good causes. 'Lottery Good Causes Day' – the first day of the year on which money finds its way to the causes it was set up to assist – was not until 1 March in 2008. In 2004, the date was 13 February.

The Big Lottery Fund spent the highest total amount, £76,933,000, on its operating costs. That figure represents more than 12% of the total value of grants it awarded.

This £76.9m included £38,392,000 on staffing, a further £1,787,000 on the travel and expenses of staff and board members and £125,000 on research.

Other distributors spent a higher proportion of their good cause money on operating costs. The Arts distributors spent around 13% of their income on administration and the sports distributors spent 12%.

CONSULTANCY

£500,000 is spent each year by the National Lottery Commission and just three of the distributing bodies on managing relations with the media and legislators.

Despite, in many cases, employing their own public affairs officers, these organisations are spending hundreds of thousands of pounds on ‘information monitoring’,⁴ ‘ad-hoc briefings’⁵ and ‘stakeholder engagement support’⁶.

Annual spend on consultancy

Body	Spend (£)
BLF	6,925.45
Heritage Lottery	176,566
Sport England	69,000
National Lottery Commission	219,013.56
Total	471,504.56

- The National Lottery Commission paid Hill and Knowlton £219k in one year for ‘media relations support, strategic communications advice, planning and stakeholder engagement support...’⁷
- Sport England paid £5,750 per month to FD-LLM to provide ‘support to the national and regional communications teams’. The company also provides ‘administrative support’ and ‘briefing materials’. This annual sum could have paid for a grass sports pitch or a 40m x 18m fenced multi-use games area.
- The Heritage Lottery Fund used four consultancy companies during the year. Lexington Communications provided ‘strategic communications advice in the UK, and information monitoring of UK Parliament, Scottish Parliament, Welsh Assembly, Northern Ireland Assembly and the GLA’. Separate contracts were held with other companies for services specific to the devolved legislatures.
- The Big Lottery Fund made 10 payments to Morgan Allen Moore for media summaries and almost £500 to Strategem for a subscription to its ‘Public Affairs Toolkit’.

⁴ *Hansard*, 12 May 2008: Col. 1362W

⁵ *Hansard*, 30 April 2008: Col. 547-550W

⁶ *Hansard*, 12 May 2008: Col. 1368W

⁷ *Ibid.*

PRESS OFFICERS

Across the National Lottery distributors, 44 people are employed as press or media officers. Another 3 perform such a function for the regulator, the National Lottery Commission.

Body	Press Officers (FT equivalent)
Big Lottery Fund	8
Arts Council England (national and regional offices)	20
Heritage Lottery Fund	3
National Lottery Commission	3
Sport England	6.5
UK Sport	5
UK Film Council	1.5
Total	47

THE DEPARTMENT FOR CULTURE, MEDIA & SPORT

The 'Good Causes' portion of over 2 million Lottery tickets is used to pay for Government overheads and a 'departmental public participation survey' which 'aims to find out how people choose to spend their own time and their views on the leisure activities and facilities available to them' and then subsequently informs Government policy.⁸

According to the National Lottery Distribution Fund Accounts, **£267,000** was paid to the Department to cover 'a share of the accommodation costs of the building occupied by DCMS'.⁹ This is allocated 'on the basis of the floor area occupied by DCMS staff engaged on NLDF matters'.¹⁰

More worryingly, recent answers to questions raised by Jeremy Hunt have revealed that Sport England passed **£349,800** of its National Lottery income to the DCMS to pay for its annual *Taking Part* survey.¹¹ *Taking Part* is the chief method by which the Government assesses its progress against its own public service targets.

It had previously been common knowledge that the Department, rather disingenuously, takes money from the very organisations it sponsors in order to part fund the £2.7 million survey. In 2008-9 the DCMS will receive £1,060,000 from its own quangos. This allows the NDPB's budgets to look high while keeping the Department's net costs down.

What is stunning about this new information is that the National Lottery is being used to part-fund a research project which is used by the Government to measure its own performance. This is an inappropriate use for Lottery funding that should be benefiting arts, sports, heritage and charities up and down the land.

⁸ DCMS website, http://www.culture.gov.uk/Reference_library/rands/taking_part_survey/faq.htm

⁹ *National Lottery Distribution Fund Annual Account 2006-07* (printed 13 December 2007), page 22

¹⁰ *Ibid.*

¹¹ *Hansard*, 7 May 2008: Col. 940W

REGULATION

The National Lottery Commission is, perhaps, the most expensive regulator in existence. It regulates a single company, in a licensed market and yet still spends £9.2m per year.

In 2006/7 the total cost of running the National Lottery Commission was **£9.2 million.**

STAFF NUMBERS

The army of administrators at the Lottery distributors is now bigger than ever. National Lottery distributors employ nearly 3,000 members of staff

Body	Staff
Big Lottery Fund	1103
Arts Council England	872
Scottish Arts Council	107
Arts Council of Northern Ireland	56
Heritage Lottery Fund	266
Sport England	113
UK Sport	87
Scottish Screen	6
UK Film Council	93
Total	2703

- The Big Lottery Fund employs 1,103 members of staff. That is almost as many as the Treasury despite distributing a sum 872 times smaller than HMT.
- Of the UK Film Council's 93 employees, 7 take home salaries of more than £100,000.
- The Heritage Lottery Fund increased the number of people it employs by 5%. It spends £7.6m per year on staff costs.

STAFF SURVEYS

In a single year, three of the National Lottery distributors spent close to £50,000 of Lottery good causes income on surveying its own staff.¹² Therefore, the proceeds of 170,704 National Lottery ticket sales are being used by distributors to find out how satisfied their workforces are.

Body	Cost (£)
Arts Council	23,400
Big Lottery Fund	15,897
Sport England	8,500
Total	47,797

¹² *Hansard*, 7 May 2008: Col. 941-942W

CONFERENCES

In 2007-08 the National Lottery Commission spent £35,500 on staging conferences.

On 3 June the Commission is hosting a conference, with 'fully participative technology', at the Cumberland Hotel in the West End of London entitled "Women and Gambling".

ADDITIONALITY BREACHING PROJECTS

In respect of funding projects which break the principle of additionality that the Lottery was founded on, the Big Lottery Fund is the most often cited example of a lottery distributor that gives money to statutory bodies but is, by no means, the only body to do so.

In 2006/7 a total of £609,000 of Lottery funding found its way to NHS Trusts. Of this, more than half came via the Big Lottery Fund but there were also payments to NHS Trusts from the Arts Council and the Heritage Lottery Fund.¹³

Funding body	£
Big Lottery Fund	339,000
Heritage Lottery Fund	23,000
Sports Council Wales	1,000
Arts Council England	107,000
Arts Council Wales	139,000
Total	609,000

An investigation by Jeremy Hunt earlier this year using Freedom of Information requests to councils revealed some of the more bizarre uses for National Lottery money. These included

- £236,210 from the Big Lottery Fund to West Lancashire District Council for cycle and footpaths 'allowing sustainable access through Skelmersdale from residential estates to the town centre and places of work';
- £315,000 from the Big Lottery Fund to Blyth Valley Borough Council for the 'enhancement of footpaths throughout the borough to provide a network of interconnected walks for health promotion'
- £112,500 from the Big Lottery Fund to Wakefield Council for 'a traffic calming scheme

¹³ *Hansard*, 8 October 2007: Col. 326-328W

In its response to the Freedom of Information request, Hambleton District Council suggested that the cost of the application process and adhering to Big Lottery Fund criteria represented significant extra costs for the council. In order to secure a grant of £200,000, the council suggested that 'around £50k' of local taxpayers' money would have to be spent.¹⁴

The additionality principle is not only worth protecting because of the obvious benefits for genuine good causes as opposed to Government pet projects, but also for the purposes of accountability. A case in point was the establishment of the School Food Trust. The Trust was founded with £60 million of National Lottery money in a package for school meals which also included a reallocated £220 million of Exchequer education funding.

The timing of the announcement by the Health and Education Secretaries, just 36 days prior to the 2005 General Election, was yet another example of the crude politicisation of the Lottery that has taken place under Labour. None of the resulting media coverage credited the National Lottery with providing a substantial degree of the funding. Headlines the next day screamed of the "£280m plan" and neither of the Ministers saw fit to highlight the Lottery contribution.

¹⁴ *"The cost of drawing up the application and adhering to the BLF criteria has been significant compared with the actual grant available. So far we have spent £7k in cash and approximately £6k in officer time... we believe this will rise to around £50k by the end of the project. This means to secure £200k investment in the community we have to spend around £50k locally. This then needs to be added to the BLF's own costs associated with administering the grants in order to gain a true reflection of the value for money."*

CONCLUSION

Readers of this report will be forgiven for losing their confidence in the benefits of the Lottery. Labour has mismanaged the National Lottery. It has become over-bureaucratic, wasteful and sorely lacking in direction.

There are few more evident examples of how a decade of Labour rule has damaged Britain than in their approach – at once neglectful and abusive – to the National Lottery.

The Conservative Party founded the National Lottery and it has been a force for good in our society; that is indisputable. We believe that for charities and sports, heritage and arts organisations around the country, a Conservative Government is required to harness the wonderful resources provided by the Lottery.