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The Big Lottery Refund

JAY KENNEDY GIVES A DETAILED ACCOUNT ON WHY MONEY TAKEN FROM THE BIG LOTTERY FUND SHOULD BE RETURNED

DSC has been running the Big Lottery Refund campaign for over a year and a half. It is currently supported by over 3,300 charities from across the UK. The aim of the campaign is simple, but the details are hellishly complex once you get into the subject.

In 2007, the last Government raided the lottery for an additional £675m of lottery cash to cover the nearly four-fold increase in the Olympics budget, after London won the bid. £425 million of that should otherwise have been distributed by the Big Lottery Fund for local charities and community groups. Heritage, the Arts and other good causes also took smaller hits.

This funding wasn't to directly support the Olympics athletes, it was used to subsidise Exchequer spending on the Olympics infrastructure – things like the stadium, the velodrome, and the transport network – with profits eventually winding up in the pockets of numerous private sector contractors. Although Parliament ratified the decision in law, we maintain it was wrong to take these funds away from charities and vulnerable people for those purposes.

The campaign aim is for the Government to pay back £425 million to the Big Lottery Fund immediately, now that the Olympics have finished. We don't particularly care how they go about it, but this is the rub: the complexities of the Olympics budget and the various agencies involved confuse the picture horribly.

One of the challenges we've had is to maintain the simplicity of our 'ask' whilst dealing with Ministers and civil servants who are embroiled in the byzantine mess of the Olympics arrangements.

Campaigning achievements

There was significant opposition from charities and many MPs to the Government's £675 million raid in 2007. As a result the Government agreed to repay the £675m after the Games by selling Olympics land and assets. This was set down in a Memorandum of Understanding with the Mayor of London at the time.

This promise to refund the money forms the lynchpin of our campaign – but crucially, no time frame was set for the repayment, which has subsequently proved to be a major problem.

When DSC started the campaign in 2011 there had been a change of Government and a new Mayor of London. We had no idea whether the Coalition Government or Boris Johnson would keep to the MOU negotiated by Labour and Ken Livingstone.

We put the question to the Government and it was revealed that the new

Government was agreeing a contract with the Mayor to repay the £675 million, to replace the MOU. They claim this is an improvement on the previous MOU, but a number of key points torpedo the credibility of this commitment:

Time frame: the Government says that asset sales will take place over a period of 25 years, starting in the 'mid-2020s', and 'potentially' be completed by 2030/31. We think this time frame is completely unacceptable – we can't rely on Governments of the future to hold to this deal, despite its status as a contract.

Ownership and leverage: The Government has turned over control of the assets to the Mayor's London Legacy Development Corporation (LLDC), as part of the Localism Act 2011, which puts the lottery good causes in a weak position regarding any sales. The mechanisms for holding the LLDC to account are murky, and seem to offer the lottery good causes no leverage over the process.

Schedule and yield: it looks increasingly possible that few if any of the assets will be sold at all. For example two of the most valuable, the stadium and the media centre, look likely to be leased long term. There is no known schedule of which assets will be sold or when, their assessed value, etc.

The campaign continues to make the case to Government and MPs that this deal isn't good enough and doesn't adequately safeguard the interests of the lottery good

causes. Since beginning the campaign, we and our supporters have sent hundreds of letters to Government Ministers. Over time, this postbag and pressure from MPs who support the campaign has caused the Government to reveal more information. At the beginning there was almost no information available on the issue, but

Possible sources of money for a Big Lottery Refund*

Purpose / source	Amount	Refund mechanism	Timing of refund
2007 raid on the Lottery to help cover Olympics budget increase	£675m (including £425m from Big)	Government contract with London to refund £675m via asset sales	Begin 'mid-2020s'; completed 2031
Further raid to cover shortfall in funding for the Athletes' Village	Believed to be between £69-£80m	Lottery share of proceeds from Village sale expected to be £71m	July 2014
Unspent money in the Olympic Lottery Distribution Fund (OLDF)	£30-£50m	Government estimates £30-£50m could be repaid at OLDF wind up	July 2014
Olympic Lottery Distributor (OLD) wind up in March 2013	£0-£30m?	Unspent balances in OLD budget could be returned	Unclear; possibly July 2014
Forecast underspend of Treasury contingency for the Olympics	£377m	None - Government's position is that this will be kept by Treasury	None at present

* These figures are an interpretation of various statements made by the Government. However those statements have often been conflicting, unclear, incomplete, and subject to change; information presented here is a current best estimate by the author'

more has steadily dripped out as our campaign has gathered steam.

In June 2012 the Government announced that £69m from the sale of the Olympic Village would eventually be refunded (the figure has subsequently been revised to £71m). This appears to be treated separately from the £675m figure because it was an additional raid on the Lottery to bridge a shortfall in funding for the Village. The private sector deal to build the Village had collapsed during the recession, and the Exchequer stepped in to finance most, but not all, of the £500m cost. This episode was not widely known before our campaign began.

Then, in June 2012 the Government announced that: "The National Lottery will benefit from any funds, including interest accrued, not required for the Olympic Programme and remaining in the Olympic Lottery Distribution Fund (OLDF) after the Games."

In layman's terms, any spare change left in the piggy bank of raided lottery funds would be paid back at some point. Again, the Government is treating this differently from the £675m assets deal figure.

Just prior to the Olympics in July 2012, the Olympics Minister Hugh Robertson MP announced that the Government was forecasting to spend £476m less than anticipated on the Games.

Following the Games in October 2012, he revised this forecast down to £377m, and confirmed that these were reserves held by the Treasury and would be kept by the Government. We objected vociferously – claiming the Treasury's money is unspent whilst the Lottery cash is mostly expended is a bit like laundering lottery revenues for the benefit of the Exchequer through the washing machine of the Olympics budget.

In December 2012, during a session of the House of Commons Public Accounts Committee, it emerged that correspondence from the Culture Secretary Maria Miller MP to Fiona Mactaggart MP revealed that Government estimated £30-50m of

OLDF funds may remain unspent.

Then in January 2013, DSC received a letter from the Sports Minister Hugh Robertson MP confirming this. It stated that up to £100-£150m could remain unspent in the OLDF, including the £71m recouped from the Village sale and the £30-50m estimate disclosed to Fiona Mactaggart, and that these funds would be returned to the Lottery distributors by July 2014.

What the numbers mean

Taking this complete mess of arrangements at face value, it is theoretically possible (but in our view unlikely) that up to £825 million could come back to the Lottery good causes over the period to 2031. However, as I've outlined above, the current arrangements on refunding the £675m from asset sales are weak and I would be surprised if much of that is recouped unless they are substantively revised.

The most certain figure is the £71m from the Village sale due to be refunded in 2014. This will be topped up by some amount of unspent OLDF funds, so we are likely to have a significant £100m-plus refund taking place by July 2014. This is very good news – but still a year and a half away, and not the whole amount, so far from good enough.

Our campaign has calculated that the extra £425 million taken from Big could have funded at least 10,000 charities serving in the region of eight million beneficiaries. The vast majority of these charities would have been small local groups. It's obvious that if refunded, that money would have massive benefit for the charitable sector and people in need at a very difficult time.

What government needs to do

There are hundreds of millions of pounds left unspent in various parts of the so-called 'Public Sector Funding Package' for the Olympics. There are also hundreds of millions more in assets sitting on the

books which effectively have a kind of lien against them. Our demand that the Government pay back £425m to the Big Lottery Fund could be easily met – it is not a question of money but of political will and administrative priorities.

There is a clear moral case, and a clear social need for this money to be refunded to Big immediately. No new infrastructure or system would need to be built – Big could get the money out quickly and efficiently to where it was needed in the sector, across the whole UK. There is also clear political case for doing so – righting a wrong carried out by the last Government – which oddly the Government seems blind to.

Quite simply the Government needs to stop messing about, resisting our requests, drip feeding us information, and making us spend our limited charitable resources campaigning on an issue which should be a no-brainer. It is easily within the Government's power to take responsibility for sorting out the accountability and liability for the different silos of money and assets, and give the Big Lottery Fund £425m today.

If they are so confident in the robustness of the assets deal which they negotiated, why not refund the Lottery up front and take on that long-term liability themselves? Or why not arrange some kind of bridging finance to give Big £100m back now, instead of in 2014? The Government makes these kinds of financial arrangements practically off the cuff everyday.

The Big Lottery Refund would be a big win for the sector during an extremely hard time, when so many vital organisations and services are under severe pressure, and many are disappearing. It poses a minimal risk to the public finances. Join the campaign: www.biglotteryrefund.org.uk

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