

**PAC meeting on payments to Rehab  
27 February 2014****Opening Statement from Secretary General of the Department of  
Justice and Equality**

Chairman,

I am pleased to assist the Committee with its enquiries into the operation of the Charitable Lotteries Scheme and payments made to Rehab and its subsidiaries from the Vote of the Department of Justice and Equality.

The Charitable Lotteries Scheme was established in 1997 by the Minister for Finance. The purpose of the Scheme is to supplement the income of the promoters of private charitable lotteries conducted under the 1956 Gaming and Lotteries Act. The Scheme applies only to lotteries with products similar to products sold by the National Lottery.

The Department of Justice and Equality assumed responsibility for the administration of the Scheme in mid-2011. Before that, responsibility for the Scheme rested with the Department of Public Expenditure and Reform, and previously, the Department of Finance.

The Charitable Lotteries Scheme is currently administered by staff in the Charities Regulation Unit of the Department of Justice and Equality. Applications are invited each year from charities that have been operating a charitable lottery since at least the 1<sup>st</sup> of January 1997.

Following processing of applications, the total available fund for the year is divided among successful applicants on the basis of their gross sales of eligible lottery products averaged over the previous three years. By eligible lottery products, I mean certain products similar to products offered by the National Lottery - chiefly scratchcards, regular draw lotteries, and bingo. The criterion used to apportion funding under the

Scheme ensures that charities whose lotteries have the highest proportion of gross ticket sales secure the highest proportion of the overall fund. A single payment is made to each successful applicant, typically in late November or early December in respect of that year.

The Scheme was initially financed entirely from the National Lottery surplus but, since 2005, has been financed jointly by the National Lottery surplus and by the Exchequer. In 2013, the ratio of National Lottery surplus to Exchequer funding was at almost 3 to 1. That is, 73% of the funding was from the National Lottery surplus, with the remaining 27% provided through direct Exchequer funding.

Shortly before the transfer of the Scheme to the Department of Justice and Equality, the total funding available under the Scheme was reduced from €8.6m in 2010, to €6m in 2011.

Following the transfer and a review of these payments by the Department of Justice and Equality, the Minister for Justice and Equality announced his decision, in 2012, to phase out the Scheme over a period of three years, with no further payments to be made after 2015. This was necessitated by the urgent need to make savings in Government expenditure across many programmes. The decision was further informed by a concern that the Scheme did not represent an efficient use of funds and did not incentivise effective fundraising practices by the charities benefitting from the Scheme.

Beneficiaries of the Charitable Lotteries Scheme were then advised, in October 2012, that the Scheme would be phased out over a three-year period beginning in late 2013. The gradual phase out of the Scheme was in order to give affected organisations as much time as possible to adjust to the change and to consider alternative methods of charitable fundraising.

In the meantime, we are continuing to administer the Scheme in the usual way. 20 applications for funding were received in 2013, of which 19



qualified for funding. Each of the 19 applicants who qualified for funding also received funding in 2012. The Scheme is only open to organisations that were already running charitable lotteries in 1997 and so the beneficiaries have remained relatively constant over time.

The full €4 million allocated to the Scheme for 2013 was disbursed in late November 2013.

Since the Scheme's inception in 1997, payments totalling almost €86 million have been made to the Rehab Group. This is out of a total of almost €124 million paid out under the Scheme since 1997. Rehab typically receives almost two-thirds of the funding available under the Scheme each year. This is because the total funding available is divided among successful applicants in direct proportion to their gross annual sales of eligible products averaged over three years. Under this formula, due to the sales volume of their lottery, Rehab receives the majority of the funding.

It is a condition of the Scheme that any funding provided must be applied to the charitable activities of the organisation. Funding cannot be used for administrative purposes. This condition is included in the documentation provided to applicants.

In 2012, in response to a recommendation from the Internal Audit Unit of the Department of Justice and Equality, the supporting documentation for the Scheme was amended to include an indicative list of administration costs ineligible for funding under the Scheme. The main purpose of this change was to help recipients to ensure they were adhering to this condition of the Scheme and to give the Department greater confidence that this was the case.

In addition, and again in response to the audit findings, a new requirement was introduced in 2012, whereby recipients were advised that they would have to supply a report to the Department of Justice and

Equality not more than 12 months following receipt of the funding, detailing the uses to which the funding was put and the outputs achieved.

In line with this requirement, a report in respect of Rehab's use of the funding they received in 2012 was provided to the Department by Rehab in 2013. This report detailed expenditure by Rehab of the €3.9 million in assistance received in 2012 under the following headings:

- Building and other capital expenditure costs for the provision of new and enhanced services;
- Information technology used directly in frontline services;
- Promoting and creating awareness of Rehab's services and disability issues;
- Expenditure into the development of service delivery;
- Carry forward prior year's application.

Assistance in the amount of €2.58 million was provided to Rehab under the Scheme in 2013.

In addition to the funding provided under the Charitable Lotteries Scheme, a number of other payments to Rehab over the period 2009 to 2013 were drawn on the Justice Vote. These totalled approximately €250,000 over the period and related primarily to disability services. I can provide the Committee with further detail on these payments if that would be of assistance.

I thank the Committee for their attention.