

## **Report to Cabinet**

**Subject:** Gedling Community Lottery

**Date:** 9 October 2019

**Author:** Deputy Chief Executive

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### **Wards Affected**

Borough-wide.

### **Purpose**

To gain agreement to the launch of an on-line Gedling Community Lottery (“the Lottery”) to help fund discretionary support for the local voluntary and community sector, and to enable such organisations to raise funds which will directly benefit local people and communities.

### **Key Decision**

This is not a Key Decision.

### **Recommendations**

#### **THAT CABINET:**

- 1) Agrees to the establishment of the Gedling Community Lottery for the purpose of raising funds to support good causes that benefit residents of Gedling borough.
- 2) Approves the procurement of Gatherwell as an External Lottery Manager to run the operational side of the lottery.
- 3) Authorises the Deputy Chief Executive, in consultation with the Portfolio Holder for Community Relations, to establish criteria for determining which good causes can participate in the Lottery, and apply those criteria.
- 4) Authorises the Deputy Chief Executive to apply for any necessary licences from the Gambling Commission to enable the Lottery to operate.
- 5) Nominates the Deputy Chief Executive as the personal licence holder for the Lottery and authorises him to apply for the personal licence.
- 6) Delegates the management and oversight of the Lottery and the authority to approve appropriate policies and procedures associated with the Lottery to the Deputy Chief Executive.

## 1. Background

- 1.1 As budget pressures continue to increase over the next few years, there will inevitably be an impact on the funding available for partnerships with local voluntary and community organisations (referred to in this report as ‘good causes’) in the medium term. In order to alleviate some of those budget pressures, a number of other councils have introduced a local lottery as a potential new source of income to provide funding to good causes.
- 1.2 Lotteries have long been a way of smaller organisations raising income, for which they are regulated under the Gambling Act 2005 (“the Act”). The Act creates eight categories of permitted lottery. The Act includes, as a permitted category of lottery, a “local authority lottery”. Local authority lotteries are lotteries promoted by the authority and require the authority to be licensed by the Gambling Commission. The net proceeds from a local authority lottery may be used for any purpose for which the authority has the power to incur expenditure.
- 1.3 Local Authority lotteries have to deliver a minimum of 20% of proceeds to purposes for which the authority has the power to incur expenditure – this report proposes to deliver up to 60% of the Lottery proceeds to good causes.
- 1.4 Until a few years ago, local authorities had not entered into this form of fundraising due to perceived risks to a council’s reputation, contradictions with anti-poverty work, and concerns about the gambling aspects of such a service. However, things have moved on in the last few years, and there is now a clear precedent set for local authorities to get involved in this kind of activity, as long as the marketing material is clear that it is principally a fundraising platform for local good causes, the lottery is properly regulated, and supports the licensing objectives set out in the Act which are;
  - Preventing gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime;
  - Ensuring that gambling is conducted in a fair and open way;
  - Protecting children and other vulnerable people from being harmed or exploited by gambling.
- 1.5 Local authority lotteries can be run in-house or in partnership with an External Lottery Manager (ELM). An ELM is defined in section 257 of the Act as someone that is a person or a body who makes arrangements for a lottery on behalf of a society or local authority, but is not a member, officer or employee of the society or authority. All ELMs must hold a lottery manager’s operating licence before they can manage a lottery on behalf of a local authority. This is in addition to the operating licence held by the local authority. It is important to note that whilst ELMs may run a lottery on behalf of the local authority, it is the responsibility of the local authority to ensure that the lottery is conducted in such a way as to ensure that it is lawful, and fully complies with the Act, all licence conditions and licensing codes of practice.

- 1.6 In addition to operating licences from the Gambling Commission, a local authority is required to have at least one Personal Management Licence (PML) holder for the authority, even if the lottery is run by an ELM. The ELM will have their own PML holders.
- 1.7 Investigations into options have been undertaken and a meeting with a leading ELM “Gatherwell” has been held to understand the workings of a lottery in practice. Information from Gatherwell feeds through this report, as best practice. It should be noted that although Gatherwell are not the only ELM in operation, Gatherwell are identified as a specialist and leading provider of local authority lottery schemes, and are identified as low risk by the Gambling Commission. They are licensed by the Gambling Commission to run lotteries on behalf of good causes and local authorities across the UK. Starting in 2015 with Aylesbury Vale, they launched the first on-line local authority lottery in the UK and now have 65 local authority awarded contracts with 51 live websites and 14 in development, as well as over 1,000 schools across the UK using ‘Your School Lottery’ platform (which is where they evolved from).
- 1.8 Lotteries like these attract a number of different supporters – those motivated by the odds and the prizes on offer, those with a dual motivation of giving to a good cause but with the incentive of winning a prize, and the altruistic supporter who will support because of the good cause alone and will often donate any prizes back to the good cause as well.
- 1.9 There are four well-known national lotteries running in England and Wales – the Euromillions, the National Lottery, the Health Lottery, and the Postcode Lottery. Set out in the table below are some background statistics regarding those providers for comparison:

| Provider         | Odds of jackpot win | Odds of any prize win | % share to good causes | % share to operator/owner |
|------------------|---------------------|-----------------------|------------------------|---------------------------|
| Euromillions     | 1:140m              | 1:13                  | 28%                    | 22%                       |
| National Lottery | 1:45m               | 1:54                  | 28%                    | 22%                       |
| Health Lottery   | 1:2m                | 1:209                 | 20%                    | 22%                       |
| Postcode Lottery | Unclear             | Unclear               | 27.5%                  | 32.5%                     |

## 2. Proposal

It is proposed that the Council establish a Gedling Community Lottery in the following way:

### Aims of the Lottery

- 2.1 The Lottery would need to have a set of aims or unique selling point that

resonates with local players. Officers believe that there is a place for a lottery that is focused on:

- Delivering the proceeds locally – a Gedling Community Lottery would deliver benefits to local causes only i.e. players can be assured that the proceeds will stay within Gedling borough.
- Maximising benefits to the community – to bolster support and to help in continuing the good work that the Council already does. The proposal in this report has up to 60% of proceeds being given to good local causes.
- Minimising costs – whatever delivery route is adopted it will need to minimise set-up costs, meaning the lottery will need to be largely self-financing, and any funding distribution mechanism should tap into existing distribution routes.
- Delivering winners locally – whilst anyone could play, it is likely that players will be locally based, and hence it will be easier to maximise the value from winners' stories and encourage more participation.
- Facilitating a wider benefit – whilst the lottery will help current funding of good causes, it will also enable local good causes to fundraise in partnership with us. This can be seen as the Council *enabling* good causes to help themselves, by reducing the barriers to lottery type funding i.e. the costs of licensing and administration. It will also open up a way for good causes to create new links with repeat donors.
- Helping to shift resident's perceptions – of what the Council can do and is here for, in line with our commercial approach taking the authority from *provider* to *enabler*.

### Form of the Lottery

- 2.2 One overriding issue regarding the form is that the Lottery will have to be online. This is due to the costs of distribution and sales which would be incurred in any other way. This fits with the Council's digital approach and the lottery will be able to be accessed via a desktop, mobile, or tablet. In order to comply with the Act the Council will need to hold a remote lottery operating licence to have this type of lottery.
- 2.3 The suggested model would enable groups to 'sign up' to take part in the lottery specifically raising the 50% share for their good causes. By signing up they would have their own web page for the lottery helping them in engaging players and raising income. This option removes a number of hurdles for groups who might struggle to take part in their own lotteries (e.g. holding their own licence and setting up infrastructure to enable the lottery to run). This 50% is distributed to the specific good causes that sign up to the scheme, and the use of the remaining 10% (of the 60% proceeds) would be determined by the Council.
- 2.4 The Council would be the overall licence holder and control the good causes joining the scheme. Players buying tickets through specific web pages would

know that the proceeds are for that specific good cause. This in turn motivates the group to gain more players to support their specific cause. This option in effect operates as an 'umbrella' scheme within the main Gedling Community Lottery.

- 2.5 The Council would need to define eligibility criteria against which applications for good causes wishing to join the lottery would be assessed. It is proposed that the development of these criteria, and the ultimate determination on which good causes will receive proceeds, be delegated to the Deputy Chief Executive in consultation with the Leader of the Council or relevant Portfolio Holder.
- 2.6 All sales for the lottery would operate via a dedicated website (specific good causes would have their own landing pages), and be funded via an online Direct Debit or payment card for tickets. This approach is needed to keep operating costs at a minimum and also mitigates against the issues related to addictive gambling as payment is at specified times for specified amounts.

#### Delivery Options

- 2.7 In essence the options for delivery of a lottery are either in-house or through an External Lottery Manager (ELM).
  - In-house – this option would see the setting up of the necessary posts and systems to run a lottery in-house. This has not been fully costed, but it is considered to be circa £80k-100k for set-up costs alone. This would include a lottery manager and the necessary development of software systems to enable the lottery to run.
  - External Lottery Manager – this option would see a contract arrangement with an existing deliverer of lotteries in the market place. This in effect means 'buying-in' the skills and expertise of an existing provider and sharing the risk with them to deliver the lottery. The ELM will deliver all aspects of running the lottery, from ticket payments, prize management and licensing, and share with Gedling and the good causes, the role of marketing.
- 2.8 It is proposed that rather than allocating officer time and significant cost to setting up and managing an in-house lottery, an ELM is used to oversee the operations of the local lottery. There are very few ELM's in the marketplace, and as indicated, Gatherwell are specialists in delivering local authority lotteries. It is therefore proposed to utilise the not-for-profit organisation Gatherwell as an ELM for the lottery, initially with an agreement for a one-year period with an option to extend to a second year.
- 2.9 Gatherwell already perform this operation for 51 councils so far, including districts, metropolitans, counties and unitary councils, and their remit is to increase funding to good causes. No other quotes have been obtained from lottery providers as there does not appear to be any other company that can facilitate this type of local authority lottery (refer to paragraph 3.3).
- 2.10 It is proposed that if approval is given to establish the Lottery using Gatherwell as ELM, that a report be given to the Chair of Scrutiny Committee

in accordance with the Council's Contract Standing Orders explaining why further quotes were not obtained.

### How the Lottery Operates

2.11 The lottery focuses on enabling local good causes to raise additional funding for their services, and would operate as set out below:

- Each ticket costs £1 of which 50p goes solely to the specific good causes signed up to take part in the lottery, a further 10p provides funding for the Council to determine its use, which provides funding to other good causes making a total of up to 60p available. In comparison, the Health lottery allocates 20% to good causes and the UK Lotto allocates 28%.
- Players select which good cause they want their money to go to, and each 50p amount is directly paid over to that specific good cause on a periodic basis by the ELM.
- Of the remaining balance, 20p is allocated for prize money, 17p goes to the External Lottery Manager, and 3p is VAT, which is reclaimable by the Council.
- Participation is on-line (or telephone for those who don't have access to the internet), and no tickets are sold in shops, offices or on the street.
- Tickets have to be bought in advance and payment is via credit/debit card or Direct Debit. Evidence from other participating local authorities has shown that over 50% of supporters use Direct Debit as a recurring payment method, creating a degree of income stability. The remaining 50% buy blocks of tickets in either 1, 3, 6 or 12 month blocks. It is not possible to buy individual tickets each week as the focus of the lottery is to provide rolling funding for good causes.
- The Lottery is based on a different principle to the UK Lotto. The numbers used are the results of the Australian Super 66 which is a combination lottery that uses only the numbers 0 to 9 which are then randomly drawn by a computer. As the Super 66 is drawn weekly on a Saturday morning (UK time) the deadline for participating in the local lottery is midnight Friday.
- Players (aged 16 or over) are able to choose 6 numbers, and to win the weekly jackpot they must match both the numbers and sequence as drawn. Players can also win a prize if the ticket matches the sequence of the first or last 2, 3, 4, or 5 numbers drawn.
- Multiple tickets are able to be purchased, and numbers can be changed by players.
- Players also have the option to donate their winnings to their chosen good cause if they so wish (other local authority experience has shown that circa 10% of winners have donated their prize back to the good cause).

- The jackpot is an insured prize, and is a guaranteed pay out of £25,000 per winner (even if multiple people win the jackpot it is not shared or rolled over). The ELM takes out insurance to cover all prizes and the risk of ticket sales not being sufficient to cover the prize pay-out lies with ELM.

|  | Winning Odds  | Prize          |
|--|---------------|----------------|
| 6 numbers                                | 1: 1,000,000* | £25,000        |
| 5 numbers                                | 1: 55,556     | £2,000         |
| 4 numbers                                | 1: 5,556      | £250           |
| 3 numbers                                | 1: 556        | £25            |
| 2 numbers                                | 1:56          | 3 free tickets |
| <b>Overall odds of winning any prize</b> | <b>1:50</b>   | <b>n/a</b>     |

\* Note: The odds of winning the Health lottery jackpot is 1:2m and the Euromillions jackpot is 1:140m

- 2.12 All day to day management will be conducted by the ELM. This includes processing new players, distributing prizes and income for good causes. The ELM will also provide significant tailored marketing support to good causes and the Council, and assist players should they experience difficulties. However, it is the Council's decision as to whom it identifies as a good cause.
- 2.13 The ELM will send newsletters to all good causes signing up to the lottery providing updates on their lottery. The Council will help publicise the Lottery and support its take up. Apart from licensing and marketing costs, the lottery will be self-funding.
- 2.14 The process of setting up a local authority lottery normally takes about six months from the date of agreement to approval by the Gambling Commission.

### Responsible Gambling

- 2.15 Lotteries are the most common type of gambling activity across the world, and considered to be a 'low risk' form with respect to the emergence of problem gambling. This is due to its relatively controlled form. The Lottery will help mitigate against many of the issues related to addictive gambling by:
- Being only payable via pre-arranged sign up (not 'spur of the moment') and non-cash methods (as players have to pay in advance via card or Direct Debit).
  - There is no 'instant gratification' or 'instant reward' to take part, due to the midnight deadline whilst the results are released the following day.

- Promotion of the lottery will be mainly via the good causes to their supporters.
  - The lottery will be fully compliant with the Gambling Commission's licensing code of practice, which includes self-exclusion and links with support organisations.
  - Gatherwell recommend that each council becomes a member of the Lotteries Council, which provides a range of services for its members, including acting as independent arbitrator for lottery providers should a dispute arise, free access to advice from specialists, and representation with regulators and legislators. The Lotteries Council will also make a contribution to the Responsible Gambling Trust on behalf of each of its members.
  - The minimum age for participation in a local authority lottery is 16 years. A person commits an offence if they invite or allow a child (someone under 16) to enter such a lottery. The Council will ensure that appropriate written policies are in place to help prevent and deal with cases of under-age play. Gatherwell, when acting as ELM, require players to declare their age as 16 or over and undertake back office and random checks to verify dates of birth and ensure no under-age players. As part of the licensing objectives the Council are required to ensure that children and other vulnerable people are not harmed or exploited by the lottery.
  - The Council, as licence holder will take all reasonable steps to ensure that information about how to gamble responsibly and how to access information for help in respect of problem gambling is readily available.
- 2.16 Due to these factors it is reasonable to believe that the Gedling Community Lottery as proposed, will not significantly increase problem gambling, and that the benefits to good causes in the borough from the proceeds of the lottery outweigh the possible negative issues.
- 2.17 In order to comply with the licensing requirements under the Act it is proposed that the authority to apply for any operating licences on behalf of the Council be delegated to the Deputy Chief Executive.
- 2.18 It is proposed that the Deputy Chief Executive be nominated as the Personal Management Licence holder for the Lottery and be given authority to apply for such a licence.
- 2.19 An equality impact assessment has been completed (Appendix 1) and there are no consequences arising from the recommendation that adversely affects or interferes with individual's rights and freedoms as set out in the Equalities Act 2010.

### **3. Alternative Options**

- 3.1 A number of different delivery options are considered within this report and



have been taken into account in developing the recommendation.

3.2 The standard alternative option is to not establish the Lottery. This option is not recommended as the 'partnerships' budget will be scrutinised in the same manner as all other areas of expenditure, which may or may not result in reductions to its overall quantum.

3.3 Another option is to deliver the lottery in-house or use an alternative ELM. As outlined in the report, the financial implications of running the lottery in-house are estimated to be £80k-£100k for set up alone, and the Council does not have the necessary skill or resource to establish the lottery, and as such it is preferable to "buy-in" the support for a cheaper, more efficient way of establishing the Lottery. Officers have undertaken market research, which highlighted that there are a number of ELM's in the market, and these have been reviewed for their respective working methods, areas of specialisms and prize distribution. The research covered the following companies:

- Tower Lottery – only deals with Charities (mainly air ambulances);
- Prize Provision – only runs sports club lotteries;
- CFP Data – only provides an online raffle and printed lottery card service;
- Brightsource – none or very little experience in working with local authorities;
- Woods Group– none or very little experience in working with local authorities;
- Sterling Lotteries – do not primarily focus on local good causes, and require the local authority to undertake the administration of the scheme;
- Gatherwell - their model minimises officer time spent on the project and maximises funding available to local good causes. They also have an extensive record of working with local authorities and are specialists in delivering this type of lottery, and as such, understand local authorities' needs and requirements. For this reason Gatherwell are recommended as the ELM to deliver the Lottery.

#### **4. Financial Implications**

4.1 The estimated cost of setting up the lottery is around £7,300 as follows:

- Gatherwell set up fee - £5,000 which will include:
  - Website design, hosting, maintenance and development;
  - Payment gateway investments (dedicated Direct Debit and payment card accounts);
  - Dedicated support telephone number, email and social media accounts;
  - Marketing strategy support and generic design creation;
  - Gambling licence application support;
  - Training for licence holders.
- Gambling Commission licence - £692 per year plus £244 application fee;

- Lotteries Council membership - £350 per year plus £25 application fee;
- Launch event – costs of circa £1,000 but will be kept as low as possible.

4.2 Once launched, the ongoing costs will be as follows:

- Gatherwell will not charge a set annual fee, as their costs will be covered by the 17p service charge from each £1 ticket. The full set of services outlined above will still be provided.
- Gambling Commission licence and Lotteries Council membership, which together currently cost £1,042.
- Ongoing marketing of the lottery will mainly be the responsibility of individual good causes who will promote the lottery to their supporters and the general public in anticipation of raising income. The Council will provide additional support by placing promotional material and press releases in relevant publications and on-line. It is anticipated that this will be a minimal cost, both in terms of officer time and money as this type of support will only occur 3 or 4 times per year, at most.

4.3 The costs of the set up will initially be funded from the Transformation Fund. The ongoing costs will be paid out of the Council's 10p share.

4.4 The Council's proceeds from the lottery will initially be used to pay for the ongoing costs of the lottery. Any further use of the proceeds has yet to be determined, as this will be entirely dependent upon the number of players and tickets sold. However it would not be unreasonable to estimate a return for the council of a minimum of £10,000 per annum. An annual review will be undertaken to ensure that the lottery is running in line with the aims set out in this report.

4.5 Although exact returns for the Community Lottery cannot be guaranteed, other well established local authority lotteries are achieving an average of 1,600 to 2,800 tickets per week. Based on 52 weeks per year x 50p contribution, monies raised directly for good causes over the year could be within the range £41,600 to £72,800.

4.6 Given the estimated ticket sales above, the amount retained by Gatherwell from ticket sales could be in the range of £272 - £476 per week, so there is an estimated contract value for contracting with Gatherwell of £14,144 - £24,752 per year. The initial contract period will be for one year with an option to extend for a further year, depending on the success of the Lottery and the value of proceeds each financial year.

## 5. Appendices

5.1 Appendix 1 – Equality Impact Assessment

5.2 Appendix 2 – Gambling Mitigation

## **6. Background Papers**

6.1 None.

## **7. Reasons for Recommendations**

To help in addressing the potential budgetary pressures facing the Council and its funded partnerships in the future, and to help organisations become more adept at different models of fundraising with the ultimate aim of becoming more self-sufficient.

To ensure that the Lottery is run effectively and lawfully, and without placing an unnecessary operational burden on the Executive.