

Cabinet Report



Listening Learning Leading

Report of Head of Corporate Services

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Wards affected: All

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To: CABINET

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Implementation of a Local Lottery Scheme

Recommendations

That Cabinet:

- approves the business case for the establishment of a local lottery scheme and delegates authority to the Interim Head of Corporate Services, in consultation with the relevant Cabinet Member, to determine the operational and management processes for the scheme
- approves the appointment of Gatherwell Ltd as the external lottery manager (ELM)
- agrees that the Interim Head of Corporate Services and the Policy & Partnership Manager be the licence holders and authorise them to submit the necessary application to the Gambling Commission
- agrees the eligibility criteria for groups who are able to sign up to the lottery, attached to the report
- agrees that the ongoing costs, capped at £2000 per annum, should be met from the general income received.

Purpose of Report

1. This report considers the Business Case (Attached) for establishing a local lottery to benefit local community groups and charities and generate new funding for the local Voluntary and Community Sector (VCS).

Corporate Objectives

2. This report relates to Corporate Plan objective – Building Thriving Communities; under helping communities to help themselves; specifically the commitment to introduce a local lottery scheme.

Background

3. Lotteries have long been a way for smaller organisations to raise income. They are regulated by the Gambling Act 2005. There are different types of lotteries available; this proposal falls within the category of ‘society lotteries’. Society lotteries are promoted for the benefit of a non-commercial society. A society is non-commercial if it is established and conducted:
 - for charitable purposes - for the purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity
 - for any other non-commercial purpose other than that of private gain
4. There are two variants of society lotteries, the main difference being who issues the licence – local authorities permit small lotteries and the Gambling Commission permits large lotteries.

A large society lottery:

- has proceeds that exceed £20,000 for a single draw
- has aggregate proceeds from lotteries in excess of £250,000 in any one year

A small society lottery:

- does not have proceeds that exceed £20,000 for a single draw
- does not have aggregate proceeds from lotteries in excess of £250,000 in any one year

In the case of this proposal we are considering a ‘large society lottery’.

5. In all cases, lotteries have to deliver a minimum of 20 per cent of proceeds to good causes. The proposal is for a lottery that is focused on:
 - *Delivering the proceeds locally* – an SODC lottery would deliver benefits only to local causes; players can be assured that the proceeds will stay in the District.

- *Maximising benefits to the community* – to bolster support and to help in continuing the good work SODC already does with the voluntary and community sector (VCS). To achieve this there needs to be a significant benefit being delivered to the VCS.
- *Minimising costs* – through the appointment of a recognised ELM there are minimal set-up costs, meaning the lottery is largely self-financing.
- *Delivering winners locally* – whilst anyone can 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 local VCS groups, it will also enable VCS groups to fundraise in partnership with us and hence can be seen as the council enabling local groups to help themselves. It will enable groups to access lottery funding without facing barriers such as licensing, administration or ability to support such an endeavour.

Gambling Responsibility

6. 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 SODC Lottery will help mitigate against many of the issues related to addictive gambling by :
 - the lottery only being only playable via direct debit and by pre-arranged sign up
 - there is no 'instant' gratification or 'instant reward' to taking part
 - there will be no 'high profile' activity surrounding the draw
 - there is a maximum cap on the number of tickets purchasable by an individual
7. In addition, the SODC Lottery website will contain a section providing links to gambling support organisations.
8. In this way the SODC Lottery should not significantly increase problem gambling; and the benefits to good causes in the District from the proceeds of the lottery balances against possible negative issues.

Options

9. 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 somewhere in the region of a £80-100k for set-up costs alone. This would include a lottery manager and the necessary development of software systems to enable the lottery to run.
 - ELM - this option would see a partnership with an existing deliverer of lotteries in the market place (an External Lottery Manager – ELM). 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 SODC and local VCS groups the role of marketing. The only risk the council will bear is the cost of setting up the scheme, the licence fee and reputation damage if insufficient tickets are purchased.

10. Of those councils that have introduced a local lottery scheme most have used the services of an ELM; we know of only one council that has done so in-house. Balancing the set up costs, unknown player numbers and the skills base needed to run a lottery effectively the preferred option is to use an ELM.

Implementation

11. Aylesbury Vale District Council was the first council in the country to operate a local lottery scheme, and has developed a partnership with Gatherwell (the proposed ELM), under which they have supported a number of other councils to implement similar schemes, using basically the same 'blueprint' but with local decision-making on e.g. prizes, eligibility criteria, marketing. We have appointed AVDC at a one-off cost of £10,000 to support the council to implement our scheme. They have prepared the attached business case and will support and will provide ongoing support for the licence application process, a communications plan and template materials, launch event to VCS groups and general ongoing implementation advice.

Financial Implications and cost recovery

12. The scheme will require a one off fee of £3,000 to the ELM – Gatherwell Ltd to set up the Lottery digital platform bespoke to SODC. Initial licensing fees will be in the region of £1,000 and a contribution to the Gambling Commission £350; and £1,000 to the ELM for marketing. Some additional marketing resource will also be required prior to launch e.g. to produce detailed branding for the SODC launch and ongoing publicity, this is estimated at £3,000.
13. Set up costs, and the project management fee paid to Aylesbury Vale District Council, can be funded from a growth bid for £22,000 agreed by Council as part of the 2017/18 budget. Ongoing costs from year 2 onwards (licensing fee, Gambling Commission) will be funded from lottery income. Communications and other activities required to be carried out on an ongoing basis by the council can be covered from within existing staffing resources.
14. Aylesbury Vale District Council will work with us to develop a marketing plan, liaising with our Communications team, and to assist with the licence application and engagement of local VCS groups.
15. Ongoing costs are tabled in the business plan and include the annual licence fee, membership of the Lotteries Council and some marketing support costs totalling up to £1,150k per annum. The basic model implemented by AVDC and a number of other councils, and as set out in the attached business case, is predicated on ongoing costs being funded by the council. However, our recommendation is that it is possible to fund these costs from income received from ticket sales.
16. Prizes are insured by the ELM so the maximum financial risk is the set up costs, including the cost of the initial licence.

Legal Implications

17. The local authority can operate this scheme under its general powers of competence as provided by the Localism Act 2011. The scheme would be licensed by the Gambling Commission who would regulate the scheme under the Gambling Act 2005. They would ensure that the organisations participating in the scheme met agreed criteria such as they provide local activities or services, are properly constituted and have governance arrangements. The Gambling Commission also ensure the scheme is compliant to the licensing code of practice for gambling responsibly.
18. The Council will hold a contract with the ELM (Gatherwell Ltd).
19. The council will have two licenced individuals with responsibility for overseeing the scheme. All management reports will be provided by Gatherwell.

Risks

20. There are three main risks as follows:

- That the scheme does not attract sufficient ticket purchases per week to make the scheme viable. Reducing the percentage of funds available to distribute will increase the likelihood of this. If the scheme becomes unviable then it can be ceased and the Council would not reapply for its licence; the council will also have incurred financial risk in set up costs.
- That the prize awards exceed those predicted. The top prizes are insured with the main jackpot always insured. If the scheme were to become unviable then it can be ceased and the Council would not reapply for its licence.
- Reputational, in that the scheme is seen to encourage gambling (see paragraphs 6 to 8 above).

Other implications

21. AVDC have carried out an equality impact assessment of the proposal. The scheme has the potential to have a positive impact on people with protected characteristics, as they will benefit from services or activities provided through the local community groups. Which people with protected characteristics will benefit is difficult to say until the community groups apply. People without a bank account or payment cards may feel excluded as they will be unable to take part. The council would need to feel confident they can justify not taking cash payments as a proportionate means of achieving a legitimate aim i.e. to reduce the risk of gambling addiction. There is likely to be a neutral impact on religious groups who may not agree with gambling as a method of raising income. However, marketing the scheme with the promotion of good causes as its focus should help explain this.

Conclusion

22. A community lottery of the type proposed has now been successfully implemented by a number of other local authorities including Aylesbury Vale District Council, Wycombe District Council, Corby Borough Council, Portsmouth Council, Gloucester City Council.

23. The delivery of a local lottery in South Oxfordshire will enable local community groups to access and benefit from a nationally recognised funding model developed by AVDC in partnership with an external lottery manager.
24. Councillors are asked to consider the business case attached and agree to implementation of a local lottery scheme in line with the principles outlined in the business case and this report.

Background Papers

- Growth bid paperwork, 2017/18 budget