



South Oxfordshire District Council

Lottery Business Plan

Prepared by Aylesbury Vale District Council

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Introduction & Background

Strategic Context

The Council's Corporate Plan 2016 – 2020 has a range of objectives including 'Building thriving Communities' with a specific objective to help communities to help themselves. This business plan sets out and supports the case for a local lottery scheme in the same arrangement that a number of other local authorities have recently implemented.

This business plan prepared by Aylesbury Vale District Council (AVDC) formulates how the lottery will operate including financial forecasts.

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Purpose and Rationale of the South Oxfordshire District Council Lottery

A local lottery scheme has been implemented successfully by a number of local authorities. As part of the 2017/18 budget the council agreed a growth bid of £22,000 to fund implementation of a similar scheme. The Council will continue to award grant funding to local community groups and projects and it is proposed that this scheme will provide an additional income opportunity for voluntary and community (VCS) groups to access an unfettered funding source to support their activities.

Under the scheme any voluntary or community sector organisation including existing council funding beneficiaries and other local groups will be able to apply to be part of the South Oxfordshire District Council Lottery so long as they meet the eligibility criteria. The eligibility criteria used by AVDC is set out at appendix 1 – *this is purely as a basis for discussion at Cabinet briefing at this stage.*

Customer Insight

In developing the SODC Lottery proposal we have explored the delivery of other schemes, including a scheme run by Mendip District Council, one the council's 5C partners, and the Vale Lottery run by AVDC who were the first to implement such a scheme. AVDCs experience has demonstrated considerable support with 169 organisations signed up to the scheme.

In turn this has informed the USP (unique selling point) for the lottery as being:

- **Delivering the proceeds locally** – the SODC lottery would deliver benefits only to local causes, unlike the National Lottery.
- **Delivering winners locally** – whilst anyone could play, it is likely that players will be locally based and hence it will be easier to maximise PR value from winners' stories and encourage more participation.
- **Facilitating a wider benefit** – the lottery will support the ambitions and the targeted actions for SODC in circumstances where the Council is not able to do so.
- **Helping to improve residents' perceptions** – that SODC has an enabling role in support of the local VCS.

This business plan recognises that players will fall into one of two camps - those who are attracted by the possible prizes and those who are more altruistically motivated. This lottery proposal focuses on the latter of these groups, but has elements that still should appeal to the more prize-focused player.

Form of the South Oxfordshire District Council Lottery

In supporting the outcomes of the lottery the focus is on providing a lottery scheme that delivers a high level of funds to VCS groups as they are key to ensuring ongoing ticket sales in the long term. An External Lottery Management (ELM) operator, Gatherwell Ltd, will be appointed and their platform delivers the following benefits:

- Reduced overhead costs - maximising benefits to the VCS.
- It is simple and easy to understand for the player.
- It is simple and easy to adopt for the VCS groups.
- It promotes repeated but controlled repurchasing - hence providing a steady funding stream for VCS groups.

The proposed form of the SODC Lottery therefore is:

- £1 ticket per week with a weekly draw
- only playable online
- funded only via Direct Debit, rolling monthly card payment, or block ticket purchase with single payment for 3, 6 or 12 months.
- 6 number self-selected ticket.
- delivered via an ELM - Gatherwell Ltd.

The draw is made on a weekly basis at 8pm on a Saturday evening, it uses the Australian Super 66T draw and players have to have purchased cleared tickets by a deadline of midnight on the Friday before.

The prize structure and odds for the draws are set out in the table below:

Prize Structure		
	Winning Odds	£ Prize
6 numbers	1,000,000:1	£25,000
5 numbers	55,556:1	£2,000
4 numbers	5,556:1	£250
3 numbers	556:1	£25
2 numbers	56:1	3 free tickets

Distribution of proceeds from each ticket sold is shown below:

Proceeds Apportionment		
	% Allocation	£ Allocation per ticket
VCS groups	60	£0.60
Prizes	20	£0.20
ELM	17	£0.17
VAT	3	£0.03
Totals	100	£1.00

Note that the 60 per cent allocation to VCS groups is on the basis that no costs are recovered, this will reduce to between 50 and 60 per cent should Cabinet decide to recover ongoing or set up costs.

Method of Delivery

Whilst SODC is a licensing authority in its own right and hence well aware of the restrictions and technical aspects of lottery management, it doesn't have experience of running lotteries directly. As such this scheme will be delivered through the use of an External Lottery Manager (ELM) Gatherwell Ltd.

The relationship between SODC and Gatherwell is summarised as:

South Oxfordshire District Council

- responsible for all license related, overall structure, form and control of the SODC Lottery (note the Gambling Commission are the licensing authority for lotteries).
- including explicit agreement to any VCS membership, as well as the groups' plans to publicise the lottery.
- delivered via two licensed members of staff through Annex A of the licence application.

Gatherwell Limited

- responsible for all development and day to day running of the Lottery on behalf of SODC.
- this includes player management, financial management (including player funds and prizes and distribution to VCS), website management and ticket sales.

Gatherwell is licenced by the gambling commission as an external lottery manager running numerous society lotteries in the UK (Licence Number 000-036893-R-317859-004).

In summary SODC sets the strategic approach, and exercises control of the licence, and Gatherwell fulfils the day to day delivery of this.

The relationship between SODC and Gatherwell will be subject to a contract for the delivery of these services. The one off payment for the Gatherwell platform to be bespoke to the SODC Lottery is £3k, and all costs then going forward are recovered from income from the players.

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Player Population, Financial Management and Modelling

There are c108,000 possible players in the District (ie over 16 and resident). Technically the player population is much wider than this as there is no restriction on player location, however for simplicity this population is assumed to represent the vast majority of players.

Whilst it is difficult to assess the actual take up rates of players for the lottery, this will in part reflect the desire to play, the types and spread of VCS groups involved, and the marketing and support given to promote the lottery. The table below sets out a breakdown of possible player levels and the resulting financial split that these would produce.

Year	Ticket Price £	% of SODC Player Pop.	Number of Players	Tickets bought per week	Number of weeks	Gross Return	SODC share (10%)	Good Causes (50%)	Prizes (20%)	ELM (17%)	VAT (3%)
1	1	1.00%	1080	1	52	56160	5616	28080	11232	£9,547	1684.8
2	1	1.50%	1620	1	52	84240	8424	42120	16848	£14,321	2527.2
3	1	2.00%	2160	1	52	112320	11232	56160	22464	£19,094	3369.6
4	1	2.50%	2700	1	52	140400	14040	70200	28080	£23,868	4212
5	1	3.00%	3240	1	52	168480	16848	84240	33696	£28,642	5054.4

Note that the 10 per cent SODC share is the percentage of income which is paid to SODC to allocate to local VCS groups. This is the share from which we will seek to recover costs should the Cabinet agree this option.

Financial management

Gatherwell Limited will deliver all financial management elements of the SODC lottery.

All funds are held by Gatherwell in a separate client deposit account.

Payments are collected monthly for direct debit and rolling card payments, or upfront in the case of block purchase of tickets (1, 3, 6 or 12 months) only. All funds will be in a financially cleared form prior to any prize draw.

Prize winners are notified by the ELM via email immediately after a draw if they have won. If prizes are not claimed, weekly reminders are sent to players.

The jackpot prize of £25,000 is an insured prize with Emirat (underwritten by Lloyds Banking Group). This avoids the need to accumulate this level of funding in advance. For initial draws prior to the prize pot being built, insurance will also be in place to ensure that any prize payment can be made. Insurance will be covered by Gatherwell.

VCS group funds for distribution are held in a separate client deposit account. The donations are distributed to the causes on a monthly basis direct to their bank accounts.

Any disputes will be managed through the Independent Betting Adjudication Service (IBAS). Membership of the Lotteries Council will automatically give access to this service.

Financial Forecast

The following 5 year forecast illustrates the allocation of income and expenditure for the Lottery fund itself. All costs and income are contained with the project.

%age take up of possible SODC Player population	Year 1	Year 2	Year 3	Year 4	Year 5	
INCOME						
Start up costs	£5,350	£0	£0	£0	£0	Licence, lotteries Council membership and marketing
Annual South Oxfordshire District Council support	£0	£1,150.00	£1,449.60	£1,750.00	£2,050.40	Licence, lotteries Council membership and marketing
Ticket Sales	£56,160	£84,240	£112,320	£140,400	£168,480	
Sub total	£61,510	£85,390	£113,770	£142,150	£170,530	
EXPENDITURE						
Prize fund	£11,232	£16,848	£22,464	£28,080	£33,696	
Initial Licence application fees	£1,000	£0	£0	£0	£0	
Annual licence fees	£0	£500	£500	£500	£500	
Lotteries Council Membership	£350	£350	£350	£350	£350	
External Lottery Manager	£9,547	£14,321	£19,094	£23,868	£28,642	
Initial Lottery Platform costs	£3,000	£0	£0	£0	£0	
Launch marketing costs	£1,000	£0	£0	£0	£0	Annual Marketing covered by ELM funds.
Annual SODC funding distribution costs	£0	£300	£600	£900	£1,200	
VAT	£1,685	£2,527	£3,370	£4,212	£5,054	
Sub total	£27,814	£34,846	£46,378	£57,910	£69,442	
Expenditure - distribution to good causes						
60% to good causes Lottery pot	£33,696	£50,544	£67,392	£84,240	£101,088	
Sub total	£33,696	£50,544	£67,392	£84,240	£101,088	
Income less all expenditure	£0	£0	£0	£0	£0	

Future developments and marketing

The lottery has been developed to be flexible in form in order to offer 'bolt on' activities to the main lottery to raise player and good cause interest.

An example of this may be the run up period to the first draw, when players signing up to the lottery may be also entered into an additional prize draw to win an item prize e.g. an ipad. This is to assist with the overall launch and marketing of the lottery.

Other marketing activity (which may incur additional costs) may include:

- Periodic email sign off attachments to all council emails.
- Advertising on the side of council vehicles.
- Social Media channels and potential social media advertising.
- General promotion of prize winners and good cause benefactors.

AVDC will liaise with the SODC Communications team to put together a marketing plan, both for launch and ongoing activities.

Problem Gambling

One of the concerns raised as part of implementation of the AVDC and other councils' lottery schemes is that of encouraging people to gamble. AVDC does not believe that the form of the SODC Lottery is particularly attractive to those with a gambling addiction as it:

- it is being marketed always with the promotion of good causes as its focus
- it is delivered remotely, non-cash based, and takes effort to subscribe to
- there is no instant gratification element
- it provides the ability for players to self-exclude, and have the ability to place blocks or caps on players

To help offset any concerns the council will make a contribution to national gambling support groups via a one-off contribution to the Gambling Commission.

Whilst marketing will be directed widely, the experience of AVDC is that most of the players come from Acorn demographic groups B (Executive Wealth) and C (Mature Money), which those in more vulnerable groups partaking in much lower numbers.

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Delivery Timeline

The SODC Lottery is predicated on delivery early in 2018 subject to a successful licensing application.

In light of a desirable draw date, VCS 'on boarding' is scheduled to start later in the autumn of 2017, with player 'on boarding' commencing a month ahead of the first draw.

All of the above is subject to Gambling Commission licensing process; at the time of preparation of this business case the lead in time for a new license to be approved is 16 weeks.

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Appendix 1 – Proposed criteria for joining the SODC Lottery:

An organisation must :

- Provide community activities or services within the District Council boundaries (not necessarily be based here).
- Have a formal constitution or set of rules.
- Have a bank account requiring at least 2 unrelated signatories.
- Operate with no undue restrictions on membership.
- Submit a plan as to how they will promote the lottery to their supporters.

The following groups will not be eligible:

- Groups promoting or lobbying for particular religious or political beliefs or campaigns.
- Organisations that do not do work within the boundaries of South Oxfordshire.
- Individuals.
- Organisations which aim to distribute a profit.
- Organisations with no established management committee/board of trustees.

The Council reserves the right to reject any application for any reason.

The Council reserves the right to cease to license any organisation with a minimum of 7 days notice for any reason. If fraudulent or illegal activity is suspected cessation will be immediate.