

Cabinet Report



Listening Learning Leading

Report of Head of Corporate Services

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To: CABINET

Date: 2 December 2021

Distributing the SO Charitable Lottery's Central Fund

Recommendations

That Cabinet agrees to:

- a. Distribute the income the council receives in its central fund from the SO Charitable Lottery Scheme to the Voluntary and Community Sector (VCS) organisations registered as good causes in the Lottery.
- b. To do this proportionate to the number of tickets sold by each organisation and to organisations selling a 20 tickets a week (as a minimum threshold).

Purpose of Report

1. To agree the approach for distributing the income to the central fund from ticket sales, in line with the commitment the council has made for it '***To be spent on providing vital support to a wide range of local organisations and community initiatives which have a beneficial impact on the local community***'.

Corporate Objectives

2. The council's SO lottery supports the Corporate Plan priority to enhance community wellbeing by raising unrestricted income for VCS organisations that providing valuable services to those in need.

Background

3. SO Charitable Lottery was launched to the public on 26 March 2018. Participants can choose to support a designated charity/group or donate to the central community fund, which is administered by the council. We have since reviewed the scheme and considered different options for allocating the central funding that has been accumulating since the scheme's launch.
4. In March 2020 Cabinet considered this review and agreed to:
 - a. use the central funds, to establish a new award scheme, with a different theme each year and one organisation benefiting: and
 - b. cover the costs for holding an annual Voluntary and Community Sector Conference through the general income received.
5. The costs of ongoing licensing and marketing of the scheme capped at £2000 per annum are already deducted from the income received, in line with the decision taken for the scheme's launch.
6. The proposed grant award scheme was to be managed through our existing grant system, with a competitive process open to all VCS organisations in South Oxfordshire. The intention was to ask residents to vote for their favourite project from a shortlist approved by the relevant Cabinet member.
7. However, since this decision, COVID has hit our communities and the organisations supporting them hard and there is now an urgent need within the VCS for unrestricted income to support their recovery from the pandemic. Officers are therefore proposing an alternative approach to allocating the central fund, which is to proportionately distribute it amongst the registered good causes. The previous decision to fund an annual VCS conference (virtual or face-to-face) from the central income, remains unchanged.
8. The funding would be split according to the number of tickets each good cause has in the weekly draw. For example, the good cause selling the most tickets (currently 41 tickets per week) would get a 6.33 per cent share.
9. This alternative approach has the clear benefit of incentivising good causes to sell more tickets, which will subsequently generate more income for themselves and the central fund. It will also mean many more causes benefitting from the funding.
10. The council, rather than our lottery provider, Gatherwell would be responsible for distributing the funding as the money is paid to us monthly. Payments would be raised through the exchequer team, which would have small resource implications but significantly less than setting up and administering a new grants scheme that would only benefit a single organisation.
11. We would distribute the central funds, after the agreed deductions, at the end of each financial year. This will therefore be based on ticket sales, as at the 31 March.
13. There is currently £18,750 in the central fund after the agreed deductions have been removed. This has built up over the years since the lottery started, and as it has continued to grow. We intend to distribute a minimum of £15,000 of this money this financial year, and to leave a small balance in the central pot to build upon for the next financial year. This is purely an operational decision as it is important to market and

manage the lottery operation sustainably. The amount will be kept under review to account for income generated between now and distribution.

Options

14. There are two options for distributing the funds:
 - a. Giving all of the registered good causes a share of the central fund based on the number of tickets they have sold;
 - b. Giving good causes who have sold 20 or more tickets per week a share of the central fund.

A. Distributing to all good causes (Not Recommended)

15. This option would ensure every good cause that is registered with the scheme receives some funding, but it wouldn't incentivise them to sell more tickets and will also mean the funds are spread thinly. For example, if we generate approximately £10,000 a year excluding our overheads, this will result in 90% of organisations receiving less than £300.
16. Spreading the funds too thinly will have little to no impact on the good causes' finances and processing lots of small payments will also be more time consuming for officers.

B. Good causes who sell 20 tickets or more (Recommended)

17. Twenty tickets a week is the amount Gatherwell encourage good causes to sell in the first four weeks of joining the scheme, when they are signing up to join. This approach has the clear benefit of incentivising good causes to sell tickets, which will subsequently generate more income for themselves and the central fund.
18. It will also mitigate against the risk of the funds being spread too thinly for organisations and residents they are supporting to really benefit from the additional income they could receive.
19. Based on current good causes seven¹ out of the 70 organisations would receive a share of between £1,038-£1,934, from a £10,000 pot (£1,557-£2,901 from a £15,000 pot), but this should be achievable for a further eight, which are currently selling between 16-19 a week, and would be a way for them to incentivise sales of tickets.
20. This approach has the added benefit, of requiring less officer resource, which could be redirected to increasing the number of causes and players supporting the lottery and developing other initiatives to support community organisations in the district.

Climate and ecological impact implications

21. The SO Charitable Lottery is open to all not-for-profit community action groups and organisations, providing them with an opportunity to raise unrestricted income that they could use to fund climate initiatives/measures.

¹ based on a report run on 27 May 2021. We are unable to run the reports as specific points in time. Therefore going forward we will run on the 31 March each year.

Financial Implications

22. The central fund up to 31 March 2021 had £22,659 and £3,335 from reclaimed VAT. The reclaimed VAT can be used on recruitment initiatives and marketing, which is what Gatherwell recommend but can also be distributed to good causes. The £25,944 is currently held in the council's reserves and ringfenced for the lottery scheme in line with the councils' commitment to residents purchasing a ticket.
23. Just over £7,000 of this income needs deducting to cover the annual licences and marketing costs. Due to COVID, we have not been able to hold a VCS conference since the decision was taken to cover these costs from the central fund. This leaves £18,750 available to distribute to good causes.
24. There are no additional financial implications from this alternative approach. The costs associated with making the payments can be met from within existing staff resources, which will vary depending on the level of distribution. As set out, the lottery pays for itself, with income from ticket sales paying for the gambling licences, related fees and marketing. It would also cover the costs of future VCS conferences
23. Any council decision that has financial implications must be made with the knowledge of the council's overarching financial position. For South, the position reflected in the council's medium-term financial plan (MTFP) as reported to Full Council in February 2021 showed that the council is due to receive £4.3 million less in revenue funding than it plans to spend in 2021/22 (with the balance coming from reserves including unallocated New Homes Bonus).
24. This funding gap is predicted to increase to over £5 million by 2025/26. As there remains no certainty on future local government funding, following the announcement of a one-year spending review by government, and as the long-term financial consequences of the Coronavirus pandemic remain unknown, this gap could increase further. Every financial decision made needs to be cognisance of the need to eliminate this funding gap in future years.

Legal Implications

25. Distribution of the central fund to existing beneficiary organisations will carry fewer legal implications than setting up a new grant award scheme. Good causes have already gone through an eligibility process to confirm their not-for-profit status and have agreed to the terms and conditions of joining the lottery.
26. The distribution of funds will be proportionate with the number of tickets good causes have in the weekly draw. The additional funds to be distributed from the central fund will be unconditional - beneficiary organisations would be able to use the funding however they choose, providing it is in line with the aims and objectives set out in their constitution.
27. As a society lottery licensee, the council is obliged to follow the Gambling Commission's Licence Conditions and Codes of Practice. Under the social responsibility Code Provision 4.3.3, further clarified in their [guidance on the information that we are required to give to lottery players regarding proceeds and prizes](#), it states:
- a. *Lottery licensees may use proceeds to fund grants to beneficiaries who meet the aims and objectives of their societies. Where this is the case, information*

should be available to consumers about how the allocation of grants is determined, including examples of those receiving them.

28. The council must therefore ensure it offers a clear description of how the central fund is to be distributed and publicise this on the main southoxon.gov.uk/lottery webpage and via <https://www.socharitable.co.uk/>

Risks

29. There is a limited risk the proposed approach doesn't incentivise good causes to sell more tickets if the minimum requirement to sell 20 tickets proves to be challenging, particularly for smaller causes with more limited resources and fewer supporters. If so, we could review the minimum threshold in the future.
30. We have not consulted the good causes on their preferred approach. However, we have considered the options carefully to achieve the greatest impact on our communities. There is a limited risk that good causes would prefer the option of proportionately distributing the central fund amongst all of them, however they currently don't receive any of the central fund and the original proposal would have only benefitted a single VCS that didn't have to be registered as a good cause.

Other implications

31. In line with the public sector equality duties, we have considered the implications of proportionately distributing the funds on those protected by the Equality Act 2010. Officers are of the view that no groups will be disadvantaged by this decision. All good causes who sign up to the scheme, must demonstrate that there are no undue restrictions on their membership. It's also worth noting that most organisations that are currently registered are providing services to help to advance equality of opportunity and/or meet the needs of their communities. Additional funding will enhance the support the good causes can provide.

Conclusion

32. Prior to the pandemic, Cabinet agreed to establish a grant scheme with the income generated through the lottery's central community fund pot. The intention was for the grant scheme to have a different priority theme each year, with one organisation benefitting.
33. COVID has highlighted an immediate need within the VCS for unrestricted income to support their recovery. We can help meet this need through a proportionate and fair distribution of the central fund amongst the good causes who are signed up to the lottery, resulting in many beneficiaries.
34. Setting a minimum requirement of 20 ticket sales a week to receive a proportion of the central fund each year will incentivise good causes to sell more tickets, which will ultimately raise more unrestricted income for themselves and the other causes. This will ensure the funding is directed quickly to benefit the communities it is intended to support.

35. This approach has the added benefit, of requiring less officer resource, which could be redirected to increasing the number of causes and players supporting the lottery and developing other initiatives to support community organisations in the district.

Background Papers

- Previous Cabinet report (5 March 2020) agreeing to establish a standalone grants scheme with the income to the SO Charitable, central fund

<http://democratic.southoxon.gov.uk/ieListDocuments.aspx?CId=121&MId=2522>