

<b>SUBJECT:</b>	<i>Local Authority Lottery</i>
<b>REPORT OF:</b>	<i>Healthy Communities Portfolio Holder – Councillor Paul Kelly</i>
<b>RESPONSIBLE OFFICER</b>	<i>Martin Holt – Head of Healthy Communities</i>
<b>REPORT AUTHOR</b>	<i>Martin Holt – 01895 837354 – Martin.Holt@SouthBucks.gov.uk</i>
<b>WARD/S AFFECTED</b>	<i>All</i>

## 1. Purpose of Report

To propose that the South Bucks District and Chiltern District Councils run a local authority lottery and both councils commission Gatherwell to operate the local authority lottery on behalf of both Councils

### RECOMMENDATION

The PAG is asked to advise the Portfolio holder to recommend to Cabinet:

- a. To establish a local authority lottery in partnership with Chiltern District Council.
- b. To appoint Gatherwell as the external lottery manager (ELM) to run all or part of the lottery for a period of up to 5 years, subject to annual review.
- c. That the set up costs are taken from savings in the joint Community budget for 2016/17.

## 2. Reasons for Recommendations

Many voluntary and community organisations are funded by local charity donations and or grants from public bodies; in a period of austerity such public funding is reducing and organisations are finding it more difficult to access.

A review of community funding has identified the need to widen the opportunities for funding for community organisations, such as; Charitable giving e.g. 'Just Donate' or 'Just Giving'; Crowd funding for projects, GLL has just launched <https://www.spacehive.com/> a sports crowd funding site which allows GLL to allocate £2,500 to successful projects; Charitable trust funding and/or Local authority lottery funding.

A local authority lottery delivered on line, which can become a valuable source of additional fund raising for local community and voluntary organisations and be used as an exemplar fund raising platform. The Vale Lottery run by Aylesbury Vale District Council has raised over £60,000 in 'Good Causes' funding in less than 9 months.

A comparison of the two lottery providers is detailed in Appendix 1, which identifies the difference in set up cost between the two potential lottery providers. This report seeks Cabinet approval to appoint Gatherwell to run and operate the local authority lottery for the following reason;

- a. Whilst other lottery providers exist Gatherwell are the only provider of a dedicated local authority on line lottery, which has been piloted in Aylesbury and consequently

Gatherwell have the specialist knowledge and experience to establish the lottery by 1st April 2017.

- b. The initial contract cost payable from the Council to Gatherwell would be £3,516 thereafter the lottery itself funds the providers costs. The alternative provider would charge £199 set up fee, but the additional promotional costs required by this provider would be in excess of £10,000 to the Council.
- c. All administration of the scheme including payments and prizes would be undertaken by Gatherwell requiring minimal administration by the Council.
- d. The local authority lottery operated by Gatherwell directly benefits Good Causes and directly reflects the effort these organisations undertake in promoting their site on the lottery.
- e. The local authority is not required to promote the lottery or the lottery be branded by the Council as the promotion is undertaken by the Good Causes and the lottery provider. This breaks the perceived link between supporters and opinions that the council is raising funds through a lottery to deliver its services.
- f. 80% of the lottery ticket goes to prizes and 'Good Causes and the Community Fund' as opposed to 50% from other lottery providers
- g. The lottery payments and prizes are administered by Gatherwell and not via the Council
- h. It is anticipated that a maximum of 10,000 supporters (average of 2,000 weekly ticket sales) would play the weekly lottery over a five year period resulting in ticket sales of £520,000 and an effective contract price of £88,400 (over the 5 years)
- i. With 10,000 weekly supporters £312,000 (£62,400/annum) would be raised over a 5 year period for the voluntary and community sector, which in the longer term could provide alternative funding to the sector than the use of Council funds.
- j. The proposal by the alternative provider detailed in Appendix 1 is not considered to provide best value and would involve the Council in more administrative costs and risks.
- k. The Council would vet and approve 'Good Causes' before they can create their own page and advertise on the lottery
- l. The award of funding from the Community Fund would be administered by the Council whilst Good Causes would receive funding directly from the lottery provider.

### **3. Content of Report**

This report seeks approval to develop a Local Authority Lottery in partnership with Chiltern District Council targeting supporters across both districts and outside the area to raise funds for Good Causes and a Community Fund.

Officers have explored with lottery operators advertised on the charity commission website regarding the opportunity to deliver a scheme across both districts. Only two have made proposals, one of which does not currently operate a local authority lottery. A comparison of the two lottery operators offers is detailed in Appendix 1. The preferred choice is to deliver a weekly online lottery across both South Bucks District Council and Chiltern District Council in partnership with Gatherwell, the operator of the Vale Lottery.

Subject to agreement, it is proposed to launch a community lottery similar to the Vale Lottery operating in Aylesbury Vale, from 1<sup>st</sup> April 2017.

The lottery as designed by Gatherwell, seeks the commitment of local community and voluntary organisations to promote the lottery to their supporters and provides the opportunity to win £25,000.

Community groups are given their own page on the community lottery website with bespoke marketing. There is no cost to community groups to join the lottery. Groups apply to join, once approved by Council officers they can start to promote and sell tickets.

When signing up to play the lottery, players can chose to support either a specific cause/group or support the general good causes pot, the breakdown of how the £1 lottery ticket money is split is below:

£1 lottery ticket money split – players can choose to support a specific good cause or the central fund.

Proceeds Apportionment				
	Specific Good Cause		Central Fund	
	% allocation	£ allocation	% allocation	£ allocation
Prizes	20	£0.20	20	£0.20
Specific good cause	50	£0.50	0	£0.00
Central fund	10	£0.08	60	£0.58
Gatherwell service charge	17	£0.18	17	£0.18
VAT (can claim back)	3	£0.04	3	£0.04
Total	100	£1.00	100	£1.00

How does the lottery work?

- Tickets cost £1 per week.
- Draws are conducted every Saturday at 8pm and results are posted online.
- 60p in every £1 goes to good causes, more than double the percentage that the National Lottery gives to good causes.
- Players sign up via direct debit or payment card; payments are taken on a monthly plan or a 3, 6, or 12 month one off payment.
- Players can buy multiple tickets for multiple causes
- Winners are notified by email and received prize directly into nominated account or to their chosen good cause.
- Good causes are paid their income automatically on a monthly basis.
- Good Causes promote the lottery to their supporters.
- The Community Fund would be administered by the Council
- Good Causes would be vetted by the Council before they can advertise on the lottery

It is proposed that the lottery would deliver;

- A weekly draw at a cost of £1/ticket
- 80% of ticket sales goes to causes and prizes
- On line platform that assist causes across the UK
- A prize fund with 1 in 50 odds of winning a prize
- A maximum prize of £25,000
- Other prizes of £1,000, £250, £25, and 3 free tickets
- Supporters would be able to choose a Good Cause or the central Community Fund
- Marketing and advertising delivered by Good Causes and Gatherwell
- Minimal administration costs following initial set up and promotion.
- Prizes are paid by direct debit
- Operational lottery by 1<sup>st</sup> April 2017

Based on the experience of Vale Lottery, a target Fund of £60k would be deliverable in the first year providing alternative funding opportunities for local organisations

The lottery enables community organisations and sports clubs that do not traditionally receive Council funding to access other sources of funding.

### Costs

In order to set up the lottery both Councils would need to apply for a Local Authority Lottery Licence from the Gambling Commission; licence fee of £348 per year with a one off set up fee of £168.

There is a one off set-up fee to administrator cost of £3,000 which together with the 20% of lottery payments funds the running costs of the lottery: receiving and making direct debit payments, website development, support, payment, and player retention and player engagement.

In the case of the Vale Lottery an additional budget of £3,000 was allocated to market and launch the scheme, it is intended to do the same at Chiltern and South Bucks.

#### Total costs to set up lottery – year 1

Set up costs year 1	
Gambling Commission Annual Fee	£348(per authority)
Gambling Commission Set up fee	£168(per authority)
Gatherwell set up costs	£3,000
Marketing	£3,000
Total	£6,516*
Costs year 2 onwards	
Gambling commission annual fee	£348
Marketing	£2,000
Total	£2,692

\*It is proposed that the set up costs are taken from savings in the Community budget for 2016/17. If both authorities joined the costs in 2016/17 would be £7032.

#### 4. Consultation

*Following agreement officers would discuss the operational arrangements and promotion with voluntary sector organisations ahead of the launch*

#### 5. Options

- a. *To establish a Local Authority Lottery enabling the Council to diversify the funding streams available to community groups at a time that community resources are reducing. The lottery provides additional fund raising opportunities at a time that other funding streams are diminishing.*
- b. *To establish a Local authority Lottery operating across South Bucks and Chiltern*
- c. *To not proceed with this option*

#### 7. Corporate Implications

*Reports must include specific comments addressing the following implications;*

- 3.1 Financial – the long term costs for the Council are within current budget estimates and enable future alternative funding streams for the voluntary and community sector at a time of diminishing resources.*
- 3.2 The potential for community funding is only limited by the maximum value of tickets that can be sold in a single lottery, currently £4 million and the maximum aggregate value of lottery tickets that can be sold in any calendar year, currently £10 million. However it is very unlikely that this level of ticket sales would occur, as the population of the two districts is insufficient to reach these figures.*
- 3.3 However it is not anticipated that in the first 5 years of the lottery that more than 10000 weekly supporters would be using the lottery enabling £312,000 to be awarded to Good Causes.*

*It is proposed that the set up costs are taken from savings in the joint Community budget for 2016/17.*

- 3.4 Legal - Local authorities may run 'local authority lotteries' to raise funds to cover anything for which they have the power to incur expenditure.*
- 3.5 Risks – adverse publicity arising from the Council operating a lottery to deliver its services. The approach by Gatherwell mitigates these risks were as Stirling operating the Unity lottery does not.*

- The branding of the lottery with a neutral identity will avoid accusations that the council is raising funding through a lottery for its service delivery. By ensuring the majority of the funding raised goes directly to Good Causes and not directly to the Council reduces the risk further.*
- A ring fenced Community fund reduces acquisitions of using funding for service delivery.*
- Linking a lottery to local good cases and communities enables the efforts of the good causes in advertising the lottery to their supporters to be reflected in lottery ticket sales and income to the good cause.*
- The lottery is promoted to supporters of local organisations such as sports clubs, many supporters have donated prizes back to the organisations they support increasing the funds to organisations*
- Reduced community funding opportunities – this approach offered by Gatherwell assists organisations to extend their fund raising activities whilst enabling greater support and publicity for their activities.*
- The Council is not involved in the award of prizes, administration of the scheme or the management of direct debits reducing its liabilities, which is not the case for Stirling*

- *Both operators would be responsible for all day to day operations of the lottery, with the Council controlling oversight and governance limiting its liabilities*
- *Both operators are backed by an insurance provider which guarantees any prize payments should this be required*
- *As a start-up company Gatherwell does not have a significant trading history and as with all companies has a risk of failure. The company has however brought an innovative approach to local authority lottery provision and has successfully operated the Vale lottery for the last year and following promotion through the LGA is starting lotteries in Portsmouth, Mendip, Melton Borough, and Gloucester increasing the resilience of the company. Should the Council wish to withdraw from the scheme following its launch a break clause would be incorporated in to the contract allowing provision. Similarly if the company was to fail arrangements would be made to return unallocated ticket sales*
- *Any lottery runs the risk of tempting vulnerable persons in to a gambling addiction. The Council would be a member of Gambling Aware a national help line to assist people who may become addicted.*

## **8. Links to Council Policy Objectives**

Delivering cost- effective, customer- focused services

Working towards safe and healthier local communities

## **9. Next Step**

Following agreement, it will be recommended to Cabinet to implement the Local Authority Lottery.

<b>Background Papers:</b>	It is a legal requirement that we make available any background papers relied on to prepare the report and should be listed at the end of the report (copies of Part 1 background papers for executive decisions must be provided to Democratic Services )
---------------------------	--