

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

3 OCTOBER 2019

10

Report Title	PROPOSALS FOR A DISTRICT LOTTERY
Purpose of Report	To agree to proceed with the implementation of a Community Lottery scheme.
Decision(s)	<p>The Committee RESOLVES:</p> <p>a) To agree to implement a community lottery for the benefit of good causes within the district.</p> <p>b) To appoint Gatherwell Limited as the External Lottery Manager to run the lottery on behalf of the Council.</p> <p>c) To delegate authority to the Interim Director of Resources to carry out the process of applying to the Gambling Commission for the appropriate licenses.</p> <p>d) To agree the conditions at Appendix A for those organisations wishing to join the lottery.</p>
Consultation and Feedback	<ul style="list-style-type: none"> • Member Presentation Evening
Financial Implications and Risk Assessment	<p>The lottery has set up costs of £5k which can be met from within existing budgets.</p> <p>Ongoing running costs can be met from within the 10p income that the Council receives from each ticket.</p> <p>Monies received into the general good causes fund will be the subject of future allocation decisions.</p> <p>Andrew Cummings – Interim Director of Resources & Section 151 Officer Email: andrew.cummings@stroud.gov.uk</p>
Legal Implications	<p>All legal implications are set out in the body of the report</p> <p>Patrick Arran – Interim Head of Legal Services & Monitoring Officer Tel: 01453 754369 Email: patrick.arran@stroud.gov.uk</p>
Report Author	<p>Andrew Cummings – Interim Director of Resources & Section 151 Officer Email: andrew.cummings@stroud.gov.uk</p>
Options	The Committee may choose not to support the establishment of a community lottery
Performance Management Follow Up	Lottery updates through the budget monitoring process will be reported to Community Services and Licensing Committee. There is a requirement to display the proportion of lottery proceeds as a percentage returned for the purposes of the local authority in the previous calendar year
Appendix	Appendix A – Terms and Conditions for Good Causes

1. Introduction and Background

- 1.1 The Corporate Delivery Plan for 2019/20 sets out that the Council will explore opportunities for income generation and also agrees that the Council will work collaboratively through partnerships and external stakeholders to achieve greater influence to deliver the council's objectives.
- 1.2 The District Council has a strong history of supporting the Community Sector through grant funding and currently maintains a budget to do so of £337k p.a. in spite of significant reductions in its own funding position.
- 1.3 One of the Commercial opportunities identified which will help the Council to continue to support the voluntary sector is the launch of a community lottery. This will have the double benefit of empowering organisations to raise money through their own initiatives whilst generating income for the Council to support its own community grants programme.
- 1.4 The Council has also recently received a piece of consultancy work from an LGA commissioned expert on identifying commercial opportunities. This options list also includes the possibility of a local community lottery.
- 1.5 In simple terms a lottery is a kind of gambling that has three essential elements:
 - payment is required to participate
 - one or more prizes are awarded
 - those prizes are awarded by chance.
- 1.6 The commentary below sets out the experiences of the local authorities that have an established scheme.

2. The principle of Local Authority Lotteries

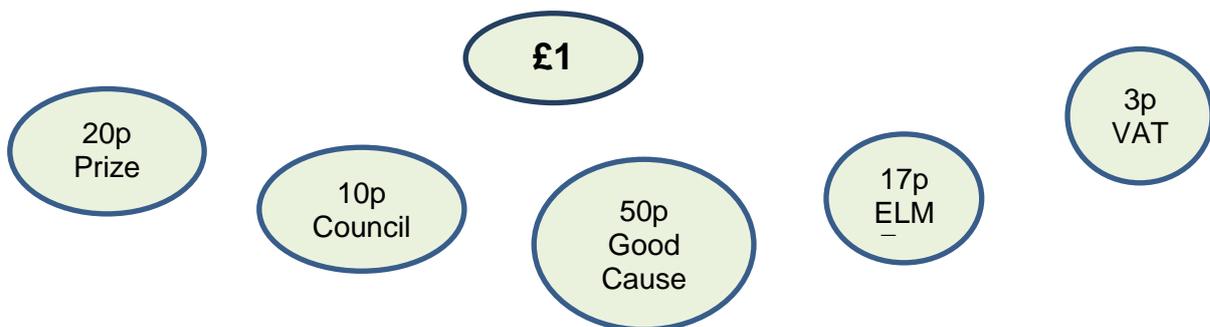
- 2.1 Local authorities across the country are now using lotteries to generate income and to empower the voluntary sector to raise additional funds. Local authority lotteries are lotteries promoted by local authorities themselves. Authorities may use the net proceeds of these lotteries for any purpose for which they have power to incur expenditure. Up to a maximum of 80% of the gross proceeds of each lottery may be divided between prizes and the expenses of the lottery.
- 2.2 The first Local Authority lottery was launched by Aylesbury Vale Council in 2015. That particular partnership generated £66,000 for local good causes in its first year of operation. Since that time over 60 councils have begun operating using the same model. Locally there has been a lottery operating in Gloucester since 2017. The Cheltenham Lottery has launched recently and the Forest of Dean lottery is due to launch later this year.
- 2.3 The principle of local authority lotteries is akin to the traditional selling of raffle tickets. Good causes are able to encourage the sale of tickets to players who want the opportunity to win prizes whilst supporting their cause of choice. The good cause benefits from a proportion of the income raised through the scheme. A local authority lottery must apply a minimum of 20% of the gross proceeds of each lottery directly to the purposes for which the authority has power to incur expenditure.

- 2.4 In order to be legal, lotteries must fall into one of the categories specifically permitted by law. The relevant law is contained in the Gambling Act 2005. The Act has three licensing objectives that are central to the regulatory regime and underpin the functions that the Commission and licensing authorities perform in respect of all types of gambling, including lotteries. These 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.
- 2.5 Each year, every local authority lottery operator must display the proportion of lottery proceeds (as a percentage) returned to the purposes of the society or local authority in the previous calendar year. This should be through either an annual report, lottery page on the website or any other means appropriate to the size and scale of the organisation. The authority may, if it wishes, provide further supporting information regarding spend on prizes and expenses for their lotteries. This information should be displayed in a timely manner and as soon as practicably possible.
- 2.6 A local authority may employ an external lottery manager (ELM) to manage all or part of its lottery. 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 local authority but is not a member, officer or employee of the authority. Councils operating lotteries tend to use ELM's and this approach is also recommended for Stroud District as the Council has neither the resource nor the expertise to deliver the service in house. The ELM would set up and run the lottery on behalf of the Council.
- 2.7 All ELMs must hold a lottery manager's operating licence issued by the Gambling Commission before they can manage a local authority lottery or a society lottery registered with a local authority. It is the responsibility of the authority to ensure that the ELM holds a valid lottery manager's operating licence issued by the Gambling Commission.
- 2.8 It is important to note that, the fact that an authority may employ a licensed ELM to manage all or part of its lottery does not absolve the authority of its responsibility for ensuring that the lottery is conducted in such a way as to ensure that it is lawful and fully complies with all licence conditions and the codes of practice. Both the society or local authority and the ELM require an operating licence from the Gambling Commission.
- 2.9 The ELM would be responsible for managing nearly all aspects of the lottery process including;
- Developing and maintaining a bespoke website in compliance with payment card industry standards
 - Providing marketing assistance
 - Managing all payments to the lottery and payments out to good causes and winners
 - Encouraging player engagement

- Daily management of, and reporting on, lottery performance.

3. How would a lottery for the District work?

- 3.1 Buying a lottery ticket must be done through the lottery website using either direct debit or a payment card. This process will be entirely managed by the ELM
- 3.2 Tickets cost £1 each and upon buying a ticket players can choose to sign up for just a month or a recurring ticket for a number of weeks.
- 3.3 Upon buying a ticket the player can choose to nominate a good cause from those organisations who are signed up to the District Lottery. That organisation will then receive 50p of the £1 ticket price. This creates a significant opportunity for good causes to use the lottery as a means of encouraging fundraising. Players can support a cause they want to support and also put themselves in with a chance of winning a prize. If the player declines to nominate a good cause than their 50p goes into a Central Fund to be administered by the Council.
- 3.4 The complete breakdown of each £1 purchase is shown in the diagram below.



- 3.5 The lottery would have a bespoke website, designed by the ELM, to manage all aspects of the lottery process. It will have various features designed to encourage player retention. The Council has a desire to make more services available digitally and the website will support this by being accessible on a range of devices including mobiles and tablets. Each good cause who is signed up to the lottery will have their own dedicated page on the website.
- 3.6 The weekly draw works by players have to a six digit number matched against a number drawn by the lottery machines. Prizes are determined by how many numbers can be matched in sequence from with either the beginning or end of the winning sequence match. This is shown in the following table.
- 3.7 Prizes are fixed and are not dependent on the amount of money in the prize fund. The ELM will use prize insurance to cover the cost of any jackpot prizes to eliminate the risk of there not being sufficient in the prize fund to meet such a payout.

Number of Matches	Pattern (M =match, n =no match)	Odds	Prize
6	MMMMMM	1,000,000 to 1	£25,000
5	MMMMMn or nMMMMM	55,556 to 1	£2,000
4	MMMMnn or nnMMMM	5,556 to 1	£250
3	MMMnnn or nnnMMM	556 to 1	£25
2	MMnnnn or nnnnMM	56:1	3 Free tickets

3.8 One-off “bolt on” prizes such as additional cash sums or electronic items can be offered as specific promotions, for example on launch week.

4. Responsible Lottery Management

4.1 In empowering good causes to be proactive in raising funds through their endeavours it is recognised that the Council does not wish to encourage problem gambling and the serious issues that it can bring for individuals, families and the wider society. The setup of the District Lottery is designed to minimise risks around problem gambling.

4.2 Lotteries are considered to be low risk as their format does not lend itself to problem gambling issues. Prizes are low in comparison to their odds and there is no possible instant gratification as gambling can only take place through an online sign up and delayed draw.

4.3 Research undertaken has shown no evidence of links between local authority lotteries and problem gambling and Gatherwell have undertaken active research into this area.

4.4 The lottery website will allow players suffering from gambling addiction to self-exclude and will feature signposting relating to gambling awareness.

4.5 As mentioned above, the Council will have to be fully licensed by the Gambling Commission. It will also join the Lotteries Council which looks to support sustainable lottery management.

5. Council Involvement

5.1 The Council’s role in running the day to day business of the lottery will be minimal with most functions being undertaken by the ELM.

5.2 The Council will be required to produce a list of criteria for those organisations wishing to register as a good cause to be included in the lottery. The criteria proposed to be used are included at Appendix A. The Council will also be required to authorise payments each month from the lottery bank account, administered by the ELM, to the good causes. The administrative time in that function is minimal.

5.3 Ultimately the success of the lottery depends on successful marketing and encouraging good causes to promote the lottery to their supporters. Although the ELM will provide bespoke marketing materials, support will be needed from the

Council's own communications team. This will be particularly significant during the launch phase but will also continue once the lottery is in operation. This will require a budget for specific marketing campaigns and bolt on prizes.

- 5.4 One of the key marketing functions during the launch period will be to determine the name and branding of the lottery. The aims of that process will include to determine a way to highlight that this is a lottery for the benefit of the whole district.

6. Financial Impact

- 6.1 The ELM charges a one off fee of £5,000 for lottery setup costs.
- 6.2 There are annual charges related to licensing and lotteries Council membership. These are estimated at approximately £1k.
- 6.3 The Council will receive a small income stream from the 10p income from every ticket. This money will be used to fund the marketing promotions and bolt on prizes.
- 6.4 The Council will also receive a source of income from the 50p in the pound from players who do not choose a specific good cause when purchasing a ticket. It is recommended that this money is not separately allocated but is used to help protect the Council's existing £307k Community Grants pot in a time of continuing funding reductions, thereby reducing the Council's own contribution to that pot.
- 6.5 It is not possible at this stage to estimate the amounts of funding raised through the lottery as it will depend entirely on the level of ticket sales.

7. Appointing the ELM

- 7.1 With the exception of one authority which have developed their own lottery it is believed that all local authorities use Gatherwell Ltd as their ELM.
- 7.2 Gatherwell Limited is the operator of nearly 60 established or planned local authority lotteries, and is the preferred partner for the CBC lottery scheme. Due to the low level of the contract payable to Gatherwell, and the lack of genuine competition in the marketplace, it is considered appropriate to award a contract to Gatherwell without advertising through the South West procurement portal. Given the specialist nature of this scheme and that there is no satisfactory alternative, a waiver to Contract Rules is appropriate.
- 7.3 If Gatherwell as the ELM are appointed the Interim Head of Legal Services and the Interim Director of Resources will finalise contractual terms.

8. Next Steps

- 8.1 If the Council proceeds with the lottery it is estimated that approximately six months is required for the setup process. This includes time for approval by the gambling commission, co-ordinating the branding and marketing and encouraging good causes to join the scheme. The Council will need to work

closely with the voluntary sector to promote the lottery. It is anticipated therefore that the lottery would launch in Spring 2020.

- 8.2 The Council would not make any changes to its Medium Term Financial Plan at this point but rather wait for the scheme to have been operational for a period of time to properly assess the impact.
- 8.3 As part of the reporting service provided by the ELM the Council would receive reports on the level of income being generated by the lottery and by how much good causes are benefitting. This will be reported to Community Services and Licensing Committee in future meetings.

Terms and conditions for good causes joining the District lottery

We encourage as many organisations as possible to join the District lottery as one of the eligible good causes. As you will be joining under our overall gambling licence (Gambling Act 2005) we have to ensure that organisations meet certain criteria. There is no application fee.

Your organisation must:

- provide community activities or services within the District
- have a constitution
- have a bank account
- operate with no undue restrictions on membership
- be either:
 - a registered charity, with a board of trustees; or
 - a registered Community Interest Company; or
 - any other constituted group with a volunteer management Committee comprising at least three members and which meets at least three times a year.

We will not permit applications from:

- groups promoting campaigns that do not directly relate to the provision of community activities or services within Stroud District
- organisations that do not do work within the District's boundaries
- individuals
- organisations which aim to distribute a profit
- organisations with no established management committee/board of trustees (unless a CIC)

We are also unable to accept applications that are incomplete.

The Council reserves the right to:

- reject any application for any reason; and
- terminate the participation of any organisation with a minimum of 7 days' notice for any reason, unless fraudulent or illegal activity is suspected in which case termination will be immediate.