

SUBJECT:	CONSIDERATION OF A COMMUNITY GRANT FUNDING LOTTERY FOR THE CITY OF LINCOLN COUNCIL
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
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1. Purpose of Report

- 1.1 To provide Executive with knowledge of the growing trend in developing Local Authority lotteries to help fund community groups.

To seek Executive approval to set up a community lottery for Lincoln.

2. Executive Summary

- 2.1 The council funds numerous small community grants as well as a few larger grants. See **Appendix A** for the 2016/17 summary as well as examples of other existing LA lottery grants.

Within the current financial constraints faced by the council, pressure continues to be placed on all areas of funding, including that of community grant funding.

The purpose of the proposed Lincoln lottery is to help fund discretionary support for local voluntary and community (VCS) organisations and also enable such organisations to raise funds directly for themselves. All funds raised would benefit local people and communities.

- 2.2 It has been estimated that the lottery could raise between £15k and £20k in year one rising to as much as £100k in year 5
- 2.3 The proposal includes the procurement of an External Lottery Manager (ELM) to run the operational side of the lottery.

3. Background

- 3.1 Lotteries have long been a way of smaller organisations raising income, they are regulated by the Gambling Act 2005. There are different types of lotteries available, however in this report we are only discussing 'society lotteries'. In all cases, lotteries have to deliver a minimum of 20% of proceeds to good causes – we are proposing delivering up to 60% to good causes.

Society lotteries are promoted for the benefit of a non-commercial society – i.e. those that are 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

Until a few years ago, Local Authorities had not entered into this form of fund raising due to perceived risks to a council's reputation, contradictions with anti-poverty work and concerns about the gambling aspects of such a service.

However, things have moved on in the last two years and there is now a clear precedent set for Local Authorities to get involved in this kind of activity as long as the marketing material is clear that it is principally a fundraising platform for local good causes.

With the change in the structure of Neighbourhood Management, it may be that this is an opportunity to fill a funding gap created by the change of focus. In addition there are many other requests for support to various services which could be directed towards the lottery opportunity as long as the group fulfils the criteria set. (**Appendix A** for examples)

Investigations into options have been undertaken and a meeting with a leading External Lottery Manager "Gatherwell" has been held to understand the workings of a lottery in practice. Information from Gatherwell feeds through this report, as best practice. Whichever Lottery Manager is chosen, we would expect this service as a minimum.

- 3.2 The reality is that remote lotteries like these present a low risk to 'problem gambling' given that there is no instant gratification.

All lotteries are licensed by the Gambling Commission under strict guidelines and the ELM works with the council to create policies on protection of vulnerable people, social responsibility and anti money laundering.

The system has built in protections in terms of maximum tickets per player and the website has links where individuals who might have gambling problems can seek help.

Finally, as a requirement of the licence and delivered by membership of the Lotteries Council, the council will make a contribution to the Responsible Gambling Trust who support problem gambling.

- 3.3 It should be noted that although they are not the only ELM in operation, Gatherwell is leading the way in working with Local Authorities. They are licensed by the Gambling Commission to run lotteries on behalf of good causes across the UK.

Starting in 2015 with Aylesbury Vale, they launched the first on-line LA lottery in the UK and now have 34 LA awarded contracts with 18 live websites, as well as over 500 schools (which is where they originally started)

- 3.4 Lotteries like these attract a number of types of supporters – those motivated by the odds and the prizes on offer, those with a dual motivation of giving to a good cause but with the incentive of chance of a prize and then the altruistic supporter, who will support because of the good cause alone and in fact often donates prizes to the cause as well.

4. Details on the lottery itself

4.1 Why should we consider a council run community lottery?

4.2 The lottery could provide additional funding opportunities within the voluntary and community sector and/or could support this sector whilst the council moves from a provider role to a funder/enabler.

4.3 The lottery would be designed with the community sector in mind and at no financial cost to them. How much benefit they derive from this project would depend on how well they use the free marketing material provided to get their own message out into the community at large.

4.4 How would the lottery work in Lincoln?

4.5 It is strongly recommended to engage the services of a recognised External Lottery Manager to utilise their experience and minimise the risk to the council.

4.6 External Lottery Managers (ELM) role

The ELM has a key role throughout the lifetime of the lottery. They are responsible for:

- Provision of a bespoke lottery website for the council, designed in partnership with CoLC, as well as individual pages for all of the approved causes.
- The website would be viewable on all devices (mobile, tablet and desktop) and would be fully secure and PCI compliant
- Provision of bespoke marketing advice to the council, with updated materials monthly to retain freshness
- Support with both pre-launch and post-launch advice



- Provision of bespoke branded marketing material to all approved causes, in the form of printable and digital leaflets, image files for social media and unique links and QR codes
- Overall responsibility for all operative and administration requirements in the running of the lottery, including the provision of a named account manager
- Support help line for the council, but also for customers who don't have access to on-line facilities.

4.7 **How does the lottery work?**

If we were to go with Gatherwell – the details are as below (we would expect this or an equivalent as a minimum from any ELM)

All lotteries are weekly, on-line only with a £1 cost per ticket. The winning numbers used are those from the Australian National Saturday lottery and as such, there is a Friday midnight cut off each week before their draw time

Players are able to choose 6 numbers from 0-9. To win the jackpot the ticket must match both the numbers and sequence as drawn. Players can also win a prize if the ticket matches the sequence of the first or last 2, 3, 4 or 5 numbers drawn. Multiple tickets are able to be purchased, and numbers can be changed by players on-line. It is possible to place a limit on the total number of tickets that can be purchased by an individual.

Customers can choose one good cause per ticket and swap them as often as they wish from a central list on-line. If they do not wish to choose a specific good cause, then that 50% of the takings will go into the central pot for wider distribution.

The maximum weekly prize would be £25,000, with multiple smaller prizes ranging between £25 and £2000. Prizes are paid out irrespective of the numbers of winners (i.e. there is no sharing)

The breakdown for utilisation of the income fund is:

- | | |
|--|-----------------------------|
| • 20% prizes | • 17% - Administration (LM) |
| • 50% specified good causes | • 3% VAT |
| • 10% Council community good causes central fund | |

Whilst expenses can be covered by the central pot it is not advised we consider using this for anything else other than the overall aim of providing funding for external causes.

The council can choose to nominate one or more charities it wishes to benefit from the central fund, or it can spread this between the approved good causes.

Note that information obtained from Gatherwell showed that over 50% of supporters of their current lotteries use Direct Debit as a payment method and more than 90% of them are on recurring payment plans, thus there is some level of stability built in to income generated.

4.8 **What are the chances of winning?**

Overall the chances of a return of some sort are 1:50, the table below explains that in more detail

Odds of winning a prize are **1 in 50**

Number of matches	Matching patterns	Odds	Prize
6	NNNNNN	1,000,000:1	£25,000
5	NNNNNn or nNNNNN	55,556:1	£2,000
4	NNNNnn or nnNNNN	5,556:1	£250
3	NNNnnn or nnnNNN	556:1	£25
2	NNnnnn or nnnnNN	56:1	3 free tickets

i N is a match, n is not. So NNNNNN is 6 matches and nnnnnn is no matches

4.9 What would be the council's role in running the lottery

The council would need to nominate a position to be the license holder(s) within the Authority. This would involve applying for an annual licence from the gambling commission with the support of the ELM (which takes 16 weeks to complete). Then this person would give formal authorisation of monthly good cause payments and quarterly gambling commission submissions.

For the City of Lincoln, we would name the Financial Services Manager as our licence holder.

The councils biggest workload is in the set up stage up to launch, after that it reduces dramatically as the ELM takes on all of the operational aspects.

In summary the council would need to:

- Set up eligible criteria for approving the good causes to benefit from the lottery
- Develop and launch the lottery – after that the ELM takes over and we just need to monitor and agree any new 'causes'
- Drive initial and ongoing marketing as this is key to the success and uptake levels. The good causes will be provided with bespoke marketing materials for their cause and will be responsible for pushing that themselves. It has been proven that the more marketing completed, the better the support
- Help one off pushes by sourcing and promoting 'bolt on' prizes for new recruits, these have proven to be effective incentives to gain new supporters
- Monitor the development through the 24/7 on-line reporting tool
- Adapt and utilise a full suite of policies (offered by the ELM)
- Retain responsibility for approval of all new good causes wishing to be included.

Resource for this will come from Policy Unit staff

- The Financial Services Manager will authorise monthly good cause payments and quarterly gambling commission submissions.

Note that there is no IT requirement for this process as it is all completed by the ELM

- 4.10 As part of the research stage – officers have contacted three Local Authorities that have already set up a council led lottery. All three have used Gatherwell as their ELM.

In all three cases, the lead officer said that everything had gone well, no council had any issue with Gatherwell, the system or the process. They all noted that marketing promotion undoubtedly affects the uptake rate.

4.11 **Possible timings**

Planning for taking this forward could start immediately on approval from Executive. The schedule take between 24-26 weeks and would include:

- Procurement of a Lottery Manager
- Establishment of a full project plan following the LPMM guidelines
- Application for a Gambling Licence (16 weeks)
- Consult with local good causes to engage them in the idea
- Establish branding requirements
- Develop project plan for the launch including initial marketing
- Add to the constitution of the council

5. **Strategic Priorities**

5.1 Let's reduce inequality

All proceeds of the lottery will be directed towards good causes in Lincoln and any agreed surrounding areas. This could support any of the aspirations in Vision 2020, but is best summed up by the final one – Let's ensure the best quality of life for people living in Lincoln.

6. **Organisational Impacts**

6.1 **Finance (including whole life costs where applicable)**

Based on costs required for other LA lotteries, the initial one off costs would be £7k for start-up costs, which includes the licence and then £1k running cost pa after that. The proposal is that this is funded from the Strategic Plan Social Policy fund in Policy Unit.

Broken down the costs include:

- ELM one off set up fee - £3k
- Gambling Commission Licence - £692 pa (plus initial application fee £244)
- Membership of the Lotteries Council - £350 pa (plus application fee of £25)

- Estimated launch investment by CoLC - £3k

The ELM would oversee the payment of 3% VAT which can subsequently be claimed back.

Gatherwell has supplied us with an estimation of how much funding we could achieve over a 5-year period (see tables below)

Note that as this service could draw on the greater Lincoln area, due to Lincoln's travel to work area and urban hub nature – it may be that we need to consider beneficiaries from this extended boundary.

Estimates for levels of fund raising from a Lincoln Lottery

£1 Ticket Price / 1 Ticket per week								
<i>Ticket Price£</i>	<i>Number of players</i>	<i>% of Pop</i>	<i>Tickets bought per week</i>	<i>Number of weeks</i>	<i>Gross Return</i>	<i>Central Fund (10%)</i>	<i>Good Causes (50%)</i>	<i>Targets</i>
1	490	0.5	1.5	52	£38,220	£3,822	£15,288	Year 1
1	980	1	1.5	52	£76,440	£7,644	£30,576	Year 2
1	1470	1.5	1.5	52	£114,660	£11,466	£45,864	Year 3
1	1960	2	1.5	52	£152,880	£15,288	£61,152	Year 4
1	2450	2.5	1.5	52	£191,100	£19,110	£76,440	Year 5

CoLC Estimated Population = 98,000

£1 Ticket Price / 1 Ticket per week								
<i>Ticket Price£</i>	<i>Number of players</i>	<i>% of Pop</i>	<i>Tickets bought per week</i>	<i>Number of weeks</i>	<i>Gross Return</i>	<i>Central Fund (10%)</i>	<i>Good Causes (50%)</i>	<i>Targets</i>
1	650	0.5	1.5	52	£50,700	£5,070	£20,280	Year 1
1	1300	1	1.5	52	£101,400	£10,140	£40,560	Year 2
1	1950	1.5	1.5	52	£152,100	£15,210	£60,840	Year 3
1	2600	2	1.5	52	£202,800	£20,280	£81,120	Year 4
1	3250	2.5	1.5	52	£253,500	£25,350	£101,400	Year 5

CoLC Wider area estimated population = 130,000

6.2 Legal Implications including Procurement Rules

Lotteries are regulated under the Gambling Act 2005. The Act allows societies and local authorities to employ External Lottery Managers (ELM) to manage all or part of their lotteries so that societies and local authorities may benefit from the experience or economies of scale that come with employing an ELM.

LA lotteries are lotteries promoted by LA's themselves. These differ from society lotteries registered with a licensing authority. Local authorities may use the net proceeds of such lotteries for any purpose for which they have power to incur expenditure.

Any necessary agreements or contracts entered into must be in accordance with the Council's Contract Procedure Rules. Agreements and contracts should be in a form approved by the Client Procurement Officer/Legal and Democratic Services Manager

and should identify key activities and outputs so that performance can be properly and regularly monitored.

Discussions have already taken place with the Client Procurement Officer who will advise on the most appropriate method of procuring a formal contract once approved.

Any agreement reached will include a clause which will enable the provision to be terminated after 1 year from the first draw, by giving 3 months' notice. Appropriate notice periods would be built into an initial short term contract.

The ELM would hold all of the financial risk – including an indemnity policy in case of winnings exceeding the prize pot.

The ELM will be compliant with the Gambling Act 2005 requirements and as part of their role, support the council through all Legal requirement including obtaining a remote gambling license, putting appropriate policies in place and ensuring processes are transparent.

The council as licence holder will take all reasonable steps to ensure that information about how to gamble responsibly and how to access information for help in respect of a problem.

The council lottery will not be promoted for private or commercial gain.

The ELM will hold customer funds in a separate client bank account(s)

The council will still need to ensure that the lottery is conducted in such a way as to ensure that it is lawful and fully compliant with the Gambling Act 2005, regulations and all licence conditions and codes of practice.

6.3 Equality, Diversity & Human Rights (including the outcome of the EA attached)

There are no consequences arising from the recommendation that adversely affect or interfere with individuals' rights and freedoms as set out in the Human Rights Act 1998.

Full EA – Appendix B

6.4 Significant Community Impact

This is a new service which is aimed at raising funds for the community including the voluntary sector. The report covers how the council would ensure responsible gambling. The main impact on the community is expected to be positive in that smaller good causes could be able to access funding that they would normally not be able to achieve. However, there is also an opportunity to support larger charities which have been funded by the council in the past, but may be subject to funding reviews in the future.

7. Risk Implications

- 7.1 (i) Options Explored - there is no alternative lottery option internally as we do not consider we have the expertise to set up an in-house alternative.

7.2 (ii) Key risks associated with the preferred approach

There could be reputational risks to be considered – but this will be mitigated by good up front communication and involvement with benefitting causes, who could actually sell the idea for the council if this is done well.

Gambling can be an addiction, this has been explored in sections of the report with mitigation actions proposed.

Financial risks are fully covered by the Lottery Management company who have this underwritten.

As part of the contract the successful ELM would be fully compliant DP, PCI Lottery licence etc. and appropriate policies would be provided as part of the contract

It is proposed that this service is included in a future audit plan should it progress.

8. Recommendation

- 8.1 Executive are asked to approve the proposal to progress procurement of an External Lottery Manager with the aim of setting up a Lincoln Lottery in 2018

Is this a key decision? Yes

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? Two

List of Background Papers: Promoting society and local authority lotteries: advice for society and local authority lotteries which require a licence or registration' (Gambling Commission - September 2014)

<http://www.gamblingcommission.gov.uk/PDF/Promoting-society-and-local-authority-lotteries.pdf>

'External Lottery Managers: the main requirements of the Gambling Act 2005, licence conditions and their role in promoting society and local authority lotteries' (Gambling Commission - September 2014)

<http://www.gamblingcommission.gov.uk/pdf/External-lottery-managers-advice.pdf>