

Cabinet Report



Report of Head of Corporate Services

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To: CABINET

DATE: 18 December 2020

Vale community lottery

Recommendations

That Cabinet:

- a) approves the business case for establishing a society lottery scheme and delegates authority to the Head of Corporate Services, to determine the operational and management processes for the scheme.
- b) approves the appointment of Gatherwell Ltd as the external lottery manager (ELM) and delegates authority to the Head of Corporate Services to negotiate terms and enter into a contract with Gatherwell Limited.
- c) authorises the Head of Corporate Services and the Community Enablement Service Manager to become the licence holders for the scheme on behalf of the council.
- d) agrees the eligibility criteria for groups who can sign up to the lottery, (attached to the business case).
- e) agrees to the ongoing licencing and marketing costs being met from the general income received from ticket sales.

Purpose of Report

1. This report considers the Business Case (attached) for establishing a society lottery scheme to benefit local community groups and charities and generate new funding for the local Voluntary and Community Sector (VCS) in the Vale of White Horse district.

Strategic Objectives

2. Establishing a society lottery scheme in the Vale would support the council's corporate plan objectives to 'build healthy communities' and 'working together with organisations' to help community groups make changes in their local community. It also supports the equality objective to support communities to deliver better outcomes for disadvantaged groups and encourage community cohesion.

Background

3. Full Council approved a motion on 18 July 2018 to develop a business case for a Vale lottery scheme. The business case was paused to enable officers to capture key outcomes from the South Oxfordshire District Council SO Charitable lottery review, following its launch (March 2018) in partnership with Aylesbury Vale District Council and Gatherwell the external lottery management (ELM) company.
4. Lotteries are a way for smaller organisations to raise income and they are regulated by the Gambling commission. There are different types of lotteries available and this proposal falls within the category of 'society lotteries. These lotteries are promoted for the benefit of a non-commercial society. A society is non-commercial if it is established and 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
5. There are two types of society lotteries, the main difference being who issues the licence – local authorities permit small lotteries and the Gambling Commission permits large lotteries.

A large society lottery:

- has proceeds that exceed £20,000 for a single draw
- has aggregate proceeds from lotteries in excess of £250,000 in any one year

A small society lottery:

- does not have proceeds that exceed £20,000 for a single draw
- does not have aggregate proceeds from lotteries in excess of £250,000 in any one year

In the case of this proposal we are considering a 'large society lottery'.

6. In all cases, lotteries must deliver a minimum of 20 per cent of proceeds to good causes. This proposal is for a lottery that is focused on:
 - *Delivering the proceeds locally* – a Vale lottery would benefit local good causes only so players can be assured that proceeds will stay in the district.

- *Maximising benefits to the community* – to bolster support and to help in continuing the good work the Vale already does with the voluntary and community sector (VCS).
- *Facilitating a wider benefit* – whilst the lottery will help local VCS groups with their funding, it will also encourage them to fundraise so the council would be enabling local groups to help themselves. It will also enable groups to access a lottery scheme without facing barriers such as licensing and administration.
- *Minimising costs* – through appointing a recognised External Lottery Manager (EML) set-up costs can be kept to a minimum. The lottery would also be self-financing.
- *Delivering winners locally* – whilst anyone can play, players will most likely come from the district so it will be easier to maximise the value from winners' stories to encourage more participation.

Gambling Responsibility

7. Lotteries are the most common type of gambling activity across the world but considered 'low risk' in relation to the emergence of problem gambling. This is due to its relatively controlled form. The council would mitigate against many of the issues related to addictive gambling by:
 - accepting payment via direct debit and by pre-arranged sign up
 - not offering any 'instant' gratification or 'instant reward'
 - not publicising the draw
 - capping the number of tickets an individual can purchase.
8. Furthermore, the Lottery website would link to gambling support organisations.
9. All the measures above should reduce the risk of a Vale Lottery scheme increasing problem gambling; and the benefits to good causes would outweigh any perceived gambling issues.
10. To help offset any concerns, membership to the Lotteries Council means that a contribution to a national gambling support group via a one-off donation to the Gambling Commission is paid on the council's behalf.

Options

11. The options for delivering a lottery are; to use South's ELM, Gatherwell, to seek quotes from other ELMs or run the lottery in-house. The benefits and considerations for these are set out below:
 - Gatherwell

Gatherwell's system is well established at South and officers already have excellent working relationships with the company. This existing knowledge and experience would help with the inception and development of a Vale Lottery Scheme. This is the preferred option.

- Other ELMs

Since the inception of South's lottery, other ELM's have been established that offer a similar package to Gatherwell. However soft market testing has shown that these other ELM's only contribute 50 per cent to good causes rather than the 60 per cent offered by Gatherwell. The prizes offered to players were also not as generous as those offered by Gatherwell. This option would also require a longer lead in time to allow for procurement and set-up. As this is a low value contract this option is not recommended.

- In-house

This option would require additional resources and a bespoke system. This has not been fully costed, but it is considered somewhere in the region of a £80-100k for set-up costs alone. This would include a lottery manager and the necessary development of software systems to enable the lottery to run. This option is not recommended due to the costs involved and the additional skills required.

Financial Implications and cost recovery

INITIAL SET UP AND ONGOING COSTS

12. The scheme would require a one-off fee of £5,000 to the ELM which will include the costs to set up the Lottery platform customised for the Vale. Initial licensing fees will be in the region of £1,200. Some additional marketing resource will also be required prior to launch, which is estimated at £3,000 (this includes the costs of a launch event and advertisements).
13. The set-up costs would be covered from existing budgets and using a little of the income from ticket sales in the first year.
14. The ongoing costs and likely income are set out in the attached business case. We would cover the ongoing licensing and marketing fees from the 10 per cent income the council receives from ticket sales. Ongoing communications and any other activities required would be covered by existing resources. We will bring a paper to a future Cabinet meeting setting out the options for spending the central community fund when the income exceeds the running costs. All the options put forward could be met through existing resources, although some will require more officer time than others.
15. All the prizes are insured by the ELM and paid for from the prize fund, so the maximum financial risk to the council is the set-up costs, including the cost of the initial licences.

Legal Implications

16. The local authority can operate this scheme under its general powers of competence as provided by the Localism Act 2011. The scheme would be licensed and regulated by the Gambling Commission and governed by the Gambling Act 2005. The commission

ensures that organisations participating in society lotteries meet specific criteria such as providing local activities or services, being properly constituted and having robust governance arrangements in place. The Gambling Commission also ensures the scheme is compliant with the licensing code of practice for gambling responsibly.

17. The council would hold a contract with Gatherwell the ELM.

18. The council would hold an annual operator's licence with the Gambling Commission, a licence with the Lotteries Council and have two licenced individuals with responsibility for the operational management of the scheme.

Risks

19. The main risks associated with the scheme are:

- That it does not attract sufficient ticket purchases each week to make the scheme viable. However, if this was to happen, we would stop operating it and allow the licence to lapse.
- The prize awards exceed those predicted. However, the top prizes are insured with the main jackpot always insured.
- Reputational, if the scheme is seen to encourage gambling.
- Potential cross over between organisations that support residents in both South and Vale, as they could sign up for both lottery schemes and therefore reduce the amount of tickets bought for each scheme.

Other implications

20. Prior to South's lottery being set up, Aylesbury Vale District Council carried out an equality impact assessment and the implications remain the same. The scheme has the potential to positively impact people with protected characteristics¹, as they are likely to benefit from services or activities provided by the good causes. However, until community groups sign up to the scheme, we won't know which people with protected characteristics will most likely benefit. People without a bank account or payment cards may feel excluded as they will be unable to take part. However, officers consider this a proportionate approach to achieving a legitimate aim, which in this case is to reduce the risk of gambling addiction. We expect a cautious response from religious groups who may not agree with gambling as a method of raising income. However, marketing the scheme with the promotion of good causes as its focus should help to remove concerns.

Conclusion

21. A society lottery of the type proposed in the attached business case has now been successfully implemented by many other local authorities. We are aware of 80 local lotteries (run by Gatherwell) of which eight are relatively local to the Vale. These include South Oxfordshire, Aylesbury Vale, Oxford City and West Berkshire.

¹ As defined in the Equality Act 2010, relates to a persons: Age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity

22. The delivery of a society lottery in the Vale of White Horse will enable local community groups to access and benefit from a nationally recognised funding model originally developed by Aylesbury Vale District Council in partnership with an external lottery manager. It would also provide a way in which the council can provide further support to the local VSC without putting additional pressure on its finances.

Background Papers

- Vale business case
- South Oxfordshire Business Case and Cabinet report