



***Vale
of White Horse***

District Council

**Vale of White Horse District
Council
Lottery Business Case**

INTRODUCTION AND BACKGROUND

Strategic Context

1. The council's Corporate plan 2020-2024 has a range of objectives' which includes 'building healthy communities' and 'working together with organisations' to help community groups make changes in their local community. This paper sets out and supports the case for a society lottery scheme, managed by an External Lottery Manager (ELM), Gatherwell.

PURPOSE AND RATIONALE

2. A society lottery is a way of supporting the local voluntary and community sector (VCS) in the Vale of White Horse to raise income towards their running costs. This would reflect positively on the council and create a feel-good factor amongst residents.

It aims to:

- Generate unrestricted funds for local good causes.
- Maximise the support the council can give to local groups struggling to raise funds or to reduce their dependency on grants.
- Minimise the costs and remove administrative barriers for local good causes in the Vale to benefit from '*society lotteries*', which generated £296m for UK charities in 2018.
- Deliver local prize-winners.

How the lottery would work

3. The lottery would:
 - be a non-commercial society lottery, benefiting the local voluntary and community sector, and registered with the Gambling Commission
 - be an online lottery where players can take part by purchasing £1 tickets in a weekly draw
 - accept payments via Direct Debit only, rolling monthly card payments, or block ticket purchases of one, three, six or twelve months
 - invite local good causes to register online, and once passed the eligibility checks, they can promote the scheme to their supporters, and
 - offer the opportunity to win three free tickets or cash prizes of £25, £250, £2,000, and a top prize of £25,000.

- Each lottery player identifies a specific charity to support from a list of registered organisations. Alternatively, they can choose to support a Central Community Fund.

From each £1 entry, the proceeds are distributed as per the table below:

Proceeds Apportionment		
	% Allocation	£ Allocation per ticket
VCS Groups	50	£0.50
Vale 10% share	10	£0.10
Prizes	20	£0.20
Gatherwell	17	£0.17
VAT	3	£0.03
Totals	100	£1.00

- Please note we will be able to claim back the VAT, which will be added to the Vale share and spent on supporting the voluntary and community sector.
- The draw is made on a weekly basis at 8pm on a Saturday evening, it uses the Australian Super 66 draw and players must have purchased cleared tickets by midnight on the Friday before.

The prize structure and odds for the draws are set out in the table below:

Prize Structure		
	Winning Odds	£ Prize
6 numbers	1,000,000:1	£25,000
5 numbers	55,556:1	£2,000
4 numbers	5,556:1	£250
3 numbers	556:1	£25
2 numbers	56:1	3 free tickets

CUSTOMER INSIGHT

- In 2015, Aylesbury Vale District Council was the first Council to sign up to a society lottery to help support the local Voluntary Community Sector (VCS) in the area. Since its inception, a further 66 councils have set up their own scheme with others in the pipeline (data from Gatherwell). Councils such as Havant and South Oxfordshire, which are comparable in size have raised between £37,800 and £42,000 for good causes. This includes the income to their central community fund.

8. As South Oxfordshire is of a comparable size and locality, it is a useful benchmark for what the Vale could reasonably expect to achieve through a society lottery scheme.
9. South opened its scheme in 2018 and since its launch, has attracted 71 organisations to use it. As at end July 2020, the lottery has raised almost £58,000 for local good causes, paying out £40,046 directly to community organisations, and a further £17,854 for the SO Charitable Community Fund. In total 1932 prizes have been won since it began, including £11,075 in cash prizes. Individual charities are responsible for marketing the scheme to their own supporters, and the most successful of these has earned £1,319.
10. On the whole feedback from existing registered organisations has been positive, with most commenting that it is a constant campaign for them and helps to cover their on-going costs. With the need for revenue costs so great but also difficult to secure, having this regular income makes a real difference to these organisations.
11. The organisations did feel however, that more support was required with marketing the scheme as some found this challenging with their limited resources. As a result, they did not secure the level of supporters, and therefore the amount of ticket sales, they had anticipated.

PLAYER POPULATION AND ORGANISATION UPTAKE

12. There are c108,000 possible players in the Vale of White Horse district (ie residents over 16). The player population is much wider than this as there is no restriction on location, however for simplicity this population is assumed to represent the majority of players.
13. It is difficult to assess the actual take up rates of players for the lottery as it will depend on the type and spread of VCS groups involved, and also the marketing and support given to promote the lottery. The table below sets out a breakdown of possible player levels and the resulting financial split that could be achieved.

Year	Ticket Price £	% of Vale Player Pop.	No. of Players	Tickets bought per week	No. of weeks	Gross Return	Vale* Share (10%)	Good Causes (50%)	Prizes (20%)	ELM (17%)	VAT (3%)
1	1	0.75%	810	1	52	£42,120	£4,212	£21,060	£8,424	£7,160	£1,264
2	1	1%	1080	1	52	£56,160	£5,616	£28,080	£11,232	£9,547	£1,685
3	1	1.25%	1350	1	52	£70,200	£7,020	£35,100	£14,040	£11,934	£2,106
4	1	1.5%	1620	1	52	£84,240	£8,424	£42,120	£16,848	£14,321	£2,527
5	1	1.75%	1890	1	52	£98,280	£9,828	£49,140	£19,656	£16,708	£2,948

*Vale's share is 10 per cent of the 60 per cent raised for good causes that goes to a central fund for the council to allocate to the local VCS. This is the share from which we will seek to cover the ongoing costs of the scheme. The council

can receive the full 60 per cent if players chose the Vale central fund as their 'good cause'. This has been reflected in the financial forecast below.

Financial Forecast

14. The following five-year forecast illustrates the allocation of income and expenditure for the Lottery fund itself based on the potential player population, Gatherwell's fees and ticket sales. In order to predict the likely income for the Vale community fund, we have based this on the percentage of players that select this option through South's lottery scheme.

	Year 1	Year 2	Year 3	Year 4	Year 5	Explanatory notes
INCOME						
A. Ticket Sales Gross	£42,120	£56,160	£70,200	£84,240	£98,280	
	(£4,212)	(£5,616)	(£7,020)	(£8,424)	(£9,828)	Vale 10% share
B. (Vale share of the tickets sales based on their 10% central community pot as well as players that have selected the Vale as their 'good cause')	(£4,530)	(£6,040)	(£7,550)	(£9,060)	(£10,570)	Vale share of 21.51% of the 'Good Causes' money based on amount South Oxfordshire have received.
	(£8,742)	(£11,656)	(£14,570)	(£17,484)	(£20,398)	Total Amount to Vale
EXPENDITURE						
E. Gatherwell Start-up costs	£5,000	£0	£0	£0	£0	
F. Prize Fund	£8,424	£11,232	£14,040	£16,848	£19,656	
G. Paid out to good causes (minus Vale central fund)	£16,530	£22,040	£27,550	£33,060	£38,570	
H. Gambling Commission Licence *	£763	£692	£692	£692	£692	Year 1 includes initial application fee £244 – possible 25% discount first year licence
I. Lotteries Council Membership *	£410	£385	£385	£385	£385	Year 1 cost includes £25 administration fee
J. External Lottery Manager (17%)	£7,160	£9,547	£11,934	£14,321	£16,708	
K. Marketing Costs	£3,000	£900	£900	£900	£900	Year 1 includes launch marketing costs.
M. Total expenditure	£41,287	£44,796	£57,014	£68,021	£79,029	
Total income to the council A minus M,	(A – M) £833	£11,364	£13,186	£16,219	£19,251	Remaining funds for potential award scheme

* South Oxfordshire already holds the licences required to set up a society lottery scheme, however the Vale would also need to have these in place along with Lotteries Council membership, as it will be a new lottery in its own right.

* Please note set up costs of £9,173 can be met from identified budget savings.

METHOD OF DELIVERY AND RESPONSIBILITIES

15. There are two options for delivering a society lottery, through an External Lottery Management (ELM) company or running one 'in-house'. Most councils use an ELM to run their schemes because of the costs and expertise required

with an in-house option. South uses Gatherwell as its ELM. Gatherwell operates all of the active local authority lotteries and have been awarded 80 as of Feb 2020.

16. In 2015, when Aylesbury District Council set up their lottery, there were very few ELM systems available. Since then, other ELM's have been established that offer a similar package. However soft market research on these other ELMs has shown that the contribution they make to VCS organisations is less than the 60 per cent offered by Gatherwell in addition to offering a smaller prize fund.

17. Appointing Gatherwell would provide the necessary skills and expertise required to establish and run the lottery, using their online platform.

18. The benefits of this approach are:

- reduced overhead costs, therefore maximising the benefits to the VCS
- it is simple and easy for players to use
- it is simple and easy for VCS groups to register as good causes
- it promotes repeated but controlled repurchasing - hence providing a steady funding stream for VCS groups
- it offers support to VCS groups with marketing, and
- officers are already familiar with the system and have well established working relationships with Gatherwell, which will aid with Vale's set up.

19. The council are the operators of the lottery. Gatherwell would be responsible for the day to day running of the lottery and the financial management. The council would be responsible for the licenses, membership and marketing to the VCS groups and the wider public. The relationship between the council and Gatherwell would be as follows:

Vale of White Horse District Council

20. Responsible for:

- obtaining the necessary licenses, (note the Gambling Commission and the Lotteries Council are the licensing authority for lotteries)
- the overall structure; and control of the lottery including how to spend the central community fund
- approving monthly payments to good causes
- approving lottery returns to the Gambling Commission
- submitting annual regulatory returns to the Gambling Commission
- marketing to onboard the VCS groups

- marketing the lottery to the wider public to encourage awareness and participation.

Gatherwell Limited

21. Responsible for all development and day to day running of the Lottery on behalf of the Vale including:

- player management
- telephone and email customer support
- financial management (including player funds and prizes and distribution to VCS)
- website management
- design of marketing materials
- ticket sales administration
- monthly lottery returns to the Gambling Commission.

FINANCIAL MANAGEMENT

22. Gatherwell Limited will deliver all the financial management elements of the Vale lottery.

23. All funds would be held by Gatherwell in a separate client deposit account.

24. Payments would be collected monthly for direct debit and rolling card payments, or upfront in the case of block purchase of tickets (1, 3, 6 or 12 months). All funds will be in a financially cleared form prior to any prize draw.

25. Gatherwell would notify Prize winners via email immediately after a draw if they have won. If prizes are not claimed, weekly reminders are sent to players.

26. The jackpot prize of £25,000 is an insured prize with G&M International. This avoids the need to accumulate this level of funding in advance. For initial draws prior to the prize pot being built, Gatherwell will have insurance in place to ensure any prize payments can be made.

27. The funds for distributing to VCS groups would be held in a separate client deposit account. Gatherwell will distribute the donations to the causes via a monthly payment to their bank accounts.

28. The Independent Betting Adjudication Service (IBAS) will manage any disputes that may arise, although unlikely and we will be able to access this service through Lotteries Council membership.

MARKETING THE SCHEME

29. Gatherwell's system has been developed to be flexible and can therefore offer 'bolt on' activities to raise player and good cause interest.

30. An example of this would be offering an additional prize in the first draw of the lottery for a product like an iPad. This would assist with the overall launch and marketing of the lottery.

31. Other marketing/promotional activities will include:

- launch event at a central location in Vale
- Facebook and Twitter posts and other social media platforms
- media release to local press, town and parish councils, local groups and organisations
- targeted emails to relevant organisations
- promotion through Oxfordshire Community and Voluntary Action and Community First Oxfordshire
- promotion through council newsletters such as Connect, Infocus, Vale News etc. Promotion via our Community Enablement service.

32. A communications plan will be put in place to ensure continued marketing of the lottery to maintain the future uptake of new organisations and players.

PROBLEM GAMBLING

33. One of the concerns that has been raised when other councils have implemented their lottery schemes is its potential to encourage gambling. The model proposed for a Vale Lottery scheme is unlikely to be attractive to those with a gambling addiction as:

- it would always be marketed with the promotion of good causes as its focus
- it's delivered remotely, requires effort to take part and cannot accept cash payments
- there is no instant gratification
- it and can place blocks or caps on players.

34. The 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.

35. Whilst the scheme will be marketed widely, the experience of other councils is that most players come from Acorn demographic groups B (Executive Wealth) and C (Mature Money), with much lower uptake from those in more vulnerable groups.

Appendix 1 – Proposed criteria for joining the Vale of White Horse Lottery

An organisation must:

- Provide community activities or services within the District Council boundaries (not necessarily based here).
- Have a formal constitution or set of rules.
- Have a bank account requiring at least two unrelated signatories.
- Operate with no undue restrictions on membership.
- Submit a plan as to how they will promote the lottery to their supporters.

The following groups will not be eligible:

- Groups promoting or lobbying for particular religious or political beliefs or campaigns.
- Organisations that do not do work within the boundaries of the Vale of white Horse District.
- Individuals.
- Organisations which aim to distribute a profit.
- Organisations with no established management committee/board of trustees.

The Council reserves the right to reject any application for any reason.

The Council reserves the right to cease to license any organisation with a minimum of seven days' notice for any reason. If fraudulent or illegal activity is suspected cessation will be immediate.