

AGENDA MANAGEMENT SHEET

Report Title: A potential council-led lottery for Rugby

Name of Committee: Cabinet

Date: 4th December 2017

Report Director: Head of Communities and Homes

Portfolio: Communities and Homes

Ward Relevance: All

Prior Consultation: Senior Management Team and Cabinet briefing in September 2017

Contact Officer: Michelle Dickson (Communities and Projects Manager)

Public or Private: Public

Report subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: Yes

Corporate Priorities: This report relates to the following priority(ies):

COMMUNITIES AND HOMES - Understand our communities and enable people to take an active part in them
COMMUNITIES AND HOMES - Deliver digitally-enabled services that residents can access
CORPORATE RESOURCES - Optimise income and identify new revenue opportunities

Statutory / Policy Background: The establishment and running of lotteries is covered by the Gambling Act 2005.

Summary:

This report sets out the potential for introducing a Council-led lottery for Rugby as a means to help support the local community and voluntary sector.

The indicative start-up costs for launching a council led lottery for Rugby would be in the region of £8,000:

- £5,000 start-up costs, including both the Gambling Licence and Lotteries Council membership fee for the first year
- £3,000 minimum marketing to launch the lottery

Financial Implications:

The on-going annual costs are likely to be:

- £5,000 licencing and additional marketing to make people aware of the lottery
- £5,000 in officer time to administer the lottery and contract management of the ELM

More needs to be understood about:

- The appetite of the voluntary and community sector (VCS) for such a scheme
- The quantum ticket sales required to make such a scheme work
- The potential revenue income for the VCS

Risk Management Implications:

Environmental Implications:

There are no environmental implications for this report

Legal Implications:

The establishment of a local lottery must comply with the requirements of the Gambling Act 2005.

Equality and Diversity:

Some members of the community may be opposed to any form of gambling, on moral or religious grounds.

Options:

1. Give further consideration to the creation of a Rugby lottery and better understand the issues outlined under risk management implications.
2. Decide not to pursue a lottery for Rugby at this time and review in 12 months
3. Decide not to pursue a lottery for Rugby

Recommendation:

IT BE RECOMMENDED TO COUNCIL THAT delegated authority be given to the Head of Communities and Homes to:

- progress with the due diligence works required to develop the business case for a Rugby Borough Council led lottery; and
- subsequently launch a Rugby Borough Council led lottery, if the business case for doing so is sufficiently robust

Reasons for Recommendation:

The business-case will give particular consideration to issues around:

1. The appetite of the voluntary and community sector (VCS) for such a scheme
2. The quantum ticket sales required to make such a scheme work
3. The potential revenue income for the VCS
4. Ongoing resource requirements
5. Risk

Cabinet - 4th December 2017

A potential council-led lottery for Rugby

Report of the Head of Communities and Homes

Recommendation

IT BE RECOMMENDED TO COUNCIL THAT delegated authority be given to the Head of Communities and Homes to:

- progress with the due diligence works required to develop the business case for a Rugby Borough Council led lottery; and
- subsequently launch a Rugby Borough Council led lottery, if the business case for doing so is sufficiently robust

1.0 Introduction

Since 2015, thirty-three councils have either set up / or are in the process of setting up local lotteries (please see appendix 1). The closest local council lottery to Rugby is Daventry District Council's which is set to go live at the beginning of 2018.

As there is no instant gratification for players, participation in a lottery can be viewed as being low-risk gambling.

It can also be viewed as an opportunity to protect current levels of council funding for the voluntary and community sector.

2.0 Current funding for Rugby's voluntary and community sector

In 2017 /18 RBC committed to funding the local voluntary and community sector of £191,400, made up of:

- Community Grants – £63,400
- Community Association service level agreement funding - £37,500
- Service level agreement with the Foodbank - £2,500
- Contracts with CAB and WCAVA - £88,000

A local lottery, delivered on-line, does present a potential additional income stream opportunity to help support the community and voluntary sector, in addition to the community grant funding awarded by the council.

3.0 Mechanisms for delivering a lottery

The simplest way for a council to operate a lottery is to engage the services of an external lottery manager (ELM) defined in the Gambling Act 2005 as:

Someone that makes arrangements for a lottery on behalf of a society or local authority but is not a member, officer or employee of the society or local authority. A society or local authority and an ELM must be separate entities and be able to demonstrate that they are independent of one another

There would be a contractual arrangement between the appointed ELM and the council. The ELM would manage the lottery on the council's behalf, including website management, administering ticket payments, prize management, licensing and the provision of marketing materials.

ELM's are not primarily to be a vehicle for the creation of profit for commercial organisations. The intention is that they enable societies and local authorities to raise funds for their own non-commercial purposes.

4.0 The Gatherwell ELM model

Gatherwell (please see appendix 2) is the main provider of council lotteries. Whilst any contract with an ELM would have to go through a procurement process, it is worth considering the Gatherwell model as a means to understand how a lottery could potentially operate.

Gatherwell manage all aspects of the on-line lottery on the local authority's behalf. They also have an insurance policy in place to cover jackpot wins and suspension/failure of the lottery.

Tickets cost £1 each and each £1 is split as follows:

- 60% (more than double that of the National Lottery) goes toward good causes
- 20% goes towards prizes
- 17% ELM costs
- 3% VAT

Individual supporters have two choices as to how the 60% for good causes, generated by the purchase of their ticket is distributed:

1. The whole 60% can go to a *central community fund*, set up by the council. This fund can be defined as a centralised pot of funding that the Council will allocate, at its own discretion, to the voluntary and community sector. This fund can potentially be administered as part of the wider community grants programme.
2. 50% to a specified local good cause that is registered with the lottery, with the remaining 10% going to the Council's central community fund (to be allocated as per above)

Players select a line made up of 6 numbers running from 0-9. Numbers can be used more than once within the line. There is a 1:50 chance of winning a prize (free tickets; £25; £250; £1,000, £2,000 and a maximum prize of £25,000. All prizes are paid by direct debit.

The council would determine:

- The terms and conditions that good causes would need to agree to
- Applications from organisations seeking the status of a local good cause to benefit from lottery funding

5.0 Potential income from a local lottery

Based on the model of 60% of ticket sales going direct to good causes, table 1 highlights the potential income generated for good causes through ticket sales:

Weekly ticket sales	Annual amount generated for good causes (£'s)
500	15,600
1,000	31,200
1,500	46,800
2,000	62,400
2,500	78,000

6.0 potential start-up costs for establishing a local lottery

Aylesbury Vale allowed £4,000 as initial start-up costs (licensing and marketing) for their lottery, with the on-going costs to be met from ticket sales. However, Daventry have allowed £10,000 for their initial start-up costs.

Gatherwell have advised that the indicative start-up costs for launching a council led lottery for Rugby would be in the region of £8,000:

- £5,000 start-up costs, including both the Gambling Licence and Lotteries Council membership fee for the first year
- £3,000 minimum marketing to launch the lottery

7.0 Potential running costs for a Rugby lottery

Other councils have told us that they are allowing for between £750 and £3,500 per annum in respect of additional marketing costs, alongside £1,000 for the required annual license fee. In addition, they have allowed for approximately £5,000 per annum in officer time to run the lottery.

Based on the data currently available, it is estimated that on-going minimum costs of £10,000 be allowed for:

- £5,000 licencing and additional marketing to make people aware of the lottery
- £5,000 in officer time to administer the lottery and contract management of the ELM. This will be met from existing staff resources.

8.0 Potential risks and benefits to consider

There are a number of risks to consider:

- The voluntary and community sector choose not to engage
- The lottery does not perform and income is not as expected. The worst-case scenario is that initial start-up costs are effectively written off
- The ticket sales fall short of what was expected or decrease
- Marketing costs – the communications team has highlighted this as a key issue
- The ELM fail to perform as expected
- Although the ELM will promote the lottery, more promotion maybe required to sign-post people to the lottery in the first place
- Reputational issues in the event that the lottery initiative does not work out

There also potential benefits to be considered:

- It is an opportunity to review how the council resources the community and voluntary sector. By setting the criteria for the lottery beneficiaries it can ensure that it ties this in with meeting its corporate objectives and those of the Rugby Borough Regeneration Strategy.
- Checks can be established, similar to those already in place for the administration of the council's community grants programme, to ensure that beneficiaries are safe organisations, as far as is practicably and reasonably possible

9.0 Conclusion

The establishment of a local lottery would be an opportunity to provide an additional revenue stream for the voluntary and community sector. Robust due diligence will enable further informed decision-making.

Name of Meeting:
Cabinet

Date of Meeting:
4th December 2017

Subject Matter:
A potential council-led lottery for Rugby

Originating Department:
Communities and Homes

List of Background Papers

Document No.	Date	Description of Document	Officer's Reference	File Reference
1.				

* The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

* Exempt information is contained in the following documents:

Document No.	Relevant Paragraph of Schedule 12A
--------------	------------------------------------

* There are no background papers relating to this item.

(*Delete if not applicable)

Gatherwell - Local Authority Lotteries

Local Authority	Status
Aylesbury Vale	Live
Blaby	Live
Broxborne	Live
Chiltern & South Bucks	Live
Corby	Live
Essex County Council	Live
Hart	Live
London Borough Barking & Dagenham	Live
Melton	Live
Mendip	Live
Newcastle Under Lyme	Live
North Lincs	Live
Portsmouth	Live
Rushmoor	Live
Somerset West	Live
South Staffs	Live
Thanet	Live
Torbay	Live
Tunbridge Wells	Live
Wycombe	Live
Bexley	Awarded
Bracknell Forest	Awarded
Breckland	Awarded
Cherwell	Awarded
Daventry	Awarded
Eastbourne	Awarded
Gloucester	Awarded
Harborough	Awarded
Havant	Awarded
Kings Lynn & West Norfolk	Awarded
Mansfield	Awarded
Nuneaton	Awarded
Peterborough	Awarded
South Oxfordshire	Awarded
Stoke City	Awarded
Tandridge	Awarded

Data source: Gatherwell

Background to Gatherwell.

Gatherwell was founded in 2013 by its 3 Directors with a mission to help good causes raise money by raising money within the community for the community. Together, the directors have more than 60 years' experience in the Gambling, Marketing and Sales industries.

Since 2013 they have already made a huge difference to hundreds of communities, projects and good causes. Their first product 'Your School Lottery' is helping more than 500 schools across the UK deal with increasing austerity pressures. With their other products they have helped a wide range of causes from food banks to fallen and injured firefighters.

They are also extremely proud to have been chosen as the UK's first online local authority lottery provider by Aylesbury Vale District Council. Vale Lottery launched on 28th November 2015 and continues to exceed expectations with 35 other local Authorities having now awarded Gatherwell the business of delivering local authority led lotteries.

Data source: Gatherwell