

Agenda Item 12

Cabinet Member: Councillor Claire Malcomson, Cabinet Member for Environment

Strategic Leadership Team Lead: Paul Anderson, Executive Head of Service (People and Environment)

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Date: 24 November 2020

Ward(s) affected: all

Key Decision: No

SUBJECT: Proposed Mole Valley Community Lottery

Recommendations:

That the Cabinet:

- 1) approves the proposed establishment of an online Mole Valley Community Lottery to benefit good causes and deliver local environmental initiatives on the basis described in this report;
- 2) agrees to procure an External Lottery Manager to set up and be responsible for the day to day running of this service;
- 3) agrees that the initial start-up cost of £8,000 is funded from the Small Community Grants fund.
- 4) Authorises the Executive Head of Service (People and Environment), in consultation with the Portfolio Holder for Environment, to establish criteria for determining which good causes can participate in the Lottery, and apply those criteria.
- 5) Authorises the Executive Head of Service (People and Environment) to apply for any necessary licences from the Gambling Commission to enable the Lottery to operate.
- 6) Nominates the Executive Head of Service (People and Environment) as the personal licence holder for the Lottery and authorises him to apply for the personal licence.

- 7) Delegates the management and oversight of the Lottery and the authority to approve appropriate policies and procedures associated with the Lottery to the Executive Head of Service (People and Environment).

The Cabinet has the authority to determine the Recommendations

Executive Summary:

It is proposed that a new online Mole Valley Community Lottery is established to generate additional revenue for local voluntary organisations and community groups and a potential income stream to fund environmental initiatives to reduce carbon emissions within the District.

Council Strategy Priority Outcomes: This initiative contributes to the following strategic priorities:

- Foster community spirit, encouraging individuals, families and communities to support each other especially in times of particular need.
- Work towards making MVDC and our contractor's carbon neutral.
- Work with rural communities and businesses to enhance their strengths and address their challenges, helping them thrive and become more sustainable.

Background/Introduction

- 1.1 Each year the Council invests in the local community and voluntary sector, enabling a wide range of social / wellbeing and environmental activities to be provided to our residents, particularly those who need additional help and support. A community lottery could offer an additional income stream to our community and voluntary sector, enabling them to provide valuable services locally as well as providing MVDC with additional funds to invest in climate change initiatives that benefits residents and businesses across District.
- 1.2 Lotteries have long been a way of smaller organisations raising income, for which they are regulated under the Gambling Act 2005 ("the Act"). There are a number of different types of lotteries, including a "local authority lottery".
- 1.3 Local authority lotteries require the authority to be licensed by the Gambling Commission. The net proceeds may be used for any purpose for which the authority has the power to incur expenditure. It is proposed that a Mole Valley Community Lottery uses net proceeds to help fund environmental or climate change initiatives. These initiatives may either be delivered by the community or by MVDC.
- 1.4 Since 2015, around 80 councils have set up local lotteries to support good causes in their areas, including Tandridge District Council, Elmbridge Borough Council, Guildford Borough Council and Horsham District Council.
- 1.5 The simplest way to operate a lottery is to engage an External Lottery Manager (ELM). The ELM would deliver all aspects of running the lottery, from setting up the online platform, ticket payments, prize management, licensing and regulatory compliance. They would share with MVDC and the good causes the role of marketing, taking a small percentage of the ticket price as a management fee. A

review of other Local Authorities has currently only identified one provider of such services (Gatherwell). This delivery route minimises set-up costs, and means that the lottery should be self-financing.

- 1.6 Tickets cost £1 each and the proceeds of each ticket sale are split as follows:
- £0.60 goes to local good causes
 - £0.20 goes towards prizes
 - £0.17 ELM costs
 - £0.03 VAT
- 1.7 There are two different ways that the money is distributed for local good causes:-
- a) Where the player nominates a local good cause on the website, 50% of the price of the ticket goes to this good cause and 10% to a council fund;
 - b) Where the player does not nominate a good cause the whole 60% goes to the council fund.
- 1.8 The Council fund can be used for any purpose for which MVDC has the power to incur expenditure. It is proposed that the income raised will be used to cover the annual costs of running the lottery with the net proceeds used to fund environmental projects that align to the Mole Valley Climate Change Strategy e.g. tree planting.
- 1.9 Draws are made weekly. The jackpot prize is £25,000 for a matching sequence of six numbers and other prizes include £2000, £250, £25 or three free tickets. The ELM would accept the risk of the prize money exceeding income levels.
- 1.10 As part of the introduction of the new lottery, the ELM would design a bespoke Mole Valley Community Lottery website in partnership with ourselves. This would be updated regularly to attract new players. Once approved, each good cause would have their own branded page on the website and will be provided with their own bespoke marketing material for the Mole Valley Community Lottery.

Case Studies

- 1.11 **Elmbridge Borough Council:** In March 2020 Elmbridge Borough Council launched their online Community Lottery using Gatherwell as the external lottery manager. This was a proactive effort to support and protect the Voluntary and Community Sector in Elmbridge. Around 75 good causes' are now supported by the lottery, they have 560 regular players and sell approximately 1000 tickets a week. Elmbridge BC anticipate raising £38,000 this year in total, this will be split between the local good causes (£30,000) and the council fund (£8,000). The Council fund is used to offset annual costs and with any remaining being invested into the community.
- 1.12 **Horsham District Council:** In September 2019 Horsham District Council set up a one year trial lottery with Gatherwell and have recently approved the continuation of the lottery due to its success. To date over 81 local charities, volunteer groups and community groups have registered with the lottery and they undertake their own promotion to help raise funds. They receive advice and support from Gatherwell in promoting themselves to maximise their income. Just over 970 people regularly play the lottery and over 1800 tickets are in play on a weekly basis. The lottery is on

target to raise more than £56,000 annually -£41,000 to local good causes, and £15,000 to the council fund, which is used as a fund to support the community.

1.13 Tandridge District Council: The Tandridge Together Lottery launched in March 2018, managed by Gatherwell. As of August 2020 the lottery supports 160 registered local good causes including community centres, sports clubs and charities. In 2019 players raised approximately £60,000 for good causes and generated £23,000 for the council fund, which Tandridge used to provide grants for community projects.

1.14 Guildford Borough Council: Guildford Borough Council launched their community lottery in December 2018. The number of good causes supported has increased from 70 at the launch of the lottery to 130 as at October 2020. The lottery raises over £80,000 per annum for good causes, and £17,000 per annum for the council fund. Over 920 people regularly play the lottery, purchasing circa 1800 tickets a week.

1.15 A summary of the case studies is set out in Table 1, below.

Authority	Duration of lottery	Number of good causes	No of weekly players	Tickets sold per person	% adult population playing	Income for good causes (£ p.a)	Income for council fund (£ p.a)
Elmbridge	6 mo	75	561	1.78	0.55%	£30,000	£8,000
Horsham	1 year	81	970	1.85	0.85%	£41,000	£15,000
Guildford	1yr 10 mo	130	1129	1.95	0.78%	£80,000	£17,000
Tandridge	2yr 7 mo	163	2294	2	1.6%	£60,000	£23,000

Table 1: Summary of lottery performance for other Surrey authorities

2.0 Financial Implications

Set-up Costs

2.1 It is proposed that the set up costs are funded from the Small Community Grants fund. Whilst this will reduce the amount of money available to the community, the lottery will provide an opportunity to raise more for the local community in long term. The set-up costs amount to £8,000.

- External Lottery Manager setting up the tailored platform - £5,000
- Gambling Commission licence fee - £1,000
- Marketing and Communications - £2,000

Ongoing costs

- 2.2 The costs of the External Lottery Management Company, prize fund, awards to good causes and VAT are all covered by the cost of the tickets.
- 2.3 An annual licence fee, lotteries council membership fees, and marketing budget will be required to raise awareness of the lottery and keep it in people's minds to ensure a good and steadily increasing base of players.
- 2.4 It is proposed that a total budget of £3,000 per year is allocated to cover ongoing communications, the annual licence fee (£700) and council membership fees (£350). These ongoing costs would be paid out of the Council's 10p share of ticket sales (council fund).

Income

- 2.5 Experience from other lotteries indicates that between year one and two it is possible to achieve market penetration of around 0.75% of the adult population playing up to 2 tickets per person per week. The average number of tickets bought nationally for this type of lottery is 1.68 tickets per person per week.
- 2.6 As set out in paragraph 1.9, if a player nominates a good cause 50% of the ticket proceeds go to that good cause and 10% goes into a council fund, whereas if a player does not nominate a good cause then 60% of the ticket price goes into the council fund. Based on experience elsewhere, approximately 20-30% of all ticket proceeds is allocated to the council fund.
- 2.7 A range of scenarios have been modelled in the table below to show the income that a community lottery could generate for good causes and the environment in Mole Valley. The table below models various scenarios based on tickets purchased and the proportion of the adult population participating in the lottery. As a conservative estimate, the model assumes 40% of the proceeds going straight to good causes and 20% of proceeds going into a council fund. In the worst case scenario the income into the council fund will be circa £3,600, which is sufficient to cover the annual costs of running the lottery. However it is anticipated that the lottery will perform far better than this.

No. Tickets per person/week	0.5% adult population playing (355 players per wk)			0.75% adult population playing (532 players per week)			1% adult population playing (710 players per week)		
	Total £ income (60%)	Average £ to good causes (40%)	Average £ to council fund (20%)	Total £ income (60%)	Average £ to good causes (40%)	Average £ to council fund (20%)	Total £ income (60%)	Average £ to good causes (40%)	Average £ to council fund (20%)
1	11,076	7,384	3,692	16,614	11,076	5,538	22,152	14,768	7,384
1.68	18,608	12,406	6,202	27,912	18,608	9,304	37,215	24,809	12,406
2	22,152	14,768	7,384	33,228	22,152	11,076	44,304	29,536	14,768

Table 2: Potential income for good causes

3.0 Legal Implications

- 3.1 The power to set up a lottery is within the general power of competence conferred by

section 1 of the Localism Act 2011. Lotteries are regulated under the Gambling Act 2005 (the Act) and the establishment of a local authority lottery must comply with the requirements of this. The Act allows for local authority lotteries which requires the local authority to be licenced by the Gambling Commission.

- 3.2 Local authority lotteries must return a minimum of 20 per cent of the gross proceeds of each lottery to a purpose for which it has power to incur expenditure.
- 3.3 The Act allows local authorities to employ ELM's to manage all or part of their lottery. ELMs are required to be registered with the Gambling Commission. In addition, MVDC will be required by the Gambling Commission to have at least one personal management licence holder. The guidance from the Gambling Commission of September 2014 states that in deciding who should hold the personal management licence on behalf of the local authority, it should identify the relevant senior individual who can take overall management responsibility for the promotion and proper management of the lottery and for compliance with the regulatory regime as a whole. The personal management licence holder must be someone in a senior management post who holds the relevant delegated authority.
- 3.4 The appointment of an ELM will need to be formalised by entering into a public concession contract. The minimum term is 12 months. Officers estimate that the value of this concession contract will be up to £12,500 p.a. This annual contract value represents the income to the ELM generated from the sale of tickets and is not a cost to MVDC. MVDC will only be required to pay a one-off set up fee of £5,000.
- 3.5 Consequently, this contract will be outside the Concessions Contracts Regulations 2016 (EU Regulations) which sets a threshold for services concession contracts of £4,733,252 and also specifically excludes lottery services under Regulation 10(13). The contract will need to be procured in accordance with MVDC's Contract Standing Orders.

4.0 Risk Implications

The risks associated with operating the lottery through an external lottery manager are considered low.

The biggest risk associated with this is the perception that the Council is promoting gambling. However, a community lottery is a well recognised model operating in over 80 local authority areas and is considered to be low risk in terms of problem gambling due to their relatively controlled format. There is also no instant gratification or reward involved. The buying pattern of players can be monitored online and issues mitigated if required. The lottery would also need to comply fully with the Gambling Commission's licensing code of practice.

There is a risk that good causes do not join the scheme and the public do not buy lottery tickets, however these risks do not appear to have been realised in other council operated lotteries.

There is a possibility that the top prize is won regularly impacting the prize fund. This risk is passed onto the ELM as it will be required to have the appropriate insurance to cover this eventuality.

5.0 Options

Option 1 (recommended): The preferred option is to set up a community lottery using the skills and expertise of an ELM, raising money for good causes and environmental projects. This option would see a partnership with an existing Lottery provider in the market place. They would share with MVDC and the good causes the role of marketing, taking a small % of the ticket price as a management fee.

Option 2 (not recommended): Cabinet may prefer to set up an in-house lottery. Currently there is no known staff experience or skill set to undertake this role. Set-up costs would include a lottery manager and the necessary development of software systems to enable the lottery to run. Whilst this option has not been fully costed, it is estimated that the ongoing costs of this option would be in the region of £80-100K per annum. It is therefore not recommended that this option is pursued.

Option 3 (not recommended): Cabinet may decide not to proceed with a community lottery.

6.0 Corporate Implications

Monitoring Officer commentary

The Monitoring Officer confirms that all relevant legal implications have been taken into account.

S151 Officer commentary

The Section 151 Officer confirms that all relevant financial implications have been taken into account.

Equalities Implications

There are no equality or diversity implications arising from this report, although it should be noted that some members of the community may be opposed to any form of gambling on moral or religious grounds.

Employment and Resource Implications

Setting up the lottery will require some input from the Legal, Finance and Communications teams, however the majority of the workload will involve signing up good causes, which can be accommodated within the Parks and Environment team.

The Council's on-going role once the lottery is set up would be to manage the requests from local good causes to become beneficiaries of the lottery, process payments for the Council allocated money to good causes and complete the annual licence return. The website can produce downloadable real time reports for internal reporting. Experience from other Authorities suggests that this averages out at about one to two hours a week. Officer resource to manage the lottery can be accommodated from existing administrative resource within the Parks and Environment Team.

Sustainability Issues

Local environmental organisations will be given an opportunity to sign up as good causes and the net proceeds from the council fund will be used to support the delivery of environmental projects aligned to the Council's Climate Change Strategy.

Consultation

Not applicable

Communications

A comprehensive communications plan will be developed prior to the launch of the lottery to maximise the number of good causes signed up and players.

Background Papers

None