



**Prosperous Communities**

**5<sup>th</sup> June 2018**

**Subject: Community Lottery**

Report by:

Mark Sturgess  
Executive Director of Operations

Contact Officer:

Grant White  
Enterprising Communities Manager  
01427 675145

Purpose / Summary:

To establish a community lottery in West Lindsey

**RECOMMENDATION(S):**

1. That Members approve the launch and delivery of a Council run Community Lottery scheme as detailed within this report.
2. That Members approve the re-allocation of funds from the Community Grants Programme budget to launch and deliver the community lottery.
3. That Members recommend to Corporate Policy & Resources Committee for approval of proposed distribution of funds raised from the community lottery.

## **IMPLICATIONS**

**Legal:**

The Council shall become licensed to deliver a society lottery. This shall be conducted in line with all required Gambling Commissions rules and procedures with expert advice and management provided by the External Lottery Manager.

**Financial: FIN/48/19**

The revenue costs of the proposed Community Lottery scheme are;

**2017/18 £5.4k**

Set up costs – website £3.0k

Gambling Licence fees - £0.9k (£0.2k licence application, £0.7k annual fee due from first year of operation)

Promotional and Marketing costs - £1.5k

**Ongoing £1.7k**

Gambling Licence fees - £0.7k

Promotional and Marketing costs - £1.0k

All costs to be met from Community Grant Programme. The Community Grant Programme has been approved for 5 years from 2017/18 to 2021/22.

The £1k ticket purchase would be collected via online payment by the ELM and distributed as follows;

	% Allocation
Specific Good Cause	50%
Prizes	20%
West Lindsey Community Grants	10%
External Lottery Provider	17%
VAT	3%
<b>TOTAL</b>	<b>100%</b>

Income from the lottery shall be used to assist in funding existing commitments to community and voluntary sector organisations. Until the level of funds being raised is known it is difficult to anticipate the levels that may be generated. An annual review will be undertaken to ensure that the lottery is running in line with the aims set out in this report.

An indication of this allocation in monetary terms, based on 2% of WLDC

population (\*West Lindsey population 89,250 from 2011 Census) purchasing 1 ticket every week for a year:

2% of population purchasing 1 ticket per week for a year 1,785 tickets per week	Annual Amount Generated £000
Total ticket income to ELM (100%)	92.8
Issued to specific good causes (50%)	46.4
Paid to WLDC (10%)	9.2
Prize money distributed by ELM (20%)	18.6
VAT (3%)	2.7
Retained by ELM – management fee (17%)	15.7

**Staffing:**

At least 2 Council officers will be the license holders for the lottery scheme.

**Equality and Diversity including Human Rights :**

**Risk Assessment:**

None

**Climate Related Risks and Opportunities:**

None

**Title and Location of any Background Papers used in the preparation of this report:**

**Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

**Key Decision:**

A matter which affects two or more wards, or has significant financial implications

Yes

No

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**1. Background**

- 1.1 The Council is committed to working with and supporting the community and voluntary sector (CVS) in West Lindsey. We currently provide grant funding via community grant schemes along with core funding support to key delivery organisations. In 2017/2018 we awarded £499,870 as community grants.
- 1.2 We continue to face budget pressures which will inevitably begin to impact on the funding we are able to provide in support of our community and voluntary sector. We continually explore and research new ways of working to maintain or enhance our support where possible.
- 1.3 A community lottery has the potential to help all CVS organisations to address funding pressures they are facing, increase their overall sustainability and reduce their dependency on grant funding. Community lotteries delivered in this format have been operating since 2015 when the first was launched by Aylesbury Vale District Council (Vale Lottery). They have since been replicated by various local authorities across the country including North Lincolnshire Council and City of Lincoln Council.
- 1.4 The Vale Lottery can be viewed online: [www.valelottery.co.uk](http://www.valelottery.co.uk). This report proposes to establish a community lottery in West Lindsey replicating schemes such as the Vale Lottery and many others established since by other Local Authorities across the country.

**2. Lottery Information – Gambling Act 2005**

- 2.1 Lotteries have been used by smaller organisations for some time as a way of raising income. There are different types of lotteries but any lottery delivered by the council would be classed as a society lottery. All lotteries are regulated by the Gambling Act 2005.
- 2.2 Society 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 a private gain
- 2.3 All society lotteries must deliver a minimum of 20% of proceeds to good causes. Any lottery delivered by a Local Authority must be licensed by the Gambling Commission.

2.4 The Council shall be responsible for obtaining and maintaining the appropriate license for the lottery. The following costs apply for this:

- Application Fee: £220
- Annual Fees: £692 (The annual fee is due in the first year of operation)

2.5 At least 2 Council officers are required to be named license holders. It is proposed that this will be the Enterprising Communities Manager and suitably nominated officer within the Council's Finance Team.

### 3. Lottery Market

3.1 There are a number of national lotteries currently running. The table below provides statistics on their operation:

Provider	Cost per ticket	Odds of jackpot win	Odds of any prize win	% to good causes	% to operator
Euromillions	£2.50	1:139m	1:22	28%	22%
National Lottery	£2.00	1:45m	1:97	28%	22%
Health Lottery	£1.00	1:2m	No data	22%	20.3%
Postcode Lottery	£2.00	1:162,000	No data	30.5%	29.5%

3.2 There are no West Lindsey wide lotteries currently running. Eligible CVS organisations in West Lindsey can register to benefit from the Lincs Lotto (North Lincolnshire County) and Lincoln Community Lottery due to launch later in 2018 (City of Lincoln Council).

3.3 There are other small lotteries run by community group and charities available in West Lindsey but these are typically focussed on specific aims and outcomes. For example Age UK run a lottery scheme which operates nationally but can be played and benefit areas in West Lindsey.

3.4 There are now over 30 community lottery schemes delivered by Local Authorities across the country.

### 4. West Lindsey Lottery Principles

4.1 A lottery run by the Council shall be delivered with the following principles:

#### **Delivering the proceed locally**

Would deliver benefits to local causes only. Players can easily see that the proceeds will stay within the District and local community.

#### **Maximising benefits to the community**

The aim of the Council delivering a community lottery is to significantly support our communities and community and voluntary sector. The lottery would commit to 60% of proceeds being given to good causes which is significantly higher than other lottery providers.

### **Minimising cost**

Beyond initial set-up costs the lottery will be largely self-financing. Processes for distributing funding to good causes will utilise existing mechanisms used for our community grants delivery and wider community and voluntary sector support.

### **Local Winners**

It is expected that most players will live within the District. We will promote stories of local people winning and encourage more participation.

### **Supporting Community and Voluntary Sector**

The lottery will enable local organisations to access a new source of fundraising. It provides a method of generating funding for organisations without the administration required to establish their own lottery scheme.

## **5. Lottery Delivery**

- 5.1 The Council shall be the overall license holder and seek to appoint an External Lottery Manager. The ELM is an external provider that specialises in managing the day to day delivering of community lotteries.
- 5.2 It is proposed that the Community Lottery shall be an online lottery only. This is due to the logistical and cost challenges with distribution and sales for any other method of delivery. The lottery would be available online and via desktop, mobile and tablet.
- 5.3 The day to day management of the lottery shall be conducted by the ELM. This includes processing new players, distributing prizes and income for good causes. The ELM will also provide marketing support to good causes and the Council, and assist players should they experience difficulties.
- 5.4 The ELM shall send newsletters to all good causes signing up to the lottery providing updates.
- 5.5 The lottery shall cover all of West Lindsey district area. Organisations based or operating within West Lindsey shall be eligible to register to receive directed funds. Anyone shall be able to play the lottery online regardless of location.
- 5.6 The lottery shall have two categories for distributing funds to good causes:

- **Specific Good Causes**

This category shall enable groups to register and take part in the lottery raising 50% of a ticket share when they are specifically selected by players. After registering each group shall have their own web page for

the lottery helping them to engage players and raise income. This option enables groups to raise funds from a lottery scheme enabled by the Council.

The Council shall manage the good cause process. This includes registering new good causes and administration of good cause funding. This shall be delivered using existing processes used for the Councils community grants programme.

Players buying tickets shall be able to select a specific good cause using the custom web pages for each individual group registered. This motivates groups to gain more players to support their specific cause.

The Council shall retain 10% of each ticket which shall go into the West Lindsey Community Grants category.

- **West Lindsey Community Grants**

This category shall operate district wide with profits generated distributed through existing mechanisms used by the Council to support community and voluntary organisations. This category shall distribute 60% of a ticket share. Players in this category would not specify a group to benefit from the proceeds and the funds will go to existing CVS funding commitments. This can include the Councils core funding to CVS organisations and/or delivery of community grant schemes.

Allocations of funding from this category shall be determined by the Council's Community Grants Panel using established mechanisms for awarding grant funding.

- 5.5 All sales for the lottery would operate via a dedicated website provided by the ELM with ability for online card payments and direct debit. Specific good causes shall have their own landing pages on the website.

## **APPENDIX A – Community Lottery Overview**

### **APPENDIX B – Draft criteria for CVS organisations**

#### **6. Ticket Price, Proceeds, Draws and Prizes**

- 6.1 Based on existing Local Authority lottery schemes this report proposes the lottery would operate as below:

- Ticket Price: £1 per week
- Draw frequency: once per week
- 2 categories of operation:



### Specific Good Causes

Directly signing up to the lottery scheme, enabling them to fundraise for their own cause within the wider lottery process

### West Lindsey Community Grants

Unspecified good cause which sees funds delivered through existing mechanisms used by the Council to support community and voluntary sector organisations

- 6.2 Based on existing Local Authority lottery schemes this report proposes the lottery would operate the following proceeds apportionment:

	Specific Good Causes		West Lindsey Community Grants	
	% Allocation	£ Allocation (per ticket)	% Allocation	£ Allocation (per ticket)
Specific Good Cause	50%	£0.50	N/A	N/A
Prizes	20%	£0.20	20%	£0.20
West Lindsey Community Grants	10%	£0.10	60%	£0.60
External Lottery Provider	17%	£0.17	17	£0.17
VAT	3%	£0.03	3	£0.03
<b>TOTAL</b>	<b>100%</b>	<b>£1.00</b>	<b>100%</b>	<b>£1.00</b>

- 6.3 Players shall be able to choose 6 numbers. 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 number can be changed by players.
- 6.4 Bolt on 'raffle' type prizes are possible with this type of lottery. No raffle prizes are proposed at this time.
- 6.5 Players will receive the option to donate any winnings to their chosen good cause.
- 6.6 The jackpot is an insured prize. It is a guaranteed pay out of £25,000 per winner. If multiple people win the jackpot it is not shared or rolled over.
- 6.7 Based on existing Local Authority lottery schemes this report proposes the lottery would operate with the following prize structure:

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

2 numbers	1:56	3 free tickets
<b>Overall odds of winning any prize</b>	<b>1:50</b>	-

6.8 The table below shows what a very conservative level of players can generate for good causes:

Ticket Price £	Number of Players	% of WL population*	Tickets bought per week	Number of weeks	Gross Return	Received by Good Causes*
1	446	0.5	1	52	£23,192	£13,915
1	892	1	1	52	£46,384	£27,830
1	1338	1.5	1	52	£69,576	£41,745
1	1785	2	1	52	£92,820	£55,692
1	2231	2.5	1	52	£116,012	£69,607

\*West Lindsey population 89,250 from 2011 Census

\*No distinction has been made in the above table between players selecting specific good causes or WL Community Grants.

## 7. Timescales

- 7.1 Planning and actions to launch the community lottery would begin immediately on approval from all relevant committees. It is expected to take at least 26 weeks which will include website creation, marketing plan, gambling license and VCS engagement.
- 7.2 A suitable launch date will be selected based on the time of the year when all start up actions have been completed.

## 8. Gambling Responsibility

- 8.1 Lotteries are the most common type of gambling activity in the world. This lottery will mitigate against many of the issues related to addictive gambling by:
- Being only playable via pre-arranged sign up and non-cash payment methods
  - There is no 'instant' gratification or 'instant reward' to taking part
  - The lottery will be fully compliant with the Gambling Commissions licensing code of practice, which includes self-exclusion and links with support organisations
- 8.2 Due to the above factors it is reasonable to believe that this Lottery will not significantly increase problem gambling and that the benefits to good causes in the District from the proceeds of the lottery outweigh the possible negative issues.
- 8.3 Whilst delivering a community lottery provides a new dimension to our community funding work, the council does already engage with other lotteries and benefits from funds raised through gambling. This includes:

- Grants awarded to the Council raised from lottery schemes (e.g. Heritage Lottery Fund)
- Match funding awarded by the Council to support bids for grants awarded by lottery schemes (e.g. Big Lottery Fund)

8.4 The main focus of this community lottery is to enable local community organisations and good causes to raise additional funds which they may not have otherwise been able to obtain. Marketing and promotion of the community lottery will focus on this to ensure residents and players recognise the local community benefits achieved.

8.5 It is proposed that the Community Lottery is included in a future audit plan to ensure full compliance with all required legislation and to give assurance around its operation and responsibilities.

## 9. Financial Implications

9.1 The Lottery is designed to be self-financing following initial set up with only the license and marketing costs for the Council to cover annually.

9.2 The following costs shall be incurred during initial set up:

- License application: £220
- Licence fees: £692
- First year marketing: £1,500
- Initial scheme setup (including website and administration): £3,000

**TOTAL: £5,412**

Funded from the Council's Community Grants Programme.

8.3 The following costs shall be incurred annually:

- License fees: £692
- Marketing: £1,000

**TOTAL: £1,692**

Funded from the Council's Community Grants Programme.

8.4 This report proposes to re-allocate funds from the existing Community Grant Programme to cover the initial set up and annual costs as stated above. The Community Grants Programme budget has been set for 5 years and will be subject to review towards the end of this period.

8.5 The re-allocation of funds required to launch and deliver the community lottery will have a minimal impact on the overall total annual budget available for delivering agreed community grant schemes.

8.5 Income from the lottery shall be used to assist in funding existing commitments to community and voluntary sector organisations. Until the level of funds being raised is known it is difficult to anticipate the levels

that may be generated. An annual review will be undertaken to ensure that the lottery is running in line with the aims set out in this report.