

## **Surrey Heath Community Lottery**

### **Summary:**

To introduce a new Surrey Heath Community Lottery that will generate funds to support good causes within the Borough and enable voluntary not for profit organisations to access funds from this Council initiative.

**Portfolio:** Support & Safeguarding

Date Signed Off: 4 September 2018

**Wards Affected:** All

### **Recommendation**

The Executive is advised to RESOLVE to introduce the Surrey Heath Community Lottery by April 2019 and a new Annual Community Lottery award scheme from April 2020, with the implementation of the lottery delegated to the Executive Head of Transformation in consultation with the Portfolio Holder for Support & Safeguarding.

## **1. Background Information**

- 1.1 The Council provides significant grants and support to voluntary and community organisations in the Borough, in the form of Council Revenue and Community Fund Grant. Schemes for the year 2018/19 have awarded circa £200,000 (including £41,000 of benefits in kind).
- 1.2 The Council budgets are fixed and there are ever growing demands to meet the local needs. It is suggested that this initiative could provide the community an opportunity to support their chosen charity at the same time as a chance of winning up to £25,000, per week (the odds are 1,000,000:1).
- 1.3 A local lottery for Surrey Heath would offer a valuable new income stream for local voluntary and community (not for profit) organisations that could complement our own grant funding arrangements. Since 2015 over 50 councils have set up, or are in the process of setting up local Lotteries to support good causes in their areas.

## **2. The Scheme and Resource Implications**

- 2.1 Many councils have engaged an External Lottery Manager (ELM) and this is formalised by a contractual arrangement with an appointed ELM for the management of the lottery on the Council's behalf, including website management, administration of ticket sales and payments, prize management and marketing.

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- 2.2 Gatherwell Ltd is by far the largest provider of council lotteries, with research indicating that it operates all but one of the nearly 50 already established or being developed lotteries.
- 2.3 Given the small number of providers and the fact that only one ELM has a proven track record of working successfully with councils to deliver low cost lotteries, it is suggested that the Council works with this provider, Gatherwell Ltd, on the establishment of the new Surrey Heath Community Lottery. **The Gatherwell model as summarised in Annex A** which offers the flexibility to provide the scheme tailored to meet the requirements of Surrey Heath.
- 2.4 As part of the introduction of the new lottery, Gatherwell would design a bespoke Surrey Heath Community Lottery website in partnership with the Council. This will be updated regularly to attract new players and will be accessible from various electronic devices. Once approved, each good cause will have their own branded page on the website and will be provided with their own bespoke marketing material for the Surrey Heath lottery.
- 2.5 It is crucial to the overall success of this project that it is extensively promoted and marketed and that as many varied local good causes commit to the concept. It is a simple way for them to raise income through their own website and the dedicated council lottery website. Each £1 ticket sale can raise 50p to the selected organisation. To encourage their commitment, there are no administration fees to join the lottery.
- 2.6 The Council's own operational involvement in the lottery, once launched and established will be limited. The control will be retained through an eligibility criterion which is set out in annex B and mirrors the terms for other council lotteries.
- 2.7 As the lottery licence holder, the Council will need to apply for a licence from the Gambling Commission and the nominated lead - Louise Livingston, Executive Head of Transformation - will oversee this process. Payments will be made each month to the good causes from the proceeds of the lottery ticket sales by the ELM.
- 2.8 The Council is required to select a nominated fund itself, as if selected by players this will receive the whole 60% of each ticket sale, otherwise, it will receive 10% of each ticket sale, with the remaining 50% going to the nominated local good cause.
- 2.9 On balance, it is suggested that the funds be accumulated over the year with the first awards to be made in spring 2020 and applications invited to the new scheme nearer that time when the proceeds are known. The scheme is to be named the '**Surrey Heath Annual Community Lottery Award Scheme**': it is intended to award all accumulated funds each year.

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This scheme will be operated and managed alongside the existing Council Revenue and Community Fund Grant Scheme and will be administered by the Council's Community Development Officer.

2.10 Some officer time will be required in setting up and administering the lottery (e.g. registering and determining eligible good causes and authorising payments, completing licence application to the Gambling Commission and marketing the lottery), together with the development of a communications plan, to launch both to the local not for profit organisations and community to buy the tickets.

2.11 The duties will be managed from within existing staff resources.

### **3. Costs**

3.1 It is estimated that the start-up costs for a new Surrey Heath lottery would be £7,400, which includes:

- Gatherwell Ltd set-up fees - £3,000 +VAT
- Licence fees and affiliations - £1,400
- Marketing/Launch Expenses - £3,000

3.2 The ongoing annual costs of running the lottery will be up to £1,400 which is the cost of the licence fee, it is intended that these costs will be funded by the 3% VAT recovery cost that is levied for each lottery ticket sale, any excess proceeds will be added to the Surrey Heath Annual Lottery Award Scheme.

### **4. Legal Implications**

4.1 The Gambling Act 2005 creates eight categories of permitted lottery, one of which is a local authority lottery. The Local Authority lotteries are promoted by the relevant council and the net proceeds can be used for any purpose for the authority has power to incur expenditure.

4.2 If the Council is to set-up a Surrey Heath lottery, it must be run under an operating licence issued by the Gambling Commission and would need to comply with the specific licence conditions and relevant codes of practice.

4.3 As suggested, the Council can appoint an ELM to manage the lottery on the Council's behalf in accordance with S.257 of the Gambling Act. The ELM will also need to obtain the necessary consent and operating licence from the Gambling Commission. However, the Council will remain responsible for ensuring that the lottery operates lawfully if an ELM is appointed. Louise Livingston, Executive Head of Transformation is the nominated responsible officer for the Gambling Commission's lottery licence.

4.4 Gatherwell Ltd is the operator of all but one of the nearly 50 established local authority lotteries. It has built a proven track record of working

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with Councils to deliver low cost lotteries and offers the flexibility to provide a scheme tailored to Surrey Heath's requirements. From our research it is suggested that Gatherwell Ltd be supported as our nominated ELM partner.

### **5. Risk Management**

5.1 There are various risks associated with establishing a new Surrey Heath lottery, such as:

- The voluntary and community sector choosing not to engage with the initiative and;
- The lottery not performing as well as expected and not producing the anticipated levels of income.

5.2 However, these risks do not appear to have been realised in other Council operated lotteries and upon balance they are outweighed by the potential to generate new funding for local voluntary and community organisations. The worst-case scenario is that the initial start-up costs are effectively written-off.

5.3 Lotteries are the most common form of gambling activity and are 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.

### **6. Summary**

6.1 Executive support is sought for the establishment of a Surrey Heath Community Lottery to raise additional income for good causes in the borough. It is recommended that the Council uses the skills and expertise of an ELM to form a partnership to set up and manage the lottery. Due to the limited number of providers and the fact that only one ELM has a proven track record of working with Council, Gatherwell Ltd is the proposed partner.

6.2 The alternative option would be for the Council to recruit the necessary staff and establish the systems to run a lottery in-house, or not to proceed with the concept of a Surrey Heath lottery.

### **7. Options**

7.1 The Executive has the option to;

- (i) To support the introduction of the Surrey Heath Community Lottery by April 2019, and a new Annual Community Lottery award ng scheme from April 2020 under the delegated authority

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of the Executive Head of Transformation in consultation with the PH Support and Safeguarding.

- (ii) Not to support the proposals.
- (iii) To amend the proposals as the Executive see fit.

### **8. Proposals**

- 8.1 It is proposed that the Executive agree the recommendations as set out in (i) as above.

### **9. Corporate Objectives and Key Priorities**

- 9.1 The funding of voluntary organisations allows the Council to meet its objectives to:

- Work in partnership with local organisations to provide support to the community and diverse open space and recreation facilities.
- Understanding and supporting local voluntary groups.
- Significantly contribute to civic pride through the provision of events and green spaces.
- Work in partnership with the voluntary and third sector to extend opportunities in the Borough.
- Encouraging greater involvement from local clubs and organisations including volunteering.

### **10. Equalities Impact**

- 10.1 An Equalities Impact Assessment will be completed once the final proposal has been developed pending the decisions made by the Executive.

<b>Annexes</b>	<b>Annex A - The Gatherwell Model Annex B - Criteria for organisations joining</b>
<b>Background Papers</b>	<b>Gatherwell Ltd Information</b>
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## Annex A - The Gatherwell Model

Gatherwell manage all aspects of the online lottery on the Council's behalf, including processing new players, distributing prizes and awarding funding to good causes. They also have insurance in place to cover jackpot wins and suspension or failure of the lottery. **The £25,000 top winning prize is available to win from week 1.**

Lottery Players sign up online through direct debit or payment card, with Gatherwell processing all ticket sales

There are weekly draw with tickets costing £1. The proceeds of each sale are split as follows:

- £0.60p goes to local good causes
- £0.20p covers prizes
- £0.17p to the ELM (Gatherwell)
- £0.03p VAT (which is reclaimable and to be used to fund the annual lottery fee)

For comparative purposes, 28% of ticket sales from the National Lottery go to good causes, with 27.5% from the Postcode Lottery, and 20% from the Health Lottery).

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

- the whole 60% can go to a good cause nominated by the Council
- 50% of the ticket prices can be given to a specified good cause registered with the lottery and selected by the player, with the remaining 10% being allocated to the Council's nominated cause.

Players select a line made up of six numbers running from 0 to 9. Prizes will be awarded according to the numbers of matched numbers as follows:

Matched Numbers	Prize
6	£25,000
5	£ 1,000
4	£ 250
3	£ 25
2	3 free tickets

The odds of winning the jackpot are approximately 1,000,000 to 1 and odds of winning the jackpot are approximately 1,000,000 to 1 with the odds of winning any prize are 50 to 1.

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The Council decides the criteria for good causes to be eligible to benefit from the lottery and determines applications from relevant voluntary and community organisations

Based on the model of 60% of ticket sales going directly to good causes, the following table shows the potential annual income generated for eligible voluntary and community organisations.

Weekly Ticket Sales	Income for Good Causes
500	£15,600
1,000	£31,200
1,500	£46,800
2,000	£62,400
2,500	£78,000

As way of an example, the first Council lottery was established by Aylesbury Vale District Council in November 2015. It has gradually built over time and is now raising £86,000 each year for good causes in the district.

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### **Annex B – The Criteria for Organisations Joining the Surrey Heath Lottery as Good Causes**

We encourage as many organisations as possible to join the Surrey Heath Community lottery as one of the eligible good causes. As you will be joining under our overall gambling licence (Gambling Act 2005), we have to ensure that organisations meet certain criteria. There is no application fee.

#### **Your organisation must:**

- Provide community activities or services within the Borough which meet the need of Surrey Heath residents
- Have a constitution
- Have a bank account
- Operate with no undue restrictions on membership
- Be either:
  - A registered charity, with a board of trustees: or
  - A registered Community Interest Company: or
- Any other constituted group with a volunteer management committee comprising of at least 3 members and which meets at least three times a year.

#### **We will not permit applications from:**

- Groups promoting campaigns that do not directly relate to the provision of community activities or services within Surrey Heath
- Organisations what do not work within the Borough boundaries
- Individuals
- Organisations which aim to distribute a profit
- Organisations with no established management committee/board of trustees (unless a CIC)

#### **We are also unable to accept applications that are incomplete.**

#### **The Council reserves the right to:**

- Reject any application for any reason: and
- Terminate the participation of any organisation with a minimum of 7 days' notice for any reason; unless fraudulent or illegal activity is suspected in which case termination will be immediate.