

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET EXECUTIVE
6th November 2018**

REPORT AUTHOR: County Councillor Rosemarie Harris
Leader of the Council

SUBJECT: Local Authority Lottery

REPORT FOR: Decision

1. Summary

This report explores the options relating to the establishment of a local authority lottery for Powys which would support the local voluntary and community sector.

2. Background

The establishment of a local authority lottery is a concept being explored by a number of local authorities (no scheme currently exists in Wales). At a time when there are increasing pressures on financial support that local authorities are able to provide to the voluntary and community sectors, they are seen as a way of providing support and to bring in additional funding.

The Gambling Act (2005) includes as a permitted category a 'local authority lottery'. Local authority lotteries are promoted by the local authority and must be licenced by the Gambling Commission. Authorities may use the proceeds for any purpose for which they have power to incur expenditure.

Aylesbury Vale was the first local authority to launch a lottery (November 2015), this is administered in partnership with Gatherwell, an External Lottery Manager (ELM)¹. Since then there have been over 50 lottery launches in the UK. However no such lottery has been launched by a Welsh local authority. Therefore, should Powys County Council opt to launch a lottery, they would be the first local authority in Wales to do so.

Developing such a lottery in Powys would help fund discretionary support for local third sector and community groups, and enable such organisations to raise funds directly for themselves. Additionally all funds raised by the lottery would be spent within Powys, and provide benefits to the people and communities of Powys.

¹ An ELM is defined in Section 257 of the Gambling Act (2005) as someone that is a person or a body who makes arrangements for a lottery of behalf of the local authority but is not a member, officer, or employee of the authority. All ELM must hold a lottery members operating licence issued by the Gambling Commission before they can manage a local authority lottery with a local authority.

3. Lottery Operation

There are two options for running a local authority lottery:

- a) Running it in house – research undertaken by other local authorities has found significant costs (relating to staffing, software purchasing costs etc.) with regards to running a lottery in house.
- b) Partnering with an ELM – other than initial start-up costs, the operation of the lottery would be fully funded through the ticket proceeds, and the ELM would bring all the skills and expertise to manage the lottery process.

Should Powys County Council wish to develop a local authority lottery, it is considered that appointing an ELM (option b) would be the most cost effective solution. If it was decided to run a lottery in-house, the lack of expertise within the Council, and the costs of launching an in house lottery would be prohibitive (appointing an ELM is consistent with other local authorities). Whilst other lottery providers exist, Gatherwell Ltd is the only provider of a dedicated online local authority lottery. Other ELMs do exist but these do not specialise in the operation of a local authority lottery.

If a model similar to that of Aylesbury Vale (and other local authorities) is developed using Gatherwell, a potential scheme would operate as follows:

- Tickets are purchased (online) for £1 and each ticket has a 1 in 50 chance to win. Players sign up online, and payment is via Direct Debit or payment card (taken either on a monthly recurring plan or on a 3/6/12 month, one off payment).
- Players can choose to either support a central fund, or a specific good cause (authorised by the Council);
- Prizes are likely to be in the range of free tickets for matching 2 out of 6 numbers, to a maximum prize of £25,000 for matching all 6 numbers. To win the jackpot, the ticket must match both the numbers and the sequence as drawn;
- Draws take place every Saturday using the Australian Super 66 Lotto², with results posted online and winners notified by email. Prize money is transferred into a nominated account, or it can be donated to a good causes.
- Money raised for good causes is paid automatically on a monthly basis.

Those participating in the lottery have two playing options to support:

- a) Specific Good Cause – Players support a specific organisation who have signed up to, and have been authorised by Powys County Council to be part of the scheme. This motivates participating organisations to encourage more players to support them, and therefore generate more income for themselves. Organisations who have signed up get their own branded webpage, and regularly updated bespoke marketing materials to help them engage with payers. This option would remove barriers for organisations who may struggle to

² <https://www.australiangambling.lv/lotto/super-66-lotto-strike/>

access other funding streams of aspire to run their own lottery. Organisations keep 50% of all ticket sales generated through their page, whilst 10% goes to the central fund. The Council would control which organisations can join the umbrella scheme, and the criteria that organisations would need to meet in order to join.

- b) Central Fund – Players do not specify an organisation to benefit from their ticket purchase. All monies raised would be distributed through a new grant scheme – the details of how this works are to be developed. As the lottery grows, it could help towards the cost of funding and support arrangements that the Council may have with the third sector and community groups. This approach may also have organisations who may have fewer local supporters and/or less ability to generate funding support.

Gatherwell are fully insured in respect of the prize fund commitments, and the charitable proceeds from ticket sales. Under the arrangement with the ELM there is a guaranteed pay out of £25,000 per winner (if multiple people win the jackpot it is not shared). In the event of no winners, the prize does not rollover.

The income from each £1 would be broken down as follows:

	Specific Good Cause (% allocation)	Central Fund (% allocation)
Prizes	20	20
Specific good cause	50	-
Central fund (Council nominated good causes)	10*	60*
Administration	17	17
VAT (can be reclaimed)	3	3

**minus licence and marketing costs*

60% of all ticket sales would therefore go to good causes, this compares to 28% in the National Lottery. Based on the performance of local authorities that have already launched a lottery, it is estimated that typically between £30,000 and £60,000 can be raised for good causes in Powys, on an annual basis. An organisation only needs to sell 20 tickets a week, for a year, to generate £520 for their good cause.

Set out below is a player modelling analysis (based on 2016 mid-year population data). It shows that a very conservative level of participation can generate considerable funds for voluntary/third sector organisations:

Percentage of Powys population (16+) playing	Number of players	Gross Return (£)*	Received by voluntary/third sector organisation (£)*
0.5	554	28,833	17,300
1	1109	57,666	34,600
1.5	1663	86,499	51,899
2	2218	115,332	69,199
2.5	2772	144,165	86,499

**based on £1 per ticket per person per week.*

Role of Powys County Council

In order to operate a Local Authority Lottery, a Local Authority Lottery Licence would need to be granted by the Gambling Commission. There would need to be a contractual agreement with Gatherwell to run the lottery, however the Council would retain obligations to the Gambling Commission, including policies on fair and open gambling. Powys County Council are required to have two officers named on this licence from the Gambling Commission. It is recommended that the Section 151 Officer and Head of Regeneration are these named officers.

The Council would need to promote and launch the lottery to good causes who may wish to sign up, and to ensure that these organisations are compliant with the conditions as set out in Annex A. The Project Officer Events/Civil Contingencies) will undertake this role. This officer will also draw up guidance for how the money accumulated in the central fund will be distributed, and be responsible/provide support for the Powys Lottery Project Group/Lottery Management Panel.

Apart from at its launch, Powys County Council would not be required to promote the lottery, and it is not required to be council branded, the promotion itself is undertaken by Gatherwell and the causes that will benefit from the scheme. This ensures that the public are not under the perception that the council is fundraising to deliver services.

4. Financial and Resource Implications

Based upon entering an agreement with Gatherwell Ltd. there would be an initial set up cost of £5000. Followed by an annual cost of £348 for the Gambling Commission Licence and £350 for Lottery Council Membership, plus an additional application cost of £275 in the first year. The annual costs can be reclaimed through the lottery ticket sales income. Aylesbury Vale Council allocated £3000 to launch and market the scheme, something which is deemed necessary.

There would be initial officer time required to apply for the relevant licence, and develop the required policies and criteria. This can be managed within the existing resources of the Regeneration and Economic Development Team. In addition there will need to be some marketing and promotion of the lottery with the good causes and the general public. Gatherwell undertake the majority of the administration of the scheme, however there will be an ongoing administration requirement from the Council to accept/reject prospective good

causes on application based on an agreed criteria and distribute payments from the Central Fund to good causes on a monthly basis based on agreed criteria, this will be funded within existing resources of the Regeneration Service. The majority of the financial transactions will be undertaken by Gatherwell Ltd, Powys County Council will receive on a monthly basis, the money raised for the central fund, and this will then be redistributed as grant funding administered by the Regeneration and Economic Development Team, within existing budgets.

There is very little financial risk to Powys County Council, as once the lottery is up and running, all costs are met through income from ticket sales. Should the lottery fail, the only loss to the Council would be start-up costs, licence fee, and Lottery Council membership fee (approximately £6,300). The ELM has insurance for the jackpot prize, protecting the lottery from financial difficulty in the event of one or more jackpot winners.

5. Summary

Through the establishment of a Local Authority Lottery, Powys County Council has the potential to raise additional funds for the third sector. Whilst the Council can do some promotion, the success of the lottery will be down to the promotion of the lottery by the third sector to the community. Should the scheme be successful it is anticipated that there will be a reduced need for community grants provided by the Council.

If Powys County Council decide to launch a Local Authority Lottery, they would be the first Welsh local authority to do so, demonstrating the commitment of the Cabinet and the wider Council to develop innovative approaches to supporting communities within Powys.

6. Proposal

To invite Gatherwell to develop a Local Authority Lottery in Powys, the proceeds of which will be able to directly support third sector and community organisations, as well as contribute to a central fund. The proposal would generate good publicity for Powys County Council as well as help third sector and community organisations to raise funds directly for themselves.

7. Vision 2025

This proposal will directly contribute to the residents and communities' priority of Vision 2025. The Local Authority Lottery will allow the Council to work alongside voluntary and community organisations to support them in delivering a range of services, enabling the building of stronger, more resilient communities. The proposal will also contribute to the generation of a prosperous economy in Powys, by helping to strengthen the fundraising capability in the voluntary and community sector in Powys.

Obviously no change in business practice is without an element of risk, the main identified risks and mitigating actions are below:

Identified Risk	Mitigating actions
Lottery does not perform, and tickets	Robust communications plan to be

are unsold.	put in place, voluntary and third sector groups would also undertake marketing.
Low take up from voluntary and third sector groups.	Strong marketing to Powys County Council database, and through PAVO. Utilise case studies from other successful local authorities.
ELM does not perform sufficiently.	Project monitoring.
Reputational risk to the Council is affected due to poor performance.	Project monitoring and marketing.
Gambling responsibilities	Being only playable by direct debit and pre-arranged sign up. A section will be provided on the website to link to gambling support organisations.

8. Options Considered/Available

Option 1: Not to agree to the proposals. This is not recommended as this proposal will help to fund discretionary support to the voluntary and community organisation and enable such organisations to raise funds directly for themselves. All funds raised through the lottery would be spent in Powys and benefit local people and communities.

Option 2: To set up an in house lottery. This option would require staffing, including a lottery manager, and the purchase/running of software systems. The costs of this have been explored in detail by other local authorities, and found to be prohibitive in the short term.

Option 3: To agree to the proposals, and invite Gatherwell to manage a local authority lottery in Powys. This option would be cost effective, as other than the initial start-up costs, the operation of the lottery would be fully funded through the ticket proceeds, and Gatherwell would bring in the skills and expertise required to run all elements of the lottery process. Proceeds from the lottery would be used to support the third sector and community groups in Powys. The Council's operational involvement would be minimal, but Powys County Council would retain full control, oversight and governance of the scheme.

9. Preferred Choice and Reasons

Option 3, to agree to the proposals, and use the services of Gatherwell to manage a local authority lottery in Powys, which would be of benefit to good causes in Powys³.

³ In terms of procurement rules, the provision of lottery services is a public service concession. However, under the current Concessions Contract Regulations 2016, specifically under Regulation 10(13), lottery services are expressly excluded from being governed by the procurement rules. Given the Council would be an enabler and not be taking any money. All that would be required would be a contract between the Council and the ELM. Notwithstanding the appointment of an ELM, the Council would retain obligations to the Gambling Commission to ensure that the lottery is conducted in a lawful and fully compliant way.

There is no requirement to carry out a competition to appoint Gatherwell because of the exclusion of lottery services from the procurement rules; however the Council's procurement guidelines will be followed. The Council must satisfy itself that Gatherwell holds a valid operating licence, personal management licences (if appropriate) and will conduct the lottery in a lawful and compliant way. The Council will be required to complete any due diligence on Gatherwell.

Under this proposal Gatherwell would carry out all the day-to-day management of the lottery, including processing new players, distributing prizes, income for the third sector and community organisations (once approved by the Council), and assisting the players should they experience difficulties.

Launching a local authority lottery fits in with the changing business model of the Council from being the provider of all services to one where there is a mix of delivery models for buying and selling services. Given changes that are occurring to voluntary/third sector funding, a Powys Lottery would create a new income stream for these organisations, helping to address funding pressures and provide benefits to the people and communities in the county.

A local authority lottery scheme will enable voluntary and community organisations within Powys to develop new fundraising capability with minimal or no cost, and allow the Council to continue to support good causes by supplementing the community grants budget.

Until the level of funds being raised is known, it is difficult to anticipate how much money may be generated. An annual review would be undertaken to ensure the lottery is operating in line with its aims, and to agree to any necessary changes.

By agreeing this proposal, Powys County Council would adopt a proactive approach and be the first local authority in Wales to run a lottery. The proposal follows a method that has been tried and tested by many English Councils. Namely to procure the services of Gatherwell to run and promote a Powys Lottery.

Sustainability and Environmental Issues/Equalities/Crime and Disorder/Welsh Language/Other Policies etc

Lotteries are the most common type of gambling activity across the world, and considered to be a low risk form with respect to the emergence of problem gambling. This is due to its relatively controlled form. Licence holders and operators must comply with legislation and are regulated by the Gambling Commission. To minimise risks such as underage gambling, weak financial management, and potential fraud, the proposed Powys Lottery would follow the Gambling Commission's operational guidelines.

Assurance has been sought to ensure that all materials relating to the lottery will be available bilingually (Welsh/English), Powys County Council Translation Unit will assist with the translation of documents/website content.

Data Protection

Powys County Council and Gatherwell will be joint data controllers, for the personal information to be processed. Appropriate documentation and agreements will be developed in support of the use of personal data and to ensure compliance with current data protection legislation.

Children and Young People's Impact Statement - Safeguarding and Wellbeing

Those aged under 16 will be prevented from participating in the proposed local authority lottery, and it will be delivered in accordance with strict Gambling Commission and industry guidelines.

Local Member(s)

The proposed local authority lottery will be available to all Powys residents and will be marketed as such, therefore it will not have a particular impact on, or significance on any individual electoral divisions.

Other Front Line Services

The proposed local authority lottery has the potential to support front line services. It will allow the voluntary sector to generate new fundraising capability with little or no cost to the Council. Which will allow them to further support our activities.

Support Services (Legal, Finance, Corporate Property, HR, ICT, BPU)

Legal Comments: The recommendations can be supported from a legal point of view.

Finance Comments: The proposed lottery would be of benefit to good causes in Powys especially in this time of austerity when grants to the Voluntary and Community Sectors are being reduced. The start-up costs of the lottery will be funded from the Regeneration budget and the ongoing administration costs of the lottery will be funded from the existing revenue budget of the Regeneration Service.

Corporate Communications

The Regeneration Team have confirmed that the selected ELM will be responsible for creating the branding for the lottery as well as the ongoing marketing of the scheme. The council's corporate communications team will help cross promote the scheme through corporate channels e.g. Twitter, Facebook and other social media and re-issue all relevant communications and marketing outputs developed by the ELM through corporate channels. The EMT will be responsible for the marketing campaign of the lottery

Statutory Officers

The Head of Financial Services (Deputy) S151 Officer acknowledges the comments from Finance and confirms that this approach will have a set up

costs of £5k. Appropriate advice has been sought from Commercial Services and Insurance, and if necessary further due diligence around these areas will take place before the scheme commences.

The Solicitor to the Council (Monitoring Officer) commented as follows: "I note the legal comments and have nothing to add to the report".

Members' Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:	Reason for Recommendation:
<p>1. To use the services of an ELM to manage a local authority lottery in Powys, with proceeds being used to support the third sector/community groups in Powys.</p> <p>2. To agree that 50% of the proceeds will directly support an organisation of the players choice (or a central fund), an additional 10% of proceeds will contribute to a central fund for community/third sector grants.</p> <p>3. To adopt the eligibility criteria for participating organisations as outlined in Annex A</p>	<p>To enable voluntary and community organisations within Powys to develop new fundraising capabilities with minimal or no cost, and allow the Council to continue to support good causes by supplementing the community grants budget.</p>

Relevant Policy (ies):	Non-applicable		
Within Policy:	Yes	Within Budget:	Yes

Relevant Local Member(s):	All
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Person(s) To Implement Decision:	Greg Thomas
Date By When Decision To Be Implemented:	January 2019

Contact Officer Name:	Tel:	Fax:	Email:
Dr Greg Thomas	01597 82 6149		greg.thomas2@powys.gov.uk

ANNEX A – GOOD CAUSE ELIGIBILITY CRITERIA

We want to enable as many organisations as possible to join the good causes lottery under the Powys Community Lottery. 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 Powys, which are of benefit to the residents of Powys;
- 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.

And be either:

- A constituted group with a volunteer management committee with a minimum of three unrelated members that meets on a regular basis (at least three times per year);
- A registered charity, with a board of trustees.

Or:

- A registered Community Interest Company (CIC), and provide copies of your Community Interest Statement, details of the Asset Lock included in your Memorandum and Articles of Association, and a copy of your latest annual community interest report.

We will not permit applications from:

- Groups promoting a particular religious or political belief or activity, or a campaign that does not directly relate to the provision of community activities or services within Powys;
- Organisations that do not do work within the boundaries of Powys;
- 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.

The Council will reserve its rights to not accept or cease to license any organisation with a minimum of 7 days notice for any reason. If fraudulent or illegal activity is suspected cessation will be immediate.