

Rother District Council

Report to: Cabinet

Date: 8 February 2021

Title: Development of a Local Lottery to support community funding

Report of: Head of Service - Acquisitions, Transformation and Regeneration

Cabinet Member: Cllr Susan Prochak

Ward(s): All

Purpose of Report: To consider the development of a local Lottery to support community funding

Decision Type: Key

Officer

Recommendation(s): **Recommendation to COUNCIL:** that:

- 1) a Rother Community Lottery is established.

AND

It be **RESOLVED:** That:

- 1) the income generated from the Rother Community Lottery central fund is apportioned to the Rother Community Grants Scheme; and
- 2) The Head of Service for Acquisitions, Transformation and Regeneration be delegated authority to:
 - a. procure and appoint an External Lottery Manager to run the day-to-day operations of the lottery;
 - b. develop and complete the works as set out in this report as necessary for the completion of establishing a Rother Community Lottery.

Reasons for

Recommendations: To ensure the long-term sustainability of the Community Grants programme which is currently funded exclusively from reserves.

Introduction

1. Rother District Council has a strong track record of supporting local community and voluntary groups (VCS) to deliver voluntary services, projects and activities

in the community. The Rother Community Grants scheme (CGS) directly funds up to £130,000 per year.

2. A local lottery would support community projects in the district on the principle of raising money within the community for the community. A lottery could be an alternative income stream for VCS by directly benefitting from a percentage of lottery ticket sales when their cause is selected by lottery players, whilst at the same time supporting the CGS budget at a time of financial challenges.

Background

3. A lottery is a form of gambling that has three essential elements:
 - a) Payment is required to participate
 - b) One or more prizes are awarded
 - c) These prizes are awarded by chance
4. Until a few years ago, local authorities had not promoted a lottery as a form of fundraising due to perceived risks to a council's reputation, contradictions with anti-poverty work, and concerns about the gambling aspects of such a service. However, there is now a clear precedent set for local authorities to get involved in this kind of activity, as long as the marketing material is clear that it is principally a fundraising platform for local good causes, the lottery is properly regulated, and supports the licensing objectives set out in the Gambling Act 2005.
5. Local authority lotteries are lotteries promoted by local authorities themselves. Authorities may use the net proceeds of such lotteries for any purpose for which they have power to incur expenditure.
6. Lotteries must return a minimum of 20% of the proceeds to the purpose of the society or local authority. The amount awarded to good causes and prize fund is dependent on the lottery model used. This can range from 20%-80% across both elements.

Lottery Delivery Options

7. There are two options for the delivery of a lottery scheme that have been considered:
 - a) Establish an **in-house Lottery** - This would require creating several new posts, systems and processes and it is estimated that the cost to the Council would be in the region of £80,000 to £100,000 for set-up costs alone. This would include a lottery manager and the necessary development of software systems to enable the lottery to run. The financial risk, if the lottery were not successful, would be borne by the Council.
 - b) Appoint an **External Lottery Manager (ELM)** –. This entails 'buying-in' the skills and expertise of an existing provider and passing the financial risk to that provider. The ELM would deliver all aspects of running the lottery, including ticket sales, revenue collection, prize management and licensing,

and share with RDC and the good causes, the responsibility for the launch and ongoing marketing.

8. The preferred option is to use an ELM as this mitigates the Council's financial risk.

Social Responsibility and Lottery Licence

9. Community lotteries are classed as low risk by the Gambling Commission with respect to the emergence of problem gambling; they are considered a form of 'incentivised giving'.
10. The lottery will help mitigate against many of the issues relating to addictive gambling by:
 - a) Being only payable via pre-arranged sign up (not 'spur of the moment') and non-cash methods, as players must pay in advance.
 - b) There is no 'instant gratification' or 'instant reward' to take part, due to the midnight deadline whilst the results are released the following day.
 - c) Promotion of the lottery will be mainly via the good causes to their supporters.
 - d) The lottery will be fully compliant with the Gambling Commission's licensing code of practice, which includes self-exclusion and links with support organisations.
11. All ELMs must hold a lottery manager's operating licence before they can manage a lottery on behalf of a local authority. This is in addition to the operating licence held by the local authority. It is important to note that whilst ELMs may run a lottery on behalf of the local authority, it is the responsibility of the local authority to ensure that the lottery is conducted in such a way as to ensure that it is lawful, and fully complies with the Act, all licence conditions and licensing codes of practice.
12. The Council, as licence holder, must take all reasonable steps to ensure that information about how to gamble responsibly and how to access information and help in respect of problem gambling is readily available.
13. The minimum age for participation in a local authority lottery is 16 years. A person commits an offence if they invite or allow a child (someone under 16) to enter such a lottery. The Council will ensure that appropriate written policies are in place to help prevent and deal with cases of under-age play. The ELM will require players to declare their age as 16 or over and undertake back office and random checks to verify dates of birth and ensure no under-age players. As part of the licensing objectives the Council are required to ensure that children and other vulnerable people are not harmed or exploited by the lottery.
14. A local authority is required to have at least one Personal Management Licence (PML) folder for the authority, even if the lottery is run by an ELM. It is recommended to appoint two responsible officers for the Gambling Commissions lottery licence.

Costs and Potential Income of a Rother Community Lottery

15. The expected set up cost is £10,000 to include, but not limited to, the appointment of an ELM, Gambling Commission Licence fee, Lotteries Council Membership and marketing costs. On-going costs can be expected to be approximately £1,200 pa plus an element for marketing. There is no annual cost for the ELM as this would be covered by the administration element on ticket sales.
16. It is expected most of the officer time would be upfront in the set-up of the lottery, this includes, but is not limited to:
- The procurement of an ELM to provide support to RDC, setup and to run the operation side of the lottery.
 - Applications for the Gambling Commission licence to enable the lottery to operate.
 - Applications for personal licences.
 - Approval of policies and procedures associated with the lottery.
 - Application for membership to the Lotteries Council.
 - Agree the criteria for determining which good causes should participate in the Lottery aligned with the CGS.
 - Promotion of the scheme.
 - Engagement with internal stakeholders.
 - Engagement with community and voluntary groups.
17. Dependant on the model once set up, the primary role of the Council will be to complete monitoring, codes of practice and social responsibility requirements by the Gambling Commission, authorisation of payments and acceptance of new community and voluntary groups to the scheme, and marketing and promotion of the scheme. From research, the officer time commitment estimation is one day a month.
18. Lottery income to the Council and community and voluntary groups and prize fund is dependent on the delivery lottery model chosen and lottery ticket sales. In addition, VAT from ticket sales can be claimed. Using insights of an ELM, first year sales can be between expected to be between 0.5% -1.5% of the 16+ population at 1.8 tickets bought a week. Using the same ELM lottery model as other East Sussex Local Authority schemes, the following projections can be made:

Ticket price £	% of pop	Number of players each week	ticket sales pa £	For VCS	For Rother CGS	Total for good causes	VAT to be used for ongoing/ CGS
1	0.5	408	£38,189	£13,366	£9,547	£22,913	£1,146
1	1	816	£76,378	£26,732	£19,095	£45,827	£2,291
1	1.5	1224	£114,566	£40,098	£28,640	£68,738	£3,437

*RDC estimated population 16+ = 81621

19. For comparison purposes, Eastbourne Borough Council has an estimated 16+ population of 85,812 and its lottery scheme has been established for two years raising on average £49,300 pa for total good causes.
20. Officers have completed an analysis to assess the position for implementing a Rother Community Lottery available at Appendix A.

Conclusion and Recommendations

21. Members are asked to consider the establishment of a Rother Community Lottery for the purpose of raising funds to support good causes, benefitting the residents of Rother.
22. A Rother Community Lottery will enable voluntary and community groups to access funding by contributing to the success of the lottery. It will also ensure that funding can be drawn into the support the Community Grants scheme which will replace a proportion of the Rother District Council 'earmarked reserves' currently used to support this scheme.
23. It is recommended that a Rother Community Lottery is established and that the Head of Service - Acquisitions, Transformation and Regeneration be granted delegated authority to agree the necessary contracts.
24. It is also recommended that the net income generated from a Rother Community Lottery central fund be apportioned to support the Rother Community Grants Scheme, offsetting contributions from reserves.

Financial Implications

25. There is a risk of the lottery not performing as well as expected and not producing the anticipated levels of income. Using an ELM mitigates this through passing on the financial risk.

Legal Implications

26. A lottery must be run under an operating licence issued by the Gambling Commission and on would need to comply with the specific licence conditions and relevant codes of practice and social responsibility matters.

Environmental Implications

27. There will be no paper ticket sales – the lottery would operate online only, minimising the environmental impact. The Community Grants support several environmental projects which contribute to the delivery of the Environment Strategy. Ensuring the long-term sustainability of this funding is beneficial for environmental causes. Local environment organisations who meet the scheme

criteria will be able to sign up to the scheme, benefitting directly from lottery ticket sales when their cause is chosen.

Other Risk Implications

28. There is a risk that the voluntary and community sector choose not to engage with the initiative.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	Yes	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	Yes		

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Appendices:	A – Benefits Analysis
Relevant Previous Minutes:	n/a
Background Papers:	n/a
Reference Documents:	n/a

Benefit Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Potential additional unrestricted source of income and funding for VCS • Can apply at any time for the scheme, not restricted to rounds • Increase opportunities for funding/support to schemes which cannot be funded by existing CGS • Minimal set up costs, and self-financing, minimal financial risk • Precedent for Local Authorities to have a lottery scheme – over 80 have implemented • Local VCS fundraising in partnership with RDC • Recommended by other Local Authorities
<p>Weaknesses</p> <ul style="list-style-type: none"> • Rother has competing/ differing needs throughout the district • Limited monitoring the value of community projects completed funded through the scheme • Smaller groups may lose out because they do not have the capacity/skills to become part of the process
<p>Opportunities</p> <ul style="list-style-type: none"> • Additional volunteers may be recruited for community projects • May become aware of larger number of community groups • Positive PR opportunities – constant stream of winners and local VCS projects • RDC seen as an enabler to Communities • Raising profiles of VCS • Raising funds to support the Rother CGS funding levels • Delivery proceeds locally – communities raising money for the community
<p>Threats</p> <ul style="list-style-type: none"> • Lottery Fatigue – lottery ticket sales fall • Conflict with other local/national lottery schemes • VCS not engaging with the initiative. The lottery model will only work if VCS organisations register, as it is the VCS who will promote the lottery in partnership • Legal and licencing implications • Social responsibility • Council's reputation – gambling • Fails to generate enough funds to support the Rother CGS funding levels