

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Cabinet Delegated Decisions

13 January 2023

TITLE:	Community Lottery
PORTFOLIO HOLDER:	Councillor Ross Ward - Portfolio Holder for Communities
CONTACT OFFICER:	David Smith - Head of Communities and Climate Change
WARDS INVOLVED:	All

Appendices Attached – Gatherwell Gambling Mitigation

1. Reason for the Report

- 1.1 To gain agreement to introduce an on-line Community Lottery (“the Lottery”) to help raise funds for the local voluntary and community sector, and support good causes within the district

2. Recommendation

2.1 That the Portfolio Holder:

- Agrees to the establishment of a Community Lottery for the purpose of raising funds to support good causes that benefit residents of the district.
- Approves the procurement of Gatherwell as an External Lottery Manager to run the operational side of the lottery.
- Authorises the Executive Director (Governance and Commissioning), in consultation with the Portfolio Holder for Communities, to establish criteria for determining which good causes can participate in the Lottery, and apply those criteria.
- Authorises the Executive Director (Governance and Commissioning) to apply for any necessary licences from the Gambling Commission to enable the Lottery to operate.
- Nominates the Head of Communities and Climate Change as the personal licence holder for the Lottery and authorises him to apply for the personal

licence.

- Delegates the management and oversight of the Lottery and the authority to approve appropriate policies and procedures associated with the Lottery to the Executive Director (Governance and Commissioning).

3. **Executive Summary**

- 3.1 The cost-of-living crisis and other financial pressures impact on the ability of local voluntary and community sector organisations (referred to in this report as ‘good causes’) to operate at a time when such services are, arguably, of increasing importance to our residents. Several councils have introduced a local lottery to provide an additional source of income for such organisations.
- 3.2 Lotteries are the most common type of gambling activity across the world and are considered to be ‘low risk’ with regards problem gambling. Local authority lotteries are permitted under the Gambling Act 2005 and are regulated by the Gambling Commission.
- 3.3 This report proposes to introduce a Staffordshire Moorlands lottery that raises money for local good causes, produces local winners, maximises benefits to the community (up to 60% of proceeds would go to local causes), facilitating wider benefits for the voluntary sector whilst minimising costs.
- 3.4 It is proposed that Gatherwell, an External Lottery Manager, is used to oversee the operations of the local lottery rather than allocating officer time and significant cost to setting up and managing an in-house lottery.
- 3.5 The Lottery will primarily be available online to minimise the costs of distribution and sales that would be incurred through other operating models. The lottery will be accessed via a desktop, mobile, or tablet (with a telephone option for those who don’t have access to the internet). No tickets will be sold in shops, offices or on the street.
- 3.6 The lottery would focus on enabling local good causes to raise additional funding for their services Each ticket would cost £1, and of this:
- 60p would go to local good causes (which compares favourably with other lotteries, such as the Health lottery which allocates 20% to good causes and the UK Lotto which allocates 28%)
 - 20p would be allocated for prize money
 - 17p would go to the External Lottery Manager, and
 - 3p would be VAT, which is reclaimable by the Council.
- 3.7 Under the proposed scheme, players would be able to give their contribution to a Staffordshire Moorlands Community Fund or any local good cause that is signed up to the scheme. In the latter case, 50p goes directly to the chosen good cause and 10p to the Community Fund.

- 3.8 The Community Fund will be used to cover the annual running costs (primarily the annual Gambling Commission licence and Lotteries Council membership fees) with the remainder being distributed by the Council to good causes. The Council would need to develop a process for distributing funds from the Community Fund, which is consistent with the purposes for which the Authority has the power to incur expenditure and supports delivery of the Council's corporate plan.
- 3.9 Lotteries are the most common type of gambling activity across the world and considered to be a 'low risk' form with respect to problem gambling. This is due to its relatively controlled form (compared with, for example, slot machines or scratch cards). The Lottery will be designed to mitigate against the problem of addictive gambling.

4. **How this report links to Corporate Priorities**

- 4.1 The money raised by the lottery would support Aim 1: To help create a safer and healthier environment for our communities to live and work.

5. **Alternative Options**

- 5.1 Three alternative options have been identified:

- Do not introduce a lottery.
- Deliver the lottery in-house This is not considered to be a viable option given estimated set up costs of £80k-£100k, and the Council does not have the necessary skill or resource to establish a lottery.
- Use an alternative ELM. Other ELMs exist but do not specialise in delivering Community lotteries on behalf of local authorities and as such, do not have the same level of understanding of local authorities' needs and requirements as offered by Gatherwell.

6. **Implications**

6.1 Community Safety - (Crime and Disorder Act 1998)

It is likely that the good causes supported by the community lottery will provide diversionary activities that may assist in reducing anti-social behaviour.

The impact on problem gambling behaviour is discussed in the body of the report and considered to be low risk.

6.2 Workforce

The Council must nominate someone to hold a Personal

Management Licence.

Some additional, but minimal, staff time will be required to vet local good causes and promote the scheme via the Council's existing media channels.

6.3 Equality and Diversity/Equality Impact Assessment

No adverse impacts have been identified.

6.4 Financial Considerations

Gatherwell have agreed to waive their usual set up fee of £5,000 if the Council commits to establishing a lottery with them before 31 December 2022: This setup fee covers website design, hosting, maintenance and development; payment gateway investments (dedicated Direct Debit and payment card accounts; dedicated support telephone number, email and social media accounts; marketing strategy support and generic design creation; gambling licence application support; and training for licence holders.

The Council would need to cover the following costs:

- Gambling Commission licence - £692 per year plus £244 application fee;
- Lotteries Council membership - £350 per year plus £25 application fee;
- Launch event – costs of circa £1,000 but will be kept as low as possible.

Once launched, the Council will be required to pay annually for a Gambling Commission licence and Lotteries Council membership (the current combined cost for these is £1,042).

Ongoing marketing of the lottery will mainly be the responsibility of individual good causes who will promote the lottery to their supporters and the general public in anticipation of raising income.

The Council will provide additional support by placing promotional material and press releases in relevant publications and on-line, and possibly by providing additional prizes (such as vouchers) to promote sales. It is anticipated that this will be a minimal cost, both in terms of officer time and money as this type of support will only occur 3 or 4 times per year, at most.

The Council will use the Community Fund to pay for the ongoing costs of the lottery with any surplus given to local good causes. Gatherwell suggest that it would not be unreasonable for the Community Fund to amount to over £10,000 per annum.

Gatherwell do not charge a set annual fee, as their costs will be covered by the 17p service charge from each £1 ticket.

Other well established local authority lotteries are achieving an average of 1,600 to 2,800 tickets per week. Based on 52 weeks per year and a 50p contribution, monies raised directly for good causes over the year could be within the range £41,600 to £72,800.

Based on the estimated ticket sales above, the amount retained by Gatherwell from ticket sales could be in the range of £272 - £476 per week. This gives an estimated contract value for contracting with Gatherwell of £14,144 - £24,752 per year. The initial contract period will be for one year with an option to extend for a further year, depending on the success of the Lottery and the value of proceeds each financial year.

6.5 Legal

Lotteries are regulated by the Gambling Commission under the Gambling Act 2005 ("the Act").

6.6 Climate Change

It is likely that the good causes supported by the community lottery will provide diversionary activities that may assist in tackling climate change.

6.7 Consultation

Preliminary discussion have taken place with representative of the voluntary sector.

6.8 Risk Assessment

The report discusses potential risks to the Council's reputation due to the potential of gambling, and potential contradictions with anti-poverty work.

It is suggested that this is a low-risk project and that potential risks can be minimised by ensuring that the marketing material is clear that it is principally a fundraising platform for local good causes, the lottery is properly regulated, and the licensing objectives set out in the Act are supported.

In conclusion, it is suggested that the benefits to the voluntary sector outweigh the low-level risks that have been identified.

Mark Trillo

Executive Director (Governance and Commissioning)

7. Detail

- 7.1 The cost-of-living crisis and other financial pressures impact on the ability of local voluntary and community sector organisations (referred to in this report as ‘good causes’) to operate at a time when such services are, arguably, of increasing importance to our residents. Several councils, including Newcastle-Under-Lyme Borough Council, have introduced a local lottery to provide an additional source of income for such organisations. Lotteries are the most common type of gambling activity across the world and are considered to be ‘low risk’ with regards problem gambling.
- 7.2 Lotteries have long been a way of smaller organisations raising income with regulation provided by the Gambling Act 2005 (“the Act”). The Act permits several categories of lotteries including “local authority lotteries”. Such lotteries are promoted by a local authority and licensed by the Gambling Commission.
- 7.3 The net proceeds from a local authority lottery may be used for any purpose for which the authority has the power to incur expenditure. At least 20% of the proceeds of a local authority must be used for such purposes.
- 7.4 Local authorities have historically been reluctant to engage with this form of fundraising because of perceived risks to a council’s reputation, contradictions with anti-poverty work, and concerns about the gambling aspects of such a service. However, in the last few years local authorities have increasingly become involved in this kind of activity provided that the marketing material is clear that it is principally a fundraising platform for local good causes, the lottery is properly regulated, and the licensing objectives set out in the Act are supported.
- 7.5 Section 1 of the Act identifies three licensing objectives
- Preventing gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime;
 - Ensuring that gambling is conducted in a fair and open way;
 - Protecting children and other vulnerable people from being harmed or exploited by gambling.
- 7.6 Local authority lotteries can be run in-house or in partnership with an External Lottery Manager (ELM). An ELM is defined in section 257 of the Act as a person or a body that arranges a lottery on behalf of a society or local authority, but is not a member, officer or employee of the society or authority. All ELMs must hold a lottery manager’s operating licence before they can manage a lottery on a local authority’s behalf. This is in addition to the

operating licence that must be held by the local authority. Whilst ELMs may run a lottery on behalf of the local authority, it is important to note that the local authority remains responsible for ensuring that the lottery is conducted in a lawful manner; and fully complies with the Act, all licence conditions and licensing codes of practice.

- 7.7 In addition to operating licences from the Gambling Commission, a local authority is required to have at least one Personal Management Licence (PML) holder for the authority, even if an ELM runs the lottery. The ELM will have their own PML holders.
- 7.8 Initial discussion have taken place with Gatherwell who are recognised as a specialist and leading provider of local authority lottery schemes and are identified as low risk by the Gambling Commission. They are licensed by the Gambling Commission to run lotteries on behalf of good causes and local authorities across the UK. Starting in 2015 with Aylesbury Vale, they launched the first on-line local authority lottery in the UK and now have a growing network of over 100 local authorities, as well as over 1,000 schools across the UK using 'Your School Lottery' platform (which is where they evolved from).
- 7.9 Community lotteries attract several different types of supporters – those motivated by the odds and the prizes on offer, those with a dual motivation of giving to a good cause but with the incentive of winning a prize, and the altruistic supporter who will support because of the good cause alone and will often donate any prizes back to the good cause as well.
- 7.10 There are four well-known national lotteries running in England and Wales – the Euromillions, the National Lottery, the Health Lottery, and the Postcode Lottery. Set out in the table below are some background statistics regarding those providers for comparison:

Provider	Odds of jackpot win	Odds of any prize win	% share to good causes	% share to operator/owner
Euromillions	1:140m	1:13	28%	22%
National Lottery	1:45m	1:54	28%	22%
Health Lottery	1:2m	1:209	20%	22%
Postcode Lottery	Unclear	Unclear	27.5%	32.5%

8 Staffordshire Moorlands Community Lottery

Aims of the Lottery

8.1 The Lottery would need to have a set of aims or unique selling point that resonates with local players. It is suggested that there is a place for a lottery that is focused on:

Delivering the proceeds locally – a Staffordshire Moorlands Community Lottery would deliver benefits to local causes only i.e. players can be assured that the proceeds will stay within the district.

Maximising benefits to the community – it is proposed that up to 60% of proceeds goes to local good causes to encourage support and continue the work that the Council already does to support community and voluntary organisations.

Minimising costs – we will seek to minimise set-up costs, and ensure that the lottery is largely self-financing with a funding distribution mechanism taking advantage of existing distribution routes.

Delivering winners locally – whilst anyone could play, it is likely that players will be locally based, and hence it will be easier to maximise the value from winners' stories and encourage more participation.

Facilitating a wider benefit – in addition to providing direct support to good causes, the lottery will also enable local good causes to fundraise in partnership with the District Council (by encouraging ticket sales and directing support toward their good cause). This Council will *enable* good causes to help themselves, by reducing the barriers to lottery type funding (ie the costs of licensing and administration). It will also open up a way for good causes to create new links with repeat donors.

Management of the Lottery

8.2 There are two main options for delivery of a lottery are either in-house or through an External Lottery Manager (ELM):

- In-house – this option would see the setting up of the necessary posts and systems to run a lottery in-house. This has not been fully costed, but it is considered to be circa £80k-100k for set-up costs alone. This would include a lottery manager and the necessary development of software systems to enable the lottery to run.
- External Lottery Manager – this option would see a contract arrangement with an existing deliverer of lotteries in the market place. This in effect means 'buying-in' the skills and expertise of an existing provider and sharing the risk with them to deliver the lottery. The ELM will deliver all aspects of running the lottery, from ticket payments, prize management and licensing, and share with Staffordshire Moorlands and the good causes, the role of marketing.

- 8.3 It is proposed that an ELM is used to oversee the operations of the local lottery rather than allocating officer time and significant cost to setting up and managing an in-house lottery. There are few ELM's in the marketplace and only Gatherwell specialise in delivering local authority lotteries. It is therefore proposed to utilise Gatherwell as an ELM for the lottery, initially with an agreement for a one-year period with an option to extend to a second year.
- 8.4 Gatherwell function as ELM for over 100 district, metropolitan, county and unitary councils, and their remit is to increase funding to good causes. The Council has not obtained any other quotes as there does not appear to be any other company that can readily facilitate this type of local authority lottery.

Form of the Lottery

- 8.5 The Lottery will primarily be available online to minimise the costs of distribution and sales that would be incurred through other operating models. The lottery will be accessed via a desktop, mobile, or tablet (with a telephone option for those who don't have access to the internet). No tickets will be sold in shops, offices or on the street. This digital approach is consistent with the Council's Access to Services Strategy. The Council will need to hold a remote lottery operating licence to comply with the Act's requirements for such lotteries.
- 8.6 The suggested model would allow local good causes to 'sign up' to receive funding through the lottery. As noted below, players will be able to choose to allocate 50p of the £1 ticket price to a specific local good cause. This has the added benefit of motivating the good cause to encourage its supporters to sign up to the lottery. Local good causes that sign up will have their own landing page to help them to engage players and raise income. Players that buy tickets through that web page would know that the proceeds will go to that specific cause. This approach enables groups who might struggle to introduce their own lotteries (eg, holding their own licence and setting up infrastructure to enable the lottery to run) to benefit from this type of funding.
- 8.7 All lottery sales would be via a dedicated website and tickets by Direct Debit or via a credit/debit card. This approach keeps operating costs at a minimum and mitigates against the issues related to addictive gambling as payment is at specified times for specified amounts. Evidence from other participating local authorities has shown that over 50% of supporters use Direct Debit as a recurring payment method, creating a degree of income stability. The remaining 50% buy blocks of tickets in either 1, 3, 6 or 12 month blocks. It is not possible to buy individual tickets each week as the focus of the lottery is to provide rolling funding for good causes.
- 8.8 The Council would be the overall licence holder and control the good causes joining the scheme. The Council would need to define eligibility criteria against which applications for good causes wishing to join the lottery would be assessed. If the Council decides to proceed to establish a lottery then a further report will be produced to establish criteria that ensures that the lottery assists with the delivery of the broad priorities in the Council's corporate plan.

Allocation of Funds to Good Causes

- 8.9 The lottery would focus on enabling local good causes to raise additional funding for their services Each ticket would cost £1, and of this:
- 60p would go to local good causes (which compares favourably with other lotteries, such as the Health lottery which allocates 20% to good causes and the UK Lotto which allocates 28%).
 - 20p would be allocated for prize money
 - 17p would go to the External Lottery Manager, and
 - 3p would be VAT, which is reclaimable by the Council.
- 8.10 Under the proposed scheme, players would be able to give their contribution to a Staffordshire Moorlands Community Fund or any local good cause that is signed up to the scheme. In the latter case, 50p goes directly to the chosen good cause and 10p to the Community Fund.
- 8.11 The Community Fund will be used to cover the annual running costs (primarily the annual Gambling Commission licence and Lotteries Council membership fees) with the remainder being distributed by the Council to good causes. The Council would need to develop a process for distributing funds from the Community Fund, which is consistent with the purposes for which the Authority has the power to incur expenditure and supports delivery of the Council's corporate plan.
- 8.12 Where players choose to support a local good cause, then each 50p from each ticket sale is paid directly to that specific good cause on a periodic basis by the ELM.
- 8.13 Players also have the option to donate their winnings to their chosen good cause if they so wish (other local authority experience has shown that around 10% of winners donate their prize back to the good cause).

Operation of the Scheme

- 8.14 Lotteries run by Gatherwell are based on a different principle to the UK Lotto. The numbers used are the results of the Australian Super 66, which is a combination lottery that uses only the numbers 0 to 9 which are then randomly drawn by a computer. The Super 66 is drawn weekly on a Saturday morning (UK time) meaning that the deadline for participating in the local lottery would be midnight Friday.
- 8.15 Players (aged 16 or over) would be able to choose 6 numbers, and to win the weekly jackpot they 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. Players can purchase multiple tickets and can change numbers if they want.
- 8.16 The jackpot is an insured prize and is a guaranteed pay out of £25,000 per

winner (even if multiple people win the jackpot, it is not shared or rolled over). The ELM takes out insurance to cover all prizes and the risk of ticket sales not being sufficient to cover the prize pay-out would lie with the ELM.

	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
Overall odds of winning any prize	1:50	n/a

* Note: The odds of winning the Health lottery jackpot is 1:2m and the Euromillions jackpot is 1:140m

- 8.17 All day-to-day management will be conducted by the ELM. This includes processing new players, and distributing prizes and income for good causes. The ELM will also provide significant tailored marketing support to good causes and the Council, and assist players should they experience difficulties. However, it is the Council's decision as to whom it identifies as a good cause.
- 8.18 The ELM will send newsletters to all good causes signing up to the lottery providing updates on their lottery. The Council will help publicise the Lottery and support its take up. Apart from licensing and marketing costs, the lottery will be self-funding.
- 8.19 The process of setting up a local authority lottery normally takes about six months from the date of agreement to approval by the Gambling Commission.

Responsible Gambling

- 8.20 Lotteries are the most common type of gambling activity across the world and considered to be a 'low risk' form with respect to problem gambling. This is due to its relatively controlled form (compared with, for example, slot machines or scratch cards). The Lottery will help mitigate against many of the issues related to addictive gambling by:
- Being only payable via pre-arranged sign up (not 'spur of the moment') and non-cash methods.
 - There is no 'instant gratification' or 'instant reward' to take part, due to the midnight deadline whilst the results are released the following day.
 - Promotion of the lottery will be mainly via the good causes to their supporters.

- The lottery will be fully compliant with the Gambling Commission's licensing code of practice, which includes self-exclusion and links with support organisations.
- Gatherwell recommend that each council becomes a member of the Lotteries Council, which provides a range of services for its members, including acting as independent arbitrator for lottery providers should a dispute arise, free access to advice from specialists, and representation with regulators and legislators. The Lotteries Council also makes a contribution to the Responsible Gambling Trust on behalf of each of its members.
- 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. Gatherwell, when acting as ELM, 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 must ensure that children and other vulnerable people are not harmed or exploited by the lottery.
- The Council, as licence holder will take all reasonable steps to ensure that information about how to gamble responsibly and how to access information for help in respect of problem gambling is readily available.

8.21 Furthermore information on Gatherwell's approach to gambling mitigation is provided at Appendix A.

8.22 Due to these factors it is reasonable to believe that the Staffordshire Moorlands Community Lottery, as proposed, 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.