

REPORT FROM: CHIEF EXECUTIVE
TO: POLICY AND RESOURCES COMMITTEE
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PROPOSAL TO ESTABLISH A PENDLE LOCAL LOTTERY

PURPOSE OF REPORT

To highlight the Local Lottery model as a potential funding stream to provide discretionary support to our CVS groups.

RECOMMENDATION

To establish an on-line Pendle Local Lottery in partnership with an External Lottery Manager (ELM), as detailed in the report.

REASON FOR RECOMMENDATION

To help address our budgetary pressures by enabling community groups to 'self-help' by gaining access to a Pendle lottery umbrella scheme.

1. Background

- 1.1 The Local Lottery model builds on the Crowdfunding approach that was considered by Management Team in 2017. It is a relatively new concept for raising funds for the Community and Voluntary Sector and is proving successful in the areas that operate such schemes.
- 1.2 This report outlines a potential model for a Pendle Local Lottery which will help strengthen community resilience, supporting the public and groups to 'self-help' and become more financially sustainable in the long term whilst helping the council to alleviate some of its budget pressures. It will help us move from a 'provider' to 'enabler' role.
- 1.3 We are witnessing the impact of reduced funding to Pendle's CVS. Historically, we have provided substantial financial support to CVS across Pendle (in 2015/16, contributions to CVS (Community Grants and CAB) totalled £122,430). This has reduced over the years as our budget challenges intensify (2017/18, £74,000 to CAB with further decreases anticipated for 2018/19.)

1.4 Lotteries have long been a way of smaller organisations raising income. They are regulated by the Gambling Act 2005. Although there are different types of lotteries available, this report focusses on 'society lotteries' i.e lotteries that benefit the non-commercial sector such as charities and community/voluntary sector organisations.

1.5 The Local Lottery concept has been around for a few years now with the first Local Lottery, the Vale Lottery, launched by Aylesbury Vale District Council in Nov 2015. In its first year, it raised £70,000 for CVS organisations in the area, demonstrating effectiveness in income generation for the sector. This equates to a take up of 1.6% of its population.

1.6 Any Pendle Local Lottery would need to have a set of aims or unique selling points that resonate with players, and it's suggested that, as with other schemes, our Lottery would focus on:

- *Delivering the proceeds locally*- any Pendle Local Lottery would deliver benefits only to local causes, unlike other providers. Players can be assured that the proceeds will stay in Pendle.
- *Maximising benefits to the community* – To bolster support and to help in continuing the good work Pendle already does, there needs to be a significant benefit being delivered to the Voluntary & Community Sector (VCS). This report proposes that 60% of proceeds is allocated to good causes, with PBC receiving none.
- *Minimising costs* – Set up and operational costs need to be minimal and it will be largely self-financing. Any funding distribution mechanism should tap into existing distribution routes. It will be an on-line Lottery due to the costs of distribution and sales in any other way. This fits with our digital approach and the lottery will be accessible via desktop, mobile and tablet.
- *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* – whilst the lottery will help current funding of good causes, it will also enable local good causes to fundraise in partnership with us. This can be seen as the council enabling good causes to help themselves, by reducing the barriers to lottery type funding such as licensing and administration. It will also open up a way for good causes to create new links with repeat donors.
- *Helping to shift residents' perceptions* - of what PBC can do, and is here for, in line with our commercial approach taking the authority from provider to enabler.

2. Proposed model for a Pendle Local Lottery

2.1 In researching lottery delivery options, it is apparent that the majority of local lotteries operate a similar delivery model based on a two level funding platform. For Pendle, this would manifest as:

- **A Pendle Central fund**– operating Pendle-wide, with profits generated distributed through existing mechanisms to local voluntary and community organisations. Players in this option would not specify a group to benefit from the proceeds and the funds (60% of the ticket price) will go into a Pendle Community Grant fund. This will help those organisations which may have fewer local supporters and/or less ability to generate funding support due to the nature and/or size of their services.
- **Specific Pendle Good Causes** – this version of the lottery enables groups to 'sign up' to take part in the lottery specifically raising the 50% share for their good cause. By signing up they would have their own web page for the lottery helping them in engaging players and raising income. This in turn motivates the group to gain more players to support their specific cause. This option removes a number of hurdles for groups who might struggle to take part in their own lotteries (eg holding own license and setting up infrastructure to enable the lottery to run). The Council would retain approximately 10% of the proceeds to transfer into the Pendle Community Grant Fund to help

existing funding streams for the VCS, while local organisations would also have the platform to fundraise independently.

2.2 Sales from the lottery (no matter which version the player chooses) would operate via a dedicated website (specific good causes would have their own landing pages), and be funded via an online direct debit or payment card for tickets. This approach is needed to keep operating costs at a minimum.

2.3 Players will purchase tickets, either on a monthly recurring basis or a 3/6/12 month payment upfront, on line by either setting up a Direct Debit or using a payment card.

2.4 All lotteries are required to deliver a minimum of 20% of proceeds to good causes (the National Lottery currently allocates 28%). It is proposed that we allocate 60% of the proceeds from a Pendle Lottery to good causes. Similar to other local lottery schemes, it is proposed that the ticket price would be £1 per week with draws taken weekly. Typically, the prizes would range from a £25,000 jackpot for matching all 6 numbers to 3 free tickets for a simple 2 number match. If ELM operated, the jackpot will be an insured prize and guarantee pay out of the jackpot per winner (even if multiple people win the jackpot, it is not shared or rolled over).

Table 1 outlines the proposed distribution of any Pendle Lottery proceeds, which reflects other Local Lotteries apportionment.

	Central Fund (no specific CVS selected)		Specific Pendle good causes	
	% Allocation	£ allocation per ticket	% Allocation	£ allocation per ticket
Prize	20	20p	20	20p
Specific CVS org			50	50p
Council Grants for CVS	60	60p	10	10p
Admin	17	17p	17	17p
VAT	3	3p	3	3p
TOTAL	100	£1	100	£1

2.5 As we are a local authority we would have to be licensed by the Gambling Commission. As the overall license holder, we would control the good causes joining the scheme.

2.6 Set out below in Table 2 is a player modelling analysis. It shows that a very conservative level of players has the potential to generate significant income for good causes across Pendle:

Table 2- Player modelling analysis

£1 Ticket Price/ 1 ticket per week					
No of players	% of Pendle Player pop	Tickets bought per week	Number of weeks	Gross return	Received by Good Causes (60%)
453	0.5	1	52	23,557	14,133
906	1	1	52	47,112	28,267
1,359	1.5	1	52	70,668	42,400
1,812	2	1	52	94,224	56,534
2,265	2.5	1	52	117,780	70,668
2,718	3	1	52	141,336	84,801
4,530	5	1	52	235,560	141,336

3. Delivery Options

3.1 The options for delivering 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 Aylesbury Vale District Council costed this at somewhere in the region of a £80-100k 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 (ELM)** - this option would see a partnership 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 PBC and local VCS groups the role of marketing.

3.2 Balancing the set up costs, unknown player numbers and the skills base needed to run a lottery effectively, the preferred option is to appoint an ELM. Of those councils that have introduced a local lottery scheme, all appear to have opted for an ELM delivery model. All 26 councils that hold a Lottery License under the Gambling Act have partnered with Gatherwell ELM to deliver their local lottery scheme.

3.3 It is recommended that in line with procurement guidelines a procurement exercise is undertaken to appoint an ELM which is able to deliver a model most suitable for Pendle such as:

- On-line ticket model
- Low ticket price
- Weekly draw frequency
- 2 options for players (specified local cause/ no specified local cause)
- Fair proceeds apportionment

3.4 As an example, Aylesbury Vale District Council operates its lottery in partnership with Gatherwell ELM. Gatherwell ELM are supporting over 40 councils to implement similar schemes, using the same Vale Lottery 'blueprint' but with local decision-making on issues such as prizes, eligibility criteria, marketing.

3.5 Typical set up costs are likely to be c£6,000, which includes ELM fee, initial licensing fee and additional pre-launch publicity.

3.6 On-going costs will include the annual licence fee, membership of the Lotteries Council and some marketing support totalling c£2,000 per annum. If we partner with an ELM, all prizes would be insured by them so the maximum financial risk for Pendle would be the set up costs.

3.7 There will be staff resource implications to support the development and implementation of the Local Lottery. We would need an officer that acts as point of contact with the appointed ELM and our communications team would have to liaise with them over website design, branding, promotion, and the launch generally. On a day to day basis, we would need to vet groups that wish to sign up to the scheme and to authorise the monthly payments to them. There may also be a need for occasional promotions with 'bolt-on' prizes during quiet periods to drive up ticket sales.

3.8 By partnering with an ELM, the only risk we will bear is the cost of setting up the scheme, the licence fee and reputational damage if insufficient tickets are purchased.

4. Gambling Responsibly

4.1 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. The Pendle Local Lottery will help mitigate against many of the issues related to addictive gambling by:

- Being only playable via by pre-arranged sign up and non-cash 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 practise, which includes self-exclusion and links with support organisations.

4.2 Due to these factors it is reasonable to believe that the Pendle Local Lottery will not significantly increase problem gambling, and that the benefits to good causes in Pendle from the proceeds of the lottery outweigh the possible negative issues.

5. Partnership engagement

5.1 Initial discussions with BPRCVS have been encouraging and they believe such a lottery will be well received by Pendle’s community and voluntary sector. They have indicated a willingness to partner with PBC in developing and delivering the scheme and are approaching their Trustees for formal endorsement.

5.2 Pendleside Hospice is the only other Pendle organisation operating a local lottery. A Pendle wide lottery will not compete with this existing lottery as we believe commitment to this cause will still continue. Rather, a Pendle Local Lottery could potentially further enhance their funding should they wish to join the wider scheme.

5.3 ELCCG is to review its existing Social Prescribing programme to consider scope for wider engagement and innovation. With the Local Lottery supporting social prescribing outcomes, including social mobilisation and building community resilience, it is suggested that opportunities are sought to align the Social Prescribing Fund with Local Lottery, for example, utilising the social prescribing fund to match fund associated costs and topping up lottery grants to beneficiaries. This would further incentivise community and voluntary groups to promote the Lottery, encouraging wider uptake.

6. Suggested Delivery Timeline

6.1 The table below summarises the key milestones in the delivery of a Local Lottery:

May 2018	Policy & Resources Committee approve establishment of a Pendle Local Lottery.
June 2018	Undertake procurement exercise to secure services of an ELM.
July 2018	ELM appointed, licence application initiated,PBC agrees branding and website design with ELM.
Aug 2018	ELM builds/tests website, PBC promotes lottery to community groups and signs them up
Sept 2018	Promote Pendle Local Lottery
Oct/ Nov 2018	Launch and first draw made

7. Conclusion

7.1 A Local Lottery delivers financial benefits for the voluntary and community sector and it is an easy way for residents to support their favourite good cause. Given that a Local Lottery can be established and maintained at relatively low cost to PBC, it is recommended that we partner with an ELM to deliver a Local Lottery for Pendle.

IMPLICATIONS

Policy: Local Lottery can generate substantial income to support and strengthen CVS, building community resilience and supporting delivery of our strategic objectives.

Financial: There will be a cost to operating the lottery should the ELM model be approved. It is estimated that:

£2,000 will be required annually for licensing and administration costs

£6,000 will be required for the ELM set up costs

It is proposed that the recoverable VAT is used to contribute to the annual on-going costs.

Income from the lottery can be used to assist in funding existing commitments to the VCS such as Burnley & Pendle CAB. 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.

Legal: The Gambling Act 2005 enables local authorities to run a community lottery under licence from the Gambling Commission. Typically, it takes 16 weeks to apply for a license and we would need to speak to the Gambling Commission about the process for obtaining a lottery license. The licence is obtained on an annual basis for a fee and the operator has to make an annual return to the Commission. However, it is common practice for ELMs to facilitate procurement of the licence and to prepare the annual return as they hold all the sales data. This service would be covered by the ELM's fee which is taken out of ticket income at source. Both PBC and the appointed ELM would also be responsible for ensuring the lottery is run in a lawful and compliant manner. Accordingly, PBC would only invite ELMs to quote that have a proven track record on delivery and compliance. It would also be in the ELM's interests to ensure the lottery is lawfully run as they too have a reputation to uphold.

Risk Management: With an ELM, the only risk the council will bear is the cost of setting up the scheme, the licence fee and reputational damage if insufficient tickets are purchased.

Health and Safety: None arising directly from this report

Equality and diversity: It would be a condition that all community groups that wish to engage with the scheme must have a robust equalities policy and/or demonstrate that they operate within prevailing legislation. It may be argued that people without access to the internet will be excluded from engaging with the lottery. We will monitor any complaints or correspondence on the matter and report back accordingly. A Local Lottery may be more relevant to some religious organisations as, if they have objections to gambling, they may not be able to benefit from it in the way other organisations do. We will review engagement of CVS to determine if this is an issue.

Community Safety: Measures will be put in place to ensure the Pendle Local Lottery will help mitigate against many of the issues related to addictive gambling

Sustainability: None arising directly from this report

EXAMPLES OF EXISTING LOCAL LOTTERIES

- [Aylesbury Vale Local Lottery](#)
- [Mendip Local Lottery](#)
- [Corby Local Lottery](#)

APPENDICES

None

LIST OF BACKGROUND PAPERS

None