

TELFORD & WREKIN COUNCIL**CABINET – 13 JULY 2017****DEVELOPING AN ONLINE LOCAL AUTHORITY LOTTERY****REPORT OF THE MANAGING DIRECTOR****LEAD CABINET MEMBER - CLLR LEE CARTER****PART A) – SUMMARY REPORT****1. SUMMARY OF MAIN PROPOSALS**

- 1.1 It has become increasingly difficult for Voluntary and Community Sector (VCS) organisations to secure funding to support the core delivery of their services. The Council is committed to supporting the VCS to build their capacity and to ensure that we work together to deliver positive outcomes for residents of Telford with the limited resources we now all have. The proposal is for the council to launch an Online Local Authority Lottery (OLAL) to assist local good causes in raising funds to support the good work they do in our communities and to contribute to a stronger community as we celebrate Telford at 50.
- 1.2 An OLAL allows players to choose a local good cause to support or they can support the central fund, the Local Authority chooses how the central fund is allocated to support local need.
- 1.3 It is proposed that the central fund is allocated to support delivery of the Council's priority relating to vulnerable adults and children.
- 1.4 It is proposed that the authority seek an External Lottery Manager (ELM) to manage the lottery on its behalf, following the initial set up cost the costs incurred by the ELM are funded through the sale of tickets.

2. RECOMMENDATIONS

- 2.1 That Cabinet approve the proposal to launch an Online Local Authority Lottery as part of our programme to celebrate Telford at 50 and to seek an External Lottery Manager to run the lottery on the council's behalf on the basis of a 3 year contract.
- 2.2 That the Managing Director, in consultation with the Cabinet Member for Council Finance, Commercial Services & Economic Development be given delegated authority to set up an online local authority lottery and make any appropriate application as necessary to the Gambling Commission in order to establish the online local authority lottery.

- 2.3 That the Managing Director be indemnified, including the securing of adequate insurance, in relation to any liability that may arise from being the named operating licence holder on behalf of the Council.
- 2.4 Cabinet to approve the allocation of central fund monies to help to support delivery of our priority relating to vulnerable adults and children as outlined in 4.3 of this report.
- 2.5 That delegated authority is given to the Managing Director in consultation with the Cabinet Member for Council Finance, Commercial Services & Economic Development to allocate the central fund to projects that support our priority relating to vulnerable adults and children.
- 2.6 That delegated authority is given to the Managing Director in consultation with the Cabinet Member for Council Finance, Commercial Services & Economic Development to finalise the details of the scheme, including for example the lottery name and application criteria for good causes.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-Operative Council priority objective(s)?	
	Yes	Put our children and young people first Protect and support our vulnerable children and adults Improve the health and wellbeing of our communities and address health inequalities
	Will the proposals impact on specific groups of people?	
	Yes	The OLAL will have many positive impacts on a large number of local groups. It will support development and sustainability and allow players to support the groups of their choice making communities stronger and promoting self-help. Some organisations based on Faith or belief do not accept funding from sources involved with gambling and so will be unable to benefit from this funding opportunity. However other local funding opportunities do currently exist such as Councillors' Pride and Veolia local grants. The council is also offering the provision of information on funding opportunities. We have considered the possibility of problem gambling and consider a lottery to be a low risk activity. We will promote responsible gambling on the lottery website.
TARGET COMPLETION/DELIVERY	It is expected that the lottery will be launched in March 2018 as part of the Investing in Telford at 50 scheme.	

DATE		
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	<p>The administration of the OLAL will be undertaken by the ELM. Payments to local good causes chosen by ticket buyers will be made directly from income received for ticket sales by the ELM. The financial risk associated with insufficient money being available in the fund to cover pay outs for winning tickets will be borne by the ELM and they will have relevant insurance to cover them for this instance. The Council will receive payment from the central fund to then allocate to local good causes as outlined in recommendation 2.2 of this report.</p> <p>£10k has been earmarked in the Capacity Fund to cover the first year costs associated with the OLAL. The ongoing costs as outlined in section 9 of this report will be met from 4p of the proceeds from lottery ticket sales. 70,275 tickets would need to be sold in a year (1,352 per week) to cover the annual costs of £2.8K. If there is a shortfall in ticket sales the gap in funding for ongoing costs will need to be met from Council budgets MLB 12.06.17</p>
LEGAL ISSUES	Yes	<p>Lotteries are illegal unless they fall into one of the categories specifically permitted by law. The relevant law is contained in the Gambling Act 2005 (the Act). The Act creates eight categories of permitted lottery. One of these categories are local authority lotteries which require an operating licence from the Gambling Commission (the Commission).</p> <p>Local authorities that allow players to participate in their lotteries by means of remote communication i.e. internet are required to hold a remote lottery operating licence.</p> <p>A local authority must appoint a person, who will be named on the licence, to have overall management responsibility for the promotion and proper management of the lottery and for compliance with the regulatory regime as a whole. That person should be a senior</p>

		<p>manager who holds the relevant delegated authority from the local authority.</p> <p>The general requirements and controls over a local authority lottery are set out in Part B of this report.</p> <p>The Act allows a local authority lottery to employ an External Lottery Manager (ELM) to manage all or part of its lottery on its behalf. This limits the local authority to 'outsourcing' the running of a lottery to a third party.</p> <p>The fact that a local authority may employ a licensed ELM to manage all or part of its lottery does not absolve the local authority, and the named operating licence holder, from their responsibility for ensuring that the lottery is conducted in such a way as to ensure that it is lawful and fully compliant with the Act, related regulations and all licence conditions and codes of practice.</p> <p>It is therefore the case that consideration should be given to the Council indemnifying the relevant officer, including securing adequate insurance, in relation to any liability that may arise from being named on the operating licence.</p>
<p>OTHER IMPACTS, RISKS & OPPORTUNITIES</p>	<p>Yes</p>	<p>This OLAL provides the opportunity for the council to support local VCS organisations to raise funds and to help to mitigate against the financial challenges many organisations currently experience.</p> <p>There is the potential risk that ticket sales will not be sufficient to ensure the lottery is a worthwhile venture. Each good cause will receive bespoke marketing materials to promote their cause, we are advised by Aylesbury Vale District Council that 70% of ticket sales are generated by the good causes themselves. Four pence from every ticket sold will also allow further marketing activity.</p> <p>There is a potential risk to the local authorities reputation in terms of the perception of the authority encouraging</p>

		gambling. This lottery aims to raise money for the community and it is on this basis the lottery will be promoted. The authority will take problem gambling seriously and will ensure the provision of information. There is no instant gratification through playing the lottery so it is considered to be low risk.
IMPACT ON SPECIFIC WARDS	No	This project has the potential for a Borough wide impact and is therefore a Key Decision. It is expected that community and voluntary groups across the Borough will sign up and benefit from this new source of fundraising.

PART B) – ADDITIONAL INFORMATION

4. Overview of the Online Local Authority Lottery (OLAL)

- 4.1 Voluntary and Community Sector (VCS) organisations, like the Local Authority, are operating in an increasingly challenging financial climate. “Being the Change” outlined our commitment to “take a lead role in building and strengthening the resources within our communities” and to work “with existing small voluntary sector groups to build their capacity to ensure their sustainability or expansion as appropriate”. An OLAL gives the council the opportunity to support local good causes to raise funds and support their sustainability. As we celebrate Telford’s achievements over the last 50 years this lottery offers the opportunity to invest in in Telford’s communities now and in the future. The lottery will be branded and launched as part of the Telford Pride @ 50 programme.
- 4.2 There are different types of lotteries available, however this report is considering a Local Authority lottery, these are lotteries promoted by local authorities themselves. These differ from society lotteries registered with a local authority licensing authority. The Local Authority is required to obtain a licence from the Gambling Commission and may use the net proceeds of such lotteries for any purpose for which they have power to incur expenditure.
- 4.3 The OLAL is expected to raise a new source of funding that was previously unavailable to local good causes and will therefore complement their existing efforts. It will also generate a central fund; the local authority decides how this is allocated. The Council continues to operate within a challenging financial environment however we remain committed to supporting those that are most vulnerable within our society. The recommendation of this report is that the central fund is used to support our commitment to the most vulnerable people within our communities. One of the Council’s key priorities and areas of expenditure relates to our priority to ‘protect and support our vulnerable children and adults’, the central fund will be used to enable the delivery of this priority. This may be by supporting Council services for vulnerable adults and children or allocating funding to other organisations that are able to deliver this priority. It is proposed that the Managing Director in consultation with the

Cabinet Member for Council Finance, Commercial Services & Economic Development agrees how the central fund will be allocated each year, this will be reported on the lottery website enabling players to know how their money is spent.

4.4 The first OLAL was launched by Aylesbury Vale District Council in November 2015, Aylesbury Vale District Council have a similar population to our own (181,000 compared to our 173,600), after the first 3 months of operation they were projected to raise:

- Over **£25,000** a year for the central fund, and
- Over **£38,000** a year for the registered individual causes

By the end of the first year they had exceeded this with a total of £78,000 raised*.

*Note these figures are on the basis that 60p goes to good causes and the council funds the yearly costs. We are suggesting that 56p goes to good causes and the yearly costs are funded through the sale of tickets (4p).

4.5 Since the launch of the Vale Lottery several other local authorities have followed in their footsteps;

Council	First draw date	Central fund projection in first year*	Population**
Portsmouth City Council	5 November 2016	£28,548	207,100
Melton Borough Council	24 December 2016	£4,056	50,376
Gloucester City Council	18 February 2017	£13,520	617,162
Corby Borough Council	29 April 2017	£12,948	61,300
Torbay Council	27 May 2017	£16,198	130,959
Tunbridge Wells	First draw 8 July 2017	£3,172	116,100
Somerset West	First draw 29 July 2017	£3,770	143,700

* Note these figures are on the basis that 60p goes to good causes and the council funds the yearly costs. We are suggesting that 56p goes to good causes and the yearly costs are funded through the sale of tickets (4p)

**This is based on whole population so not all would be eligible players, however it offers a useful comparison to Telford and Wrekin's population of 173,600

Further authorities are currently in the process of setting up their own lotteries including; Hertfordshire County Council, Rushmoor Borough Council, Wycombe District Council, Newcastle-Under-Lyme Borough Council, North Lincolnshire Council, London Borough of Barking and Dagenham Council, South Staffordshire District Council and Essex County Council.

4.6 The types of good causes that are signed up to other OLAL's include, amongst other things, Girlguiding/Scout groups, pre-schools/afterschool clubs, lunch clubs for the elderly, community transport, sports clubs, support groups, community events/festivals, Homestart, youth clubs/groups, Army Cadets, community buildings and groups supporting those with disabilities or other identified needs.

- 4.7 Tickets cost £1, with 56p from each ticket being donated to good causes. The OLAL allows ticket buyers to choose their local good cause, giving them the power to improve their local community and local services in the ways that they want to. For each ticket sold 6p of that 56p will go to the central fund with players either choosing a good cause to donate the remaining 50p to or they may choose to donate to the central fund, in all cases the central fund is the default.
- 4.8 The OLAL allows all good causes, regardless of their size to take part; the council set the criteria and are responsible for accepting applications from good causes. The full criteria for the scheme will be developed, however, it is likely to stipulate that community activities or services must be provided within the Borough for the benefit of residents of the Borough, alongside detailing how applicable groups must be constituted. Some draft criteria that are likely to be included are shown in Appendix 1 of this report.
- 4.9 All good causes will be given equal marketing support to ensure they can increase their supporters meaning very small community groups have an equal chance of marketing their group as larger organisations. Vale Lottery has over 120 organisations signed up, rising from 40 when the lottery first launched.
- 4.10 The unique selling point of this lottery is that 56% of each ticket sold will go to local good causes and 100% of the funds raised for good causes will stay local so players can be assured that their money will support local causes.
- 4.11 The lottery will appeal to a variety of individuals, altruistic supporters who will support due to the good cause alone, prize motivated supporters who are motivated by the favourable prize structure and odds, and optimistic supporters who need the motivation of prizes and giving.
- 4.12 Initial consultation has been carried out with a wide range of local organisations in relation to establishing an OLAL within Telford. Groups have given their initial support to the scheme and it is felt that it is unlikely that this lottery will impact on existing fund raising activity and has potential to complement it.

5.0 Detailed Delivery of the OLAL

- 5.1 The OLAL is will be run following the existing rules and regulations which include the following;
- Licensing authorities may run 'local authority lotteries' to raise funds to cover anything for which they have the power to incur expenditure.
 - All local authority lotteries must be licensed by the Gambling Commission.
 - Licensing authorities may employ an external lottery manager (ELM) to run all or part of their lottery. ELMs must be licensed by the Gambling Commission.
 - Local authorities must submit information about each lottery they operate including:
 - total proceeds and how they have been distributed between prizes and expenses
 - purpose for which the local authority has power to incur expenditure.

5.2 The OLAL operates in the following way;

- Tickets cost £1 per week.
- Ticket purchase is not limited to residents of Telford and Wrekin, it is only the good causes that must be local
- Draws are conducted every Saturday (online) at 8pm and results are posted live online
- 56p in every £1 goes to good causes (56%) – double the percentage that the National Lottery gives to good causes (28%)
- Players sign up online via Direct Debit or payment card. Payments are either taken on a monthly recurring plan or a 3/6/12 month one off payment
- Players can buy multiple tickets and for multiple good causes
- Staff and Members can play
- Winning players are notified via email and receive their prizes directly into their nominated account or they can choose to donate their winnings to their chosen good cause
- Good causes are paid their income automatically on a monthly basis.

6.0 The Prizes and Funding Raised

6.1 Overall odds of winning any prize is 1:56, tickets must match the numbers in the sequence as shown on the ticket either from the start or end of the 6 digit number. There is also the option to bolt on “raffle” type prizes (such as tablet computers etc.) to increase ticket sales. Winners have the option to donate their prize to their chosen good cause.

	Winning Odds	£ Prize
6 numbers	1:1,000,000	£25,000
5 numbers	1:55,556	£1,000
4 numbers	1:5,556	£250
3 numbers	1:556	£25
2 numbers	1:56	3 free tickets

Note: The ELM will underwrite the risk for all prizes up to £1,000. The Jackpot prize of £25,000 is more of a risk; however, the ELM will have insurance to cover this cost. Because of this, if 2 (or more) people win the same Jackpot prize, they will each receive £25,000 (it will not be a split prize).

6.2 How much can online Local Authority Lotteries raise?

- The maximum aggregate value of lottery tickets that can be sold in any calendar year is £10 million.
- The maximum prize in a single lottery is £25,000 or 10% of the proceeds (gross ticket sales), whichever is greater.
- Rollovers are permitted provided the maximum single prize limit is not breached.
- Local authority lotteries must apply a minimum of 20% of the gross proceeds of each lottery for any purpose for which it has power to incur expenditure.
- Up to a maximum of 80% of the gross proceeds of each lottery may be divided between prizes and the expenses of the lottery.

- The maximum value of tickets that can be sold in a single lottery is £4 million.
- For each ticket purchased the £1 is split:
 - 56p good causes (6p of this always goes into the central fund, the remaining 50p will either be for a good cause specified by the player or to the central fund – which is the default)
 - 20p prizes
 - 17p running costs incurred by the External Lottery Manager (includes cost of banking and transaction fees, running the site, player support, marketing etc.)
 - 3p VAT – External Lottery Manager costs are subject to VAT
 - 4p additional running costs, including Gambling Commission License, Lotteries Council Membership and marketing

The model below indicates that a small percentage of eligible players in the Borough can raise a significant amount of money. Please note this is an illustration, we would not expect the equivalent of 2.5% of the eligible population to play initially. We would work towards 1.5% of the eligible population playing or the equivalent number of ticket sales by 18 months.

Ticket Price £	Number of players*	% of AV Player Pop	Tickets bought per week	Number of weeks	Gross Return	Received by Good Causes**
1	682	0.5	1	52	£35,464	£19,860
1	1,363	1	1	52	£70,876	£39,690
1	2,045	1.5	1	52	£106,340	£59,550
1	2,726	2	1	52	£141,752	£79,381
1	3,408	2.5	1	52	£177,216	£99,241

*Figures taken from the estimated population in Telford and Wrekin of 16+ year olds (136,338) as reported in the Telford and Wrekin population profile 2015

**This is the total figure which would be donated to all good causes, it is difficult to split between ticket types at this stage and estimate the allocation to the central and specific good cause's funds.

7.0 The role of the External Lottery Manager (ELM) and the Council

7.1 Licensing Authorities may employ an External Lottery Manager (ELM) to run all or part of their lottery. ELM's must be licensed by the Gambling Commission. The ELM run all day to day operations and will hold the funds associated with the lottery, the money for good causes and prize money will be held in a client deposit account. The ELM will be responsible for the transfer of prize monies and good cause monies to the relevant parties, the council are only required to authorise payments to good causes. The Council will control oversight and governance, and will be responsible for:

- Applying for a Local Authority Lottery licence from the Gambling Commission
- Identifying criteria for good causes
- Approving new good causes as applications are submitted

- Authorising monthly cause payments and quarterly Gambling Commission submissions (please note: all of this administration work is provided by the ELM, the council only needs to authorise the work)
- Promoting the lottery to players and good causes

8.0 Timescales

- 8.1 The proposal is to seek an External Lottery Manager to manage the lottery on behalf of the council, it is estimated that from the point of identifying and securing an ELM it will take 14 weeks for the lottery to go live. This will include registration with the Gambling Commission, website development and systems testing, launch event for good causes followed by sign up, the website should be launched to the public at week 10 with the first draw taking place at week 14.
- 8.2 Procurement would take place using Request for Quote, this process will take around 2 months to complete, and the contract would run for 3 years. It is proposed to launch the Telford OLAL in March 2018 as part of our package of investment in Telford at 50.

9.0 Costs of establishing an OLAL

- 9.1 Aylesbury Vale District Council worked with an External Lottery Manager who has now developed an online platform which is available at a one off cost of £3,600, we would look to procure a provider at around this cost. Monies will be required to launch the OLAL to ensure both sign up of local good causes and to promote ticket sales, it is estimated that this would be a minimum of £4,000 in the initial year. It is proposed that all ongoing costs are financed through ticket sales including the yearly license and membership fees and marketing costs. Due to the initial increased marketing costs and the likelihood that it will take time to build ticket sales it would be appropriate for the authority to ensure the cost of marketing in the initial year is met if it cannot be met through ticket sales. Estimated costs for the initial year and following years are detailed below.

First Year	Cost
Online development (£3,000 + VAT)	£3,600
Marketing	£4,000
Gambling Commission License- Yearly fee (inc application fee)	£936
Lotteries Council Membership - Yearly fee (inc application fee)	£375
Total	£8,911

Ongoing yearly costs	Cost
Marketing	£1,500
Gambling Commission License- Yearly fee (inc application fee)	£936
Lotteries Council Membership - Yearly fee (inc application fee)	£375
Total	£2,811

10. Risks

- 10.1 There is a potential risk to the local authority's reputation in terms of how the public perceive the council encouraging a gambling activity. This project was conceived as a way to support local communities and raise additional funds, giving individual's choice in how those funds are allocated. Promotion of the lottery will ensure that it is well understood that the OLAL will have a positive impact on our communities. Using Vale Lottery as an example there is potential that once well established an OLAL could bring £78,000 per year of completely new money to local good causes, supporting community stability. Vale Lottery have found the public, good causes and press to be supportive of the lottery. The council also takes its duty of care to residents seriously and will address problem gambling through provision of information on the website.
- 10.2 There is a potential risk that the lottery may not sell enough tickets in order to cover the costs of running the scheme, to mitigate this the contract will include a 3 month break clause to allow the authority to end the contract should the situation be untenable.

11. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

- 11.1 Some local good causes will not benefit from the OLAL due to their stance on gambling, for example faith groups. However, other local grants are available and the council support the provision of information on available grants to community groups.
- 11.2 Problem gambling has been considered in developing this proposal. 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, gamcare.org.uk, a national charity supporting those affected by gambling (through a helpline and face to face counselling), reported that just 1% of their clients reported offline use of the National Lottery. No statistics are available for online problematic use of the National Lottery. The Gambling Commission reports in 2012 that 0.5% of the 16+ population identified themselves as problem gamblers (across all forms of gambling).
- 11.3 We take our commitment to supporting the health and wellbeing of all residents seriously and will mitigate against problem gambling by:
- Only being playable via by pre-arranged sign up and non-cash methods
 - There is no 'instant' gratification or 'instant reward' to taking part
 - Seek any further advice from our appointed ELM
 - The lottery will be fully compliant with the Gambling Commissions licensing code of practice, which includes self-exclusion and links with support organisations.
- Due to these factors it is reasonable to believe that the OLAL will not significantly increase problem gambling, and that the benefits to good causes in the area from the proceeds of the lottery outweigh the possible negative issues.
- 11.4 We will work with our ELM to address any accessibility issues.

12.0 PREVIOUS MINUTES

None

13.0 BACKGROUND PAPERS

None

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Appendix 1

Draft Criteria for acceptance into the Telford Local Lottery Scheme

Below are some of the criteria that could be used to authorise organisations that would be eligible to take part in the Telford Local Lottery.

The organisation would need to demonstrate that they:

- Provide a community service within Telford & Wrekin Council's geographic that benefits the residents of Telford and Wrekin
- Have a formal constitution or set of rules
- Have a bank account with at least two unrelated signatories
- Operate with no undue restrictions on those who can access the services provided
- Will actively market the lottery
- Provide the Council with such documentation as the Council needs

The organisations would need to be:

- A constituted group with a volunteer management committee that meets on a regular basis
- A registered charity or a Community Interest Group

We will not accept organisations that:

- Aim to distribute a profit
- With no established management committee or board of trustees, unless a Community Interest Group
- The Council will reserve the right to admit any organisation on whatever grounds it thinks fit.
- The Council will reserve the right to end an organisations participation in the lottery for any reason it thinks fit.