

Community Lottery Scheme

Cabinet Member for Regulatory Services Housing and Wellbeing

Date: 12th September 2018

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Key Decision? YES

Local Ward Affects all Wards

Members



**Community Housing
& Health (overview &
scrutiny) Committee**

1. Executive Summary

- 1.1 Each year, this Council invests in the community and voluntary sector within the District, enabling a wide range of social / wellbeing, environmental, leisure activities and support services to be provided to our residents, particularly those who need additional help and support.
- 1.2 This report seeks to gain agreement to the establishment of a Local Lottery to benefit local community groups and charities and enable them to raise funds directly and help fund the Council's support for the local Voluntary and Community Sector (VCS).

2. Recommendations

- 2.1 That Members consider and comment on the proposed establishment of a local lottery scheme.
- 2.2 That Members recommend that Cabinet approve the establishment of a local lottery scheme.

3. Background

- 3.1 Lichfield District Council has historically provided substantial financial support for the voluntary community sector across the District, helping to deliver a number of corporate aims, and we currently provide £23,000 per annum through small grants (administered through We Love Lichfield) and £177,000 per annum of funding in the form grants in excess of £5000.
- 3.2 The Council provided this funding as it recognised that a thriving and diverse voluntary and community sector is an important component of what makes Lichfield District a good place to live, work and visit. A wide range of activities, services and events are planned, organised and delivered with consequent benefits to individuals (who need help to live safely and independently at home) to the community at large (who can enjoy sporting and arts events and festivals). There are currently around 450 voluntary organisations and an estimated 12,000 residents volunteering with groups, clubs or organisations. The need for a strong third sector has become even more important as public sector funding has come under increasing pressure resulting in a range of cuts to front line services and an ever greater reliance on the community and voluntary sector to 'fill the gap'.
- 3.2 In 2015 the Council formed a Partnership with a range of organisations known as the Locality Commissioning Board to jointly award each partners funds. The partnership awarded just over £1m over the course of the 3 year funding programme. As budget pressures continue to grow on the Public Sector and partners could no longer provide this funding the partnership awarded its final funding in 2017 and will no longer operate once the evaluation of the projects that have been funded is concluded.

- 3.3 The Community Housing & Health Overview & Scrutiny Committee in March 2017 established a short life Member Task Group to consider our support of the community and voluntary sector:- specifically the future levels of investment, the required outcomes for this investment and the process that should be used to make any future investment with most other public sector partners no longer providing any funding through this process.
- 3.4 The Member Task Group recommended that Cabinet maintain the current level of funding (£177,000 per annum) and an outline commitment to do this for 3 years was approved by Cabinet in July 2017.
- 3.5 The Council currently projects a funding gap of **£1.184m** in 2019/20. It is inevitable with this level of deficit that the Council has to look at options to reduce this level of support and find ways to fill this gap to mitigate the impact on the sector.
- 3.6 A Lichfield Lottery has the potential to help all organisations to address any funding pressures they are facing. The lottery proposal will help move LDC from ‘provider to enabler’. The proposal is to reduce the Council’s budget for the Community and Voluntary Sector in line with the income gained for the sector from the lottery. A number of Local Authorities have established such lotteries in recent years with some success the table below provides some information on the performance of the lotteries.

Local Authority	Start date	Set up costs excluding staff time	Annual running costs excluding staff time	Amount raised by good causes selling their own tickets (per year)	Amount raised general good causes fund (per year)	Total amount raised for good causes
Portsmouth Council	05/11/16	£3,750	£350	£38,532(17/18)	£30,232 (17/18)	£68,764 (17/18)
Aylesbury Vale	Nov 15	£810.50	£698	£10,476 (Nov 15 to Mar 16) £46,582 (16/17) £58,981 (17 to Feb 18)	£4300.80 (Nov 15 to Mar 16) £18,722.20 (16/17) £20,551.80 (17 to Feb 18)	£79,532.80 (Apr17 to Feb 18)
NULBC	Jun 17	£3000	£5,443.78 (Jun to Mar)	£8,243	£4,756.60	£12,999.60 (Aug 17 to Mar 17)
Corby	Jan 17	£6,000	£3,000	£23,421 (17)	£14,424.60 (17)	£37,845.60 (1 st year of operation)
South Staffs	Nov 17	N/A	N/A one off £5000 marketing budget	Year 1 currently projected to be approx. £13,000.	Year 1 currently projected to be approx. £13,000.	£26,000 (Year 1 estimate)

- 3.7 Lotteries have long been a way of smaller organisations raising income. They are regulated by the Gambling Act 2005. There are different types of lotteries available, however in this report we are only discussing ‘society lotteries’. Society lotteries are promoted for the benefit of a non-commercial society. A society is non-commercial if it is established and conducted:
- For charitable purposes
 - For the purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity
 - For any other non-commercial purpose other than that of private gain
- 3.8 In all cases, lotteries have to deliver a minimum of 20% of proceeds to good causes – this report recommends a minimum of 60% of proceeds would go to good causes in the Lichfield Lottery. As we are a local authority we have to be licensed by the Gambling Commission. A council lottery would deliver benefits only to local causes; players could be assured that the proceeds will stay in the District.

- 3.9 There are two variants of society lotteries, the main difference being who issues the licence – local authorities permit small lotteries and the Gambling Commission permits large lotteries. A large society lottery:
- has proceeds that exceed £20,000 for a single draw
 - has aggregate proceeds from lotteries in excess of £250,000 in any one year
- A small society lottery:
- does not have proceeds that exceed £20,000 for a single draw
 - does not have aggregate proceeds from lotteries in excess of £250,000 in any one year
- In the case of this proposal we are considering a ‘large society lottery’.
- 3.10 The Government has recently published a Consultation document on options for amending sales and prize limits for large and small society lotteries. Which can be found via this link.
<https://www.gov.uk/government/consultations/consultation-on-society-lottery-reform>
- 3.11 Delivery Options -the 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. Currently there is no known staff experience or skill set to undertake this role. This has not been costed by Lichfield District Council, but a review of other Local Authorities reports suggests it would cost somewhere in the region of £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, licensing and regulatory compliance, and share with LDC and the good causes the role of marketing.
- A review of other Local Authorities has currently only identified one provider of such services.
- 3.12 There are two parts to these type of Lottery schemes used by other Local Authorities. Local charities will be able to set up their own lottery page and will receive 50p in every pound spent by players using this method. A further 10p in every pound will go into a general good causes fund, with the remainder being put towards prizes, operating costs and VAT. The percentage split between what goes into the general good causes fund and what the Charities receive for directly selling tickets can be altered.
- 3.13 Players who do not wish to support a specific cause can still take part in the Lottery, with 60p of their ticket price going into the general good cause’s fund, which will be distributed by the Council or a nominated partner.
- 3.14 Tickets usually cost £1 with 60p going towards local organisations compared to just 28p in the pound for the National Lottery.
- 3.15 Draws are made weekly. The jackpot prize is £25,000 for a matching sequence of six numbers and other prizes include £2000, £250, £25 or three free tickets.
- 3.16 There are three well-known national lotteries running in England and Wales –the National Lottery, 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	% to operator/owner
Euromillions	1:116m	1:13	28%	22%

National Lottery	1:14m	1:54	28%	22%
Health Lottery	1:2m	1:209	20%	22%
Postcode Lottery	No data available	27.5%	32.5%	No data available

3.17 There are no District lotteries currently being delivered. There are however a number of community groups / charities who either run lotteries or lottery-like fundraising within the District and there are a number of lotteries attached to national or regional charities such as St Giles Lottery.

3.18 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. Any Lottery will need to 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
- No 'instant' gratification or 'instant reward' to taking part
- Be fully compliant with the Gambling Commissions licensing code of practise, which includes self-exclusion and links with support organisations.

Due to these factors it is reasonable to believe that this type of Lottery 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.

Alternative Options	<ol style="list-style-type: none"> 1. An internal delivery model is fully developed and costed for consideration. 2. A local lottery scheme is not set up. 3. Alternative funding methods for the Community and Voluntary Sector are identified and implemented. 4. The funding (or a percentage of it) any lottery creates is provided as additional funding to the Community and Voluntary Sector.
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Consultation	1. Consultation will take place with the Local Community and Voluntary Sector .
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Financial Implications	1. It is estimated that:																												
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2. Some of the above costs will be the deployment of existing capacity but some additional resources will be needed for marketing and promotion of the lottery and managing its performance and suppliers.																													
3. Income from the lottery will be used to assist in funding existing commitments to the VCS. Until the level of funds being raised is known it is																													

	difficult to anticipate the levels that may be generated. Based on the performance of other similar sized Local Authorities the aim is to generate £50,000 per annum by year 3. A review will be undertaken to ensure that the lottery is running in line with the aims set out in this report.

Contribution to the Delivery of the Strategic Plan	<p>Funding of the local Community and Voluntary Sector supports the strategic priorities of:</p> <ol style="list-style-type: none"> 1. Vibrant and Prosperous Communities by supporting our residents the local economy, jobs and training. 2. Healthy and Safe Communities by helping people to be active and continue to live independently and be involved in volunteering. 3. Clean, Green, Welcoming places to live by supporting organisations that encourage and support volunteers who contribute towards protecting our heritage and looking after green spaces.
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Equality, Diversity and Human Rights Implications	<ol style="list-style-type: none"> 1. Voluntary and community groups provide support to a range of groups and in particular children, older people and people with disabilities.
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Crime & Safety Issues	<ol style="list-style-type: none"> 1. A number of the organisations currently supported contribute towards community safety including supporting victims and witnesses of domestic abuse and support for victims of anti-social behaviour.
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	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Information from other LA's performance is limited in terms of both the numbers running these schemes and the length of time they have been operated and their local operating conditions. Limited data is available on associated staffing costs is available so inadequate resources may have been allocated. Therefore, any financial forecasts based on this data carry risk.	Annual review of performance.	Yellow
B	That the scheme does not attract sufficient ticket purchases per week to make the scheme viable. Increasing the percentage of funds available to distribute will increase the likelihood of this. If the scheme becomes unviable then it can be ceased and the Council would not reapply for its licence; the council will also have incurred financial risk in set up costs.	Ongoing review of performance.	Green
C	The Community and Voluntary Sector don't widely support the Lottery which would result in it being unsuccessful as the proposed model relies on ticket sales being largely driven by the sector.	Engagement and consultation with the sector before the decision to form the lottery is taken.	Yellow

D	Reputational, in that the scheme is seen to encourage gambling (see paragraph 3.18).	The design of the scheme and ongoing review will mitigate this risk.	Green
E	Some organisations that deliver the Council's priorities are not successful through the Lottery model	The Council will be able to distribute unspecified purchases, the percentage that goes into the central pot and its own funding to mitigate this.	Yellow
F	Has a negative impact on the fundraising activities of other good causes in the District.	Ongoing engagement with the Community and Voluntary Sector as part of its performance review.	Green

Background documents

Relevant web links