

COMMUNITY LOTTERY PROPOSAL – UPDATE

Executive Summary

This report provides an update on the Council's consideration of the possibility of establishing a Community Lottery Scheme for the Borough of Woking, first considered in 2019/2020 by the Overview and Scrutiny Committee and the Executive. Whilst the Committee was minded to support the establishment of a local Lottery Scheme, further consideration was put on hold in light of the Covid Pandemic and changes in the Council's priorities.

It should be emphasised that this report does not recommend that the Council revisits the proposals at this stage; this report provides an update for the Committee in recognition of the time that has passed since they were considered and the change in Membership of the Committee. The Council is not currently in a position to take the proposals forward, recognising that there would be both cost and staff resource implications which cannot be met at the present time. However, Officers will continue to keep the proposals under review with the intention of bringing forward proposals at the appropriate time.

The Committee is therefore asked to note the update.

Recommendations

The Committee is invited to

RESOLVE That the report be noted.

The Committee has authority to determine the recommendation above.

Background Papers:	None.
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1.0 Introduction

- 1.1 In 2019/2020 Woking Borough Council considered the possibility of establishing a Community Lottery Scheme for the Borough of Woking. Such schemes are now run by over 100 local authorities and can provide a valuable source of funding for local Charities.
- 1.2 As part of the work, a detailed report by Officers was presented to the Overview and Scrutiny Committee in January 2020 as part of its scrutiny responsibilities. The Committee Members were encouraged to consider the benefits of a Community Lottery Scheme in Woking, taking into consideration the cost and resource implications, and recommend to the Executive whether the Council should explore further the possibility of establishing a local Lottery scheme. A representative for the leading company in this area – Gatherwell – attended the meeting, presenting details of the scheme and answering the questions of the Members attending.
- 1.3 The Overview and Scrutiny Committee chose to recommend to the Executive that the Council should explore further the possibility of adopting a Community Lottery Scheme and that a proposals report be brought back to a future meeting of the Executive. The Executive considered the recommendation at its meeting on 6 February 2020 and resolved that the possibility should be explored further with the intention of bringing a report back to a future meeting of the Executive. The full extracts from the minutes of the meetings are set out in Section 2.0 of this report.
- 1.4 Any further work on the proposal was put on hold as a result of the Covid pandemic, with services of the Council being reallocated to prioritise the support of the Community.
- 1.5 This report provides a summary of the scheme offered through Gatherwell, updating the information provided in 2020 for the benefit of Members not on the Committee at that time. It should be noted that a decision on the provider has not yet been made; however, Gatherwell is the leading provider for Local Authorities.
- 1.6 It is proposed that a comprehensive report on a Community Lottery proposal would be brought back to the Committee at a more appropriate time. It is proposed to do so once the costs and resource implications have been addressed. It is anticipated that the earliest the Council would be able to do so would be in 2023/24.

2.0 Past Decision of the Council

- 2.1 The Overview and Scrutiny Committee considered the possibility of establishing a Community Lottery Scheme for Woking in January 2020, and subsequently made a recommendation to the Executive, which was determined in February 2020. Extracts from the relevant minutes of the meetings are set out below.

The Overview and Scrutiny Committee – 20 January 2020

- 2.2 “Woking Community Lottery OSC20-002

The Chairman introduced the Community Lottery item, which had been brought to the Committee to pre-scrutinise the recommendation before it went to the Executive, and introduced Phil Wright, Business Development Manager for Gatherwell.

Mr Wright provided background on the work undertaken by Gatherwell, an External Lottery Management Company licensed by the Gambling Commission that runs lotteries on behalf of good causes across the UK and explained their mission of raising money within the community for the community.

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Mr Wright detailed how the scheme works and that 60% of each ticket sale goes to a good cause, 20% to fund prizes and 20% to running costs and VAT. Payments can be paid by direct debit or 1/3/6/12 month upfront payments, tickets cost £1. Gatherwell would work with Woking Council, if the scheme was approved by Council, and provide professional high resolution marketing materials/branding, web design, payment administration, support for players and assist with the launch.

The Committee noted the report by Guildford which set out their experiences and costs, and provided valuable background information to the Scheme.

Following questions from Councillors, Mr Wright confirmed that the minimum subscription period was one month, the minimum age to participate was 16 as per other lotteries and present government legislation and the scheme was designed for local authorities, Gatherwell are present at LGA Conferences and work with over 50 Councils at present. It was reported that the organisation had recently seen a change in Managing Directors, and was purchased by an Australian company. Members noted the high percentage that goes to charity and the positive impact the scheme would have on the community and local organisations.

RECOMMENDED to the Executive that in accordance with the findings of the Overview and Scrutiny Committee, the Council explores further the possibility of adopting a Community Lottery Scheme and that a proposals report be brought back to a future meeting of the Executive.”

The Executive – 6 February 2020

2.3 “Recommendation from Overview and Scrutiny Committee – Woking Community Lottery Proposal EXE20-014

The Executive received a report which set out a recommendation from the Overview and Scrutiny Committee asking the Executive to support the proposal to seek the introduction of a community lottery scheme for the Borough of Woking through an External Lottery Manager (ELM). Councillor Hughes, Chairman of the Overview and Scrutiny Committee, reported that the Committee had received an interesting presentation by Gatherwell, an ELM, which had answered the Committee’s questions. It was noted that the cost to the Executive 6 February 2020 232 Council was relatively small and that the contract period was a minimum of one year. The need to consult with local charities was highlighted.

The Executive agreed that the Council should explore the proposal further and that a proposals report be brought back to a future meeting of the Executive.

RESOLVED That in accordance with the findings of the Overview and Scrutiny Committee, the Council explores further the possibility of adopting a Community Lottery Scheme and that a proposals report be brought back to a future meeting of the Executive. Reason: To create a new revenue stream for local community organisations.”

3.0 The Community Lottery Scheme for Local Authorities

3.1 Woking Borough Council was initially approached by Gatherwell Ltd. in 2019 with a proposal for a Community Lottery Scheme for the Borough. Gatherwell Ltd. is an ‘External Lottery Manager’ or ELM. An ELM makes arrangements for a lottery on behalf of a society or local authority but is not a member, officer or employee of the society or local authority. A society or local authority and an ELM must be separate entities and be able to demonstrate that they are independent of each other. ELMs are responsible for managing on-line lottery ticket sales and prize management.

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- 3.2 Societies and local authorities can employ ELMs to manage all or part of their lotteries so that societies and local authorities may benefit from the experience or economies of scale that come with employing an ELM.
- 3.3 The scheme has been adopted by a number of neighbouring authorities including Guildford Borough Council, Elmbridge Borough Council, Mole Valley District Council and Surrey Heath Borough Council.

4.0 Key Elements of the Community Lottery Scheme Operated by Gatherwell

- 4.1 Set out below are the key aspects of a local lottery scheme together with details of the offer by Gatherwell Ltd.

<p>Local Government Lottery Schemes</p>	<p>The operation of lotteries (excluding the National Lottery) is regulated by the Gambling Act 2005. Local 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, which was set up as the regulatory body under the 2005 Act. The licensing regime includes the need for a Personal Management Licence (PML) held by an individual within the organisation as well as an Operating Licence.</p> <p>The Gambling Commission has issued statutory guidance. This confirms that local authority lotteries must apply a minimum of 20% of the gross proceeds for any purpose for which it has power to incur expenditure, up to a maximum of 80% of the proceeds may be divided between prizes and expenses, and the maximum value of tickets that can be sold in a single lottery is £4million. The maximum aggregate value of lottery tickets that can be sold in a calendar year is £10 million, the maximum prize in a single lottery is £25,000 or 10% of the gross ticket sales (whichever is greater) and rollovers are permitted provided the maximum single prize limit is not breached.</p> <p>Local authority lotteries may employ an external lottery manager (ELM) to run all or part of their lottery, and ELMs must also be licensed by the Gambling Commission. The appointment of an ELM will need to be formalised by entry into a contract.</p>
<p>Lotteries</p>	<p>Lotteries have long been a way for smaller organisations to raise income. They are regulated by the Gambling Act 2005. There are different types of lotteries available; this proposal falls within the category of ‘society lotteries’.</p> <p>Society lotteries are promoted for the benefit of a non-commercial society. A society is non-commercial if it is established and conducted:</p> <ul style="list-style-type: none"> ○ 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

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	<p>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).</p> <p>A large society lottery:</p> <ul style="list-style-type: none"> ○ Has proceeds that exceed £20,000 for a single draw ○ Has aggregate proceeds from lotteries in excess of £250,000 in any one year <p>A small society lottery:</p> <ul style="list-style-type: none"> ○ 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 <p>The proposal before the Council would establish a ‘large society lottery’ similar to those adopted by a number of local authorities, including Surrey Heath Borough Council, Guildford Borough Council and Elmbridge Borough Council.</p>
<p>Gatherwell Scheme</p>	<p>The scheme started when Aylesbury Vale District Council approached Gatherwell Ltd. which at that point specialised in a community lottery scheme for Schools. The District Council developed the scheme for Local Authorities with Gatherwell Ltd..</p> <p>Lottery tickets are sold for £1. Players are encouraged to sign up to recurring monthly payments. Each person selects six numbers between 0 and 9 of any combination. Gatherwell Ltd. processes all ticket sales.</p> <p>The minimum age to participate is 16.</p> <p>Prizes are awarded on matching number sequences – the order of the numbers need to match. Top prize is £25,000 which will be met by the firm, even if won in the first week of operation.</p> <p>Weekly draws are held on Saturday evenings. Results are posted online immediately and winners will also be notified via email.</p>
<p>Cost to the Council</p>	<p>Approximately £8-10,000 year 1 which includes a one-off fee of £5,000 payable to Gatherwell.</p> <p>Following that, costs will be around £3,000 depending on the amount of promotion undertaken. The costs include an annual payment to the Lottery Council (£385) and £796 for a Gambling Commission licence.</p> <p>Note: Gatherwell Ltd. has indicated that an Authority could, should it choose to, use the income through the scheme to offset these costs.</p> <p>Contract Period 1 year with a rolling three-month contract.</p>
<p>Responsibilities of the Authority</p>	<p>Gatherwell Ltd. would take care of all operation and administrative requirements, including marketing strategies and advice pre and post launch.</p> <p>The remaining responsibilities for the Authority are:</p>

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	<ul style="list-style-type: none"> o Application/compliance of a Local Authority Licence from the Gambling Commission. o Approval of new good causes as applications are submitted online. o Authorisation of monthly cause payments and Gambling Commission lottery return. o Continuous promotion of the lottery to players and good causes. o The appointment of two Officers to have overall management responsibility for the promotion and proper management of the lottery and for compliance with the regulatory regime as a whole. Ideally, one Officer would be identified in the Finance Team, and one would be identified in the Communities Team.
Allocation of funding	<p>Under the Gatherwell Ltd. scheme, 60% of ticket price is donated to good causes in the local community.</p> <p>20% makes up the cash prizes players can win each week.</p> <p>17% goes towards admin and running costs incurred by Gatherwell Ltd.</p> <p>3% VAT which can be claimed back.</p>
Players Choices	<p>The players can choose to allocate the 60p of their draw price to a general fund administered by the Council or to allocate 50p to the Charity of their choice from the list maintained by the Council, with the remaining 10p going to the general fund.</p> <p>The prizes are:</p> <ul style="list-style-type: none"> - 6 matched numbers - £25,000 - 5 matched numbers - £2,000 - 4 matched numbers - £250 - 3 matched numbers - £25 - 2 matched numbers - 3 free tickets <p>Draws are held at 8pm every Saturday and the results are posted on-line. Winners are notified by email and receive the prize directly into nominated account or can donate the prize to a good cause.</p>
Charity Involvement	<p>The scheme is based on charities signing up with the Council and, if accepted by the Council, be added to a list of charities which the players can choose their favourites from. The number of charities is unlimited.</p> <p>Each charity provides details of its services to assist players in making their choices of local services to support, as well as giving an indication of what the money will be spent on. Each group would have its own page on the website.</p> <p>As is mentioned elsewhere, engagement with the local community organisations is key to the success of a community lottery scheme and the launch in particular is an essential element.</p>

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	There is no cost to those charities and community groups participating in the scheme, and they would not need to be registered as a Charity. There is no minimum number of Groups which could participate.
Allocation of funding	<p>Any contributions direct to a Charity on the list maintained by the Council is paid to the Charity on a monthly basis.</p> <p>The funds in the general fund can be allocated at the discretion of the Authority. They do not need to be allocated within year. The Council sets the criteria for the fund.</p> <p>The players can see information on the scheme, including the details of funding awarded and the list of prizes won.</p>
Comparison with Other Lottery Schemes	<p>People’s Postcode Lottery – 32% to charities.</p> <p>National Lottery – 22% to good causes</p> <p>Gatherwell Ltd. Community Lottery Scheme – 60% to charities</p> <p>EuroMillions – 28% to good causes.</p> <p>Health Lottery – 20% to good causes</p>

5.0 Corporate Strategy

5.1 The establishment of a community lottery scheme is not included in the Corporate Strategy. However, the scheme has the potential of providing an additional income stream for local community groups and charities.

6.0 Implications

Finance

6.1 The financial implications for the Council have been set out earlier in this report and comprise:

Year 1 – approximately £8-10,000. This includes a one-off set up fee of £5,000 by Gatherwell Ltd. which includes:

- Web 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 gambling licence application support.

- Training for licence holders.

Councils are recommended to provide funds for launch marketing, including the arrangements for a formal launch event targeting the voluntary community.

Year 2 onwards annual cost – Approximately £3,000, depending on the amount of promotion undertaken. The costs include an annual payment to the Lottery Council (£385 for 2022) and £796 (for 2022) for a licence. Gatherwell Ltd. has indicated that an Authority could, should it choose to, use the income through the scheme to offset these costs.

- 6.2 The Contract Period offered by Gatherwell Ltd. is a minimum of one year with subsequently a rolling three-month contract.
- 6.3 The Council is currently undertaking a savings review and is not in a position to allocate funds for a new initiative.

Equalities and Human Resources

- 6.4 There will be resource implications for Officers, including the IT Team, the Marketing and Communications Team and the Team responsible for managing the list of local Charities featured through the scheme. Furthermore, two Lead Officers will need to be appointed on behalf of the Council under the Licensing agreements; these Officers would commonly be appointed from Finance and Community Services.
- 6.5 At the present time, it is not felt that the Council has the necessary staff resources to ensure a successful launch and management of a lottery scheme.

Legal

- 6.6 There are no specific legal implications arising from this report.

7.0 Engagement and Consultation

- 7.1 The possibility of a Community Lottery for the Borough will be kept under review and appropriate engagement and consultation will be undertaken once the Council is in a position to take a proposal forward.

REPORT ENDS