

WELWYN HATFIELD BOROUGH COUNCIL
CABINET - 6 FEBRUARY 2023
REPORT OF THE EXECUTIVE DIRECTOR (FINANCE AND TRANSFORMATION)

COMMUNITY LOTTERY

1 Executive Summary

- 1.1 As part of considering options for closing the budget gap, exploration has been undertaken to consider starting a community lottery scheme, which would reduce reliance the Council's community grants scheme.
- 1.2 A community lottery would offer a valuable income stream to our community and voluntary sector in the Borough, removing reliance on the council for funding. The current budget for small community based grants is £50k.
- 1.3 Since 2015, around 110 councils and CVS organisations have set up, or are in the process of setting up, local lotteries to support good causes in their areas, including a number of councils within Hertfordshire.
- 1.4 The Council would retain full control over charities supported, and a process would need to be devised for applications from good causes to be part of the scheme.
- 1.5 In addition to replacing the Council funded grants scheme, the lottery scheme provides an opportunity to increase the overall funding that is made available for good causes, dependant on the number of players in the area.
- 1.6 The scheme takes around 6 months to set up. The aim would be to commence the lottery from August 2023, and the savings have been included in the budget proposals agreed at Council in February 2023. To ensure the scheme, and the saving, could be delivered as quickly as possible, this report seeks approval to commence the set up process, subject to Council approval of the budget.
- 1.7 It is unlikely that the scheme will be in place in time for removing the next tranche of community grants, paid out at the start of the 2023/24 financial year, so it will be recommended as part of the budget to fund the final year of small community grants from the Strategic Initiative Reserve.

2 Recommendation(s)

- 2.1 That Cabinet note the outcome of the procurement exercise, and that Gatherwell Limited will be appointed under officer decision.
- 2.2 That Cabinet delegate authority to the Executive Director (Place) to name the scheme, in consultation with the Leader and Executive Member for Leisure and Community.

- 2.3 That Cabinet delegate authority to agree the scheme design to the Grants Board (including determining eligibility criteria for good causes) and that the terms of reference for the Grants Board be updated accordingly.

3 Background

- 3.1 As budget pressures continue to increase over the next few years, there will inevitably be an impact on the funding available for partnerships with local voluntary and community organisations (referred to in this report as ‘good causes’) in the medium term. In order to alleviate some of those budget pressures, a number of other councils have introduced a local lottery as a potential new source of income to provide funding to good causes.
- 3.2 Lotteries have long been a way of smaller organisations raising income, for which they are regulated under the Gambling Act 2005 (“the Act”). The Act creates eight categories of permitted lottery. The Act includes, as a permitted category of lottery, a “local authority lottery”. Local authority lotteries are lotteries promoted by the authority and require the authority to be licensed by the Gambling Commission. The net proceeds from a local authority lottery may be used for any purpose for which the authority has the power to incur expenditure.
- 3.3 Local Authority lotteries have to deliver a minimum of 20% of proceeds to purposes for which the authority has the power to incur expenditure – this report proposes to deliver up to 60% of the Lottery proceeds to good causes.
- 3.4 Until a few years ago, local authorities had not entered into this form of fundraising due to perceived risks to a council’s reputation, contradictions with anti-poverty work, and concerns about the gambling aspects of such a service. However, things have moved on in the last few years, and there is now a clear precedent set for local authorities to get involved in this kind of activity, as long as the marketing material is clear that it is principally a fundraising platform for local good causes, the lottery is properly regulated, and supports the licensing objectives set out in the Act which are;
- 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.
- 3.5 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 someone that is a person or a body who 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 authority. All ELMs must hold a lottery manager’s operating licence before they can manage a lottery on behalf of a local authority. This is in addition to the operating licence held by the local authority. It is important to note that whilst ELMs may run a lottery on behalf of the local authority, it is the responsibility of the local authority to ensure that the lottery is conducted in such a way as to ensure that it is lawful, and fully complies with the Act, all licence conditions and licensing codes of practice.

- 3.6 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 the lottery is run by an ELM. The ELM will have their own PML holders.
- 3.7 A procurement exercise has been completed to identify an ELM. The council received one bid from Gatherwell Ltd (“Gatherwell”). Gatherwell are considered to be 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 65 local authority awarded contracts with 51 live websites and 14 in development, as well as over 1,000 schools across the UK using ‘Your School Lottery’ platform (which is where they evolved from).
- 3.8 Lotteries like these attract a number of different 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.
- 3.9 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%

- 3.10 It is proposed that the Council establish a Welwyn Hatfield Community Lottery. The aims of the Lottery would be:
- Delivering the proceeds locally – a Welwyn Hatfield Community Lottery would deliver benefits to local causes only i.e. players can be assured that the proceeds will stay within Welwyn Hatfield borough.

- Maximising benefits to the community – to bolster support and to help in continuing the good work that the Council already does. The proposal in this report has up to 60% of proceeds being given to good local causes.
 - Minimising costs – whatever delivery route is adopted it will need to minimise set-up costs, meaning the lottery will need to be self-financing, and any funding distribution mechanism should tap into 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 – whilst the lottery will help 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 i.e. the costs of licensing and administration. It will also open up a way for good causes to create new links with repeat donors.
 - Helping to shift resident's perceptions – of what the Council can do and is here for, taking a more commercial approach, moving from provider of funding to enabler of funding.
- 3.11 The lottery will be provided by an online platform. This is due to the costs of distribution and sales which would be incurred in any other way. This fits with the Council's digital approach and the lottery will be able to be accessed via a desktop, mobile, or tablet. In order to comply with the Act the Council will need to hold a remote lottery operating licence to have this type of lottery.
- 3.12 The suggested model would enable groups to apply to take part in the lottery, and for applications to be assessed by the Council's Grants Board. By signing up they would have their own web page for the lottery helping them in engaging players and raising income. This option removes a number of hurdles for groups who might struggle to take part in their own lotteries (e.g. holding their own licence and setting up infrastructure to enable the lottery to run).
- 3.13 The Council would be the overall licence holder and control the good causes joining the scheme. Players buying tickets through specific web pages would know that the proceeds are for that specific good cause. This in turn motivates the group to gain more players to support their specific cause. This option in effect operates as an 'umbrella' scheme within the main Community Lottery. Players have the options to select the good causes they support when purchasing tickets, or can select the central pot. Any funds allocated to the central pot can be distributed by the council to the registered good causes, and the council would have the ability to decide how these are distributed. Again, it is recommended that a process be devised for the distribution to be decided by the Grants Board.
- 3.14 The Council would need to define eligibility criteria against which applications for good causes wishing to join the lottery would be assessed. It is proposed that the development of these criteria, associated processes and the ultimate determination on which good causes will receive proceeds, be considered by the grants board on the recommendations of the Executive Director (Place).

- 3.15 All sales for the lottery 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 and also mitigates against the issues related to addictive gambling as payment is at specified times for specified amounts.

Delivery Options

- 3.16 In essence 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. 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 Welwyn Hatfield and the good causes, the role of marketing.

- 3.17 It is proposed that rather than allocating officer time and significant cost to setting up and managing an in-house lottery, an ELM is used to oversee the operations of the local lottery. Gatherwell Ltd were the only provider to bid for this, and are specialists in delivering local authority lotteries. It is therefore proposed to utilise Gatherwell Ltd as an ELM for the lottery, initially with an agreement for a two-year period with an option to extend to a third year.

- 3.18 Gatherwell already perform this operation for 51 councils so far, including districts, metropolitans, counties and unitary councils, and their remit is to increase funding to good causes.

- 3.20 The lottery focuses on enabling local good causes to raise additional funding for their services, and would operate as set out below:

- Each ticket costs £1 of which 50% goes solely to the specific good causes signed up to take part in the lottery, a further 10% provides funding for the Council to determine its use. In comparison, the Health lottery allocates 20% to good causes and the UK Lotto allocates 28%.
- Players select which good cause they want their money to go to, and each amount is directly paid over to that specific good cause on a periodic basis by the ELM.
- Of the remaining balance, 20% is allocated for prize money, 17% goes to the External Lottery Manager, and 3% is VAT, which is reclaimable by the Council.
- Participation is on-line (or telephone for those who don't have access to the internet), and no tickets are sold in shops, offices or on the street.

- Tickets have to be bought in advance and payment is via credit/debit card or Direct Debit. 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.
- The Lottery is 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. As the Super 66 is drawn weekly on a Saturday morning (UK time) the deadline for participating in the local lottery is midnight Friday.
- Players are 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.
- Multiple tickets are able to be purchased, and numbers can be changed by players.
- 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 have donated their prize back to the good cause).
- 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 lies with ELM.

Combination	Odds	Prize
6 Numbers	1:1m	£25,000
5 Numbers	1:55.6k	£2,000
4 Numbers	1:5.6k	£250
3 Numbers	1:556	£25
2 Numbers	1:56	3 Free Tickets
Overall odds of winning	1:50	n/a

3.21 All day to day management will be conducted by the ELM. This includes processing new players, 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.

3.22 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.

3.23 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.

4. Responsible Gambling

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 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 (as players have to pay in advance via card or Direct Debit).
- 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 will also make a contribution to the Responsible Gambling Trust on behalf of each of its members.
- 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 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 are required to 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.
- Gatherwell monitor ticket sales, and will contact customers if they consider sales to be excessive (capped at 20 per supporter), or if they believe the pattern of sales suggests irresponsible gambling.

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

- 4.3 In order to comply with the licensing requirements under the Act, the Head of Paid Service will identify suitable officers to apply for any operating licences on behalf of the Council. The Executive Director (Place) will be the designated chief officer with overall responsibility for the scheme.

Implications

5 Legal Implication(s)

- 5.1 The Gambling Act 2005 creates eight categories of permitted lottery, one of which is a local authority lottery. Local authority lotteries are promoted by the relevant council and the net proceeds can be used for any purpose for which the authority has the power to incur expenditure.
- 5.2 The scheme must be run under an operating licence issued by the Gambling Commission and would need to comply with the specific licence conditions and relevant codes of practice including a requirement that the lottery rules must ensure: (a) that it is not possible for the purchaser of a ticket in the lottery to win more than £25,000 or, if more, 10% of the proceeds of the lottery; and (b) that membership of the class among whom prizes are allocated does not depend on making any payment (apart from payment of the price of a ticket).
- 5.3 In addition, because players will participate by way of remote communications/gambling will be remote, the council will need to hold a remote gambling licence.
- 5.4 As proposed in this report, we can appoint an ELM to manage the lottery on our behalf in accordance with Section 257 of the Gambling Act. The ELM will also need to obtain the necessary consent and operating licence from the Gambling Commission. However, we would remain responsible for ensuring that the lottery operates lawfully if an ELM is appointed. To this end, we will need to appoint a responsible officer(s) for the Gambling Commission's lottery licence which will be determined by the Head of Paid Service.
- 5.5 Gatherwell Ltd is the operator of all 80 established or planned local authority lotteries. It has a proven track record of working with councils to deliver low-cost lotteries and offers the flexibility to provide a scheme tailored to the Councils requirements.
- 5.6 In the event that Gatherwell Ltd is appointed as an ELM for the council, a formal written agreement will need to be entered into between the council and Gatherwell, setting out the terms of the appointment.
- 5.7 The approval of the council's budget is a matter for full Council and any approvals in this report, are subject to the budget proposals being agreed by full Council.

6 Financial Implication(s)

- 6.1 The lottery scheme will enable the council to become an enabler of funding to good causes, rather than a provider of funding. This will generate savings of £50k per annum. The recommendation to be included in the budget will be to fund last year of the community grants scheme from the Strategic Initiatives Reserve.

- 6.2 Initial set up costs are £5k for Gatherwell support. In addition, there will be license fees and affiliations payable of around £1.2k.
- 6.3 Annual marketing of £5k would be undertaken, alongside annual licence and memberships fees of around £1k. The council will receive 10% of ticket income, which could be contributed towards funding some its annual grants to partner organisations, which in turn would release funding for the annual costs of marketing and licensing.

7 Risk Management Implications

- 7.1 There are various risks associated with establishing a new Community Lottery, such as:

(a) the voluntary and community sector choosing not to engage with the initiative; and

(b) the lottery not performing as well as expected and not producing the anticipated levels of income.

However, these risks do not appear to have been realised in other council-operated lotteries and we consider that they are outweighed by the potential to generate funding for local voluntary and community organisations.

8 Security & Terrorism Implication(s)

- 8.1 There are no security and terrorism implications associated with this report.

9 Procurement Implication(s)

- 9.1 As outlined in the report, the financial implications of running the lottery in-house are estimated to be £80k-£100k for set up alone, and the Council does not have the necessary skill or resource to establish the lottery, and as such it is preferable to “buy-in” the support for a cheaper, more efficient way of establishing the Lottery.

- 9.2 A procurement exercise was completed in line with the council’s contract procedure rules, and Gatherwell Limited were the only organisation to submit a bid.

10 Climate Change Implication(s)

- 10.1 There are no direct climate change implications associated with this report, although there may be local groups which may have climate change initiatives which could be supported by the lottery.

11 Link to Corporate Priorities

- 11.1 The lottery will support a range of good causes, which may assist in the delivery of all of the councils corporate priorities.

12 Health and Wellbeing

- 10.1 There are no direct climate change implications associated with this report, although there is highly likely to be local groups supported by the lottery which will have a direct impact on residents' health and wellbeing.

13 Human Resources

- 13.1 There are no human resources implications arising from this report.

14 Communications and Engagement

- 14.1 A detailed communications and engagement plan will be developed, with support from Gatherwell in both launching and promoting the scheme to residents and good causes, along with an annual plan for marketing.

16 Equality and Diversity

- 15.1 An Equalities Impact Assessment was not completed because this report does not propose changes to existing service related policies or the development of new service related policies. An Equalities Impact Assessment will be completed when new eligibility criteria are proposed for admission of good causes to the scheme.