

SALISBURY CITY COUNCIL

Report

Subject : Community Lottery
Committee : Full Council
Date : 29 Jun 2020
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1. Report Summary:

1.1. This report introduces a community lottery for the city. The report gives details of how a community lottery can be run by a parish council, such as SCC and considers the potential risk and benefits.

2. Background:

2.1. A priority in the SCC Strategic Plan 2017-2021 is to reduce reliance on the precept by considering alternative income. A community lottery can be an alternative source of income, which could be used in a variety of ways.

2.2. Since 2015, around 80 councils and Community and Voluntary Sector organisations have set up, or are in the process of setting up, local lotteries to support good causes in their areas. A local lottery for Salisbury would offer a valuable new income stream for local voluntary and community organisations.

3. Community Lottery:

3.1. Vale Lottery was the first community lottery and was launched in 2015 by the Aylesbury Vale District Council. This was the first online local authority lottery.

3.2. The simplest way for a council to operate a lottery is to engage an External Lottery Manager (ELM). There would then be a contractual arrangement with the appointed ELM for the management of the lottery on the council's behalf, including website management, administration of ticket sales and payments, prize management and marketing. ELMs are not primarily to be a vehicle for profit for commercial organisations, but the intention is that they enable councils and other societies to raise funds for their own non-commercial purposes.

3.3. Gatherwell Ltd is by far the largest provider of council lotteries, with our research indicating that it operates all of the 80 already established or being developed. Given the small number of providers and the fact that only one ELM has a proven track record of working successfully with councils to deliver low cost lotteries, we are proposing to work with our preferred partner, Gatherwell Ltd, on the establishment of the new Salisbury City Community Lottery

4. Advertising and marketing:

4.1. This is carried out by a combination of the ELM, the Council and the beneficiaries of the lottery who will be able to have a link directly on their webpage. The ELM will provide tailored marketing materials and ongoing support; it can all be customised as the Council wishes.

5. Ticket purchase:

- 5.1. Tickets are purchased online only, through direct debit or payment card, and cost £1 each. This is carried out through a site administered and managed by the ELM (specific to Salisbury City).
- 5.2. The proceeds of each ticket sale are split as follows:
 - 5.2.1. £0.50 goes to local good causes (see also para 6 below)
 - 5.2.2. £0.10 goes to Council's Central Fund
 - 5.2.3. £0.20 covers prizes
 - 5.2.4. £0.17 to the ELM
 - 5.2.5. £0.03 VAT
- 5.3. For comparative purposes, 28% of ticket sales from the National Lottery go to good causes, 27.5% from the Postcode Lottery and 20% from the Health Lottery.

6. Funding To Local Good Causes:

- 6.1. For every ticket sold 50p goes to local good causes. The lottery can be established to distribute this money in two ways;
 - 6.1.1. either 50p goes to local organisations and 10p goes the Council's Central Fund.
 - 6.1.2. OR the whole 60p goes to the Council's Central Fund
- 6.2. If a central fund is established, when a player does not choose a nominated local organisation, the whole 60p would go to the Council's Central Fund.

7. The Council's Central Fund:

- 7.1. The Council's Central Fund can be used in a number of ways. Once the lottery set-up costs have been recovered, the Council's Central Fund surplus could;
 - 7.1.1. be added it to the Council's Community Grants budget to increase the Council grant giving capacity,
 - 7.1.2. it could allow a reduction in the grants budget where this income is used to top up the budget, so the amount of grant available remains the same,
 - 7.1.3. it could be used to create a new grants fund for specific projects
 - 7.1.4. Or it could be ring-fenced to a specific task, for example climate change.
- 7.2. The Council needs to agree on what the surplus funds, once operating and set-up costs have been recovered, are to be spent on.

8. Prizes:

- 8.1. Players select a line made up of six numbers running from 0 to 9. Prizes will be awarded according to the number of matched numbers, as follows:
 - 8.1.1. 6 matched numbers - £25,000
 - 8.1.2. 5 matched numbers - £1,000
 - 8.1.3. 4 matched numbers - £250
 - 8.1.4. 3 matched numbers - £25
 - 8.1.5. 2 matched numbers - 3 free tickets
- 8.2. The odds of winning the jackpot are approximately 1,000,000 to 1 and the odds of winning any prize are 50 to 1.
- 8.3. There is a weekly draw. The ELM maintains an 'insurance' scheme against someone winning the Jackpot so this cost would not fall onto SCC.

9. Selection of the beneficiaries:

- 9.1. The Council will decide the criteria for good causes to be eligible to benefit from the lottery and determines applications from relevant voluntary and community organisations to register.
- 9.2. It is proposed that the focus for Salisbury City will be to support the delivery of community engagement and well-being across the city, so local organisations who share these aims will be invited to become lottery beneficiaries.
- 9.3. This scheme gives more community groups the opportunity to fundraise.
- 9.4. It is proposed that the Community Working Group consider the applications and make recommendations to the Services Committee.

10. How Local Organisations Benefit:

- 10.1. From the experience of other similar lotteries already operating, it seems likely that fund for good causes is likely to be in the region of £24,000 in Year One of the lottery. This represents ticket sales of 40,000 which is thought to be a reasonable estimation of first year sales.
- 10.2. Once an organisation is selected to be part of the lottery they will get 50p for every ticket sold where the ticket buyer selects them as the charitable cause, depending on whether a central fund is established.
- 10.3. The ELM pays the charities directly so the organisations receive an income when tickets are bought by its supporters.
- 10.4. The more tickets that organisations can encourage their supporters to buy the greater the income for the local organisation. This would be one funding raising method that could sit alongside the organisation's existing fund raising programme or this could be the only fund raising undertaken by an organisation.

11. Administration:

- 11.1. The ELM oversees all aspects of the lottery. They provide a bespoke website, which works across all devices, and is secure and with an assured 99% uptime. This is regularly updated to maintain interest. Alongside this, there is a dedicated local telephone number and email address for support.
- 11.2. Professional marketing materials are provided, which includes artwork, magazine articles etc, and social media campaign management.
- 11.3. They manage payments and administer winner and 'good cause' payment administration, and winner communications. Winners may choose to donate their winnings back and this is also handled by the ELM.
- 11.4. They run a client deposit account ensuring all supporters' money is safe, and there is no risk to the council to cover prize winnings.

12. Ethical considerations:

- 12.1. Community lotteries are classed as low risk by the Gambling Commission; they are considered a form of 'incentivised giving'.
- 12.2. There are procedures in place to mitigate the risks of problem gambling, which include:
 - 12.2.1. Maximum of 20 tickets per supporter
 - 12.2.2. No instant reward or gratification when purchasing
 - 12.2.3. Direct debit and recurring payments (no cash)

- 12.2.4. Unable to buy single tickets, or tickets for a draw on the same day

13. Role of the Council:

- 13.1. Salisbury City Council would need to;
 - 13.1.1. Apply for a local authority lottery licence from the Local Authority, and nominate staff to oversee it.
 - 13.1.2. Define the eligibility criteria for the good causes, and assess applicants for these
 - 13.1.3. Promote the central fund
 - 13.1.4. Promote the lottery to good causes
 - 13.1.5. Authorise payments to the good causes (monthly) and authorise the Lottery Return form.

14. Financial Implications:

- 14.1. It is estimated that the start-up costs for a Salisbury City Community Lottery would be £8,450, including:
 - 14.1.1. Gatherwell Ltd set up fees £5,000 plus VAT
 - 14.1.2. Licence fees and affiliations £450
 - 14.1.3. Marketing expenses circa £3,000
- 14.2. The ongoing costs of running the lottery would largely be met through ticket sales, although £405 would be required for the annual licence fee and continued membership of the Lotteries Council. Some continued marketing of the lottery would also be needed, particularly in its early years, but this will be met from within existing resources.

15. Legal Implications:

- 15.1. 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 power to incur expenditure.
- 15.2. If SCC were to set up a Salisbury City Community Lottery, it must be run under an operating licence issued by the Local Authority (Wiltshire Council) and would need to comply with the specific licence conditions and relevant codes of practice.
- 15.3. As proposed in this report, SCC 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, SCC would remain responsible for ensuring that the lottery operates lawfully if an ELM is appointed. To this end, SCC will need to appoint a responsible officer(s) for the Gambling Commission's lottery licence and it is recommended that the Business Manager be nominated for this purpose.
- 15.4. Gatherwell Ltd is the operator of all of the nearly 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 Salisbury City requirements. As the only ELM with the demonstrable knowledge, experience and expertise, it is recommended that Gatherwell Ltd are SCC's preferred partner for establishing a Salisbury City Community Lottery.

16. Risk Management Implications:

- 16.1. There are various risks associated with establishing a new Salisbury City Community Lottery, such as:
- 16.1.1. the voluntary and community sector choosing not to engage with the initiative; and
 - 16.1.2. the lottery not performing as well as expected and not producing the anticipated levels of income.
- 16.2. However, these risks do not appear to have been realised in other council operated lotteries and it is considered that they are outweighed by the potential to generate new funding for local voluntary and community organisations. The worst-case scenario is that the initial start-up costs are effectively written-off.

17. Lottery for Salisbury:

- 17.1. From discussion with Gatherwell Ltd, it is expected that a Salisbury Lottery in Year One, based on 427 (10% of population) people playing every week, would generate £40,000 worth of ticket sales as on each person buys an average of 1.8 tickets per week ($427 \times 1.8 \times 52 = 39,967.20$).
- 17.2. The Council's Central Fund will receive 10p of every ticket - £4,000
- 17.3. Experience shows that 30% of players choose the Central Fund as their nominated good cause as they just want their money to support good causes locally rather than a specified cause. This means the Council's Central Fund would not only receive 10p from every ticket, but it would also receive 30% of the players' 50p.
- 17.4. Based on a set up cost of £8,450 the Council could break even between month 10 and 12 of the lottery. The table below shows possible income

Ticket Price £	No. of Players	% of Pop.	Tickets bought per week	Number of weeks	Gross return £	Central Fund (10%) £	Good causes (50%) £	30% of players choose central fund as their good cause £	Total SCC £
1	200	0.5	1.8	52	18,720	1,872	9,360	2,808	4,680
1	400	1	1.8	52	37,440	3,744	18,720	5,616	9,360
1	427	1.07	1.8	52	40,000	4,000	20,000	6,000	10,000
1	800	2	1.8	52	74,880	7,488	37,440	11,232	18,720
1	1000	2.5	1.8	52	93,600	9,360	46,800	14,040	23,400

18. For information, Corby Lottery have a 16+ population of 52,000 and they are generating £29,952 per year for good causes. They have 496 players with an average of 1.94 tickets per player and Gosport Lottery have a 16+ population of 67,000 and they are generating £39,374 per year for good causes. They have 671 players with an average of 1.88 tickets.

19. Timeline:

- 19.1. It is estimated that if approved a lottery could go live with 4 months;
 - 19.1.1. 10 to 12 weeks before first draw go live SCC would engage with charities and community groups to apply to be registered and possibility hold a big event to encourage them to sign up – showing it is a free service and they can put in as little or as much time / marketing but will recoup the benefits. The format of this event will depend on CV19 restrictions at the time
 - 19.1.2. 6 weeks before first draw go live with tickets and have a small event of some sort i.e. open day or presentation event at the Guildhall where city residents could come and get more information on how the lottery works and meet some of the charities they can support

20. Recommendations:

It is recommended that:

- 20.1. The Council agree that a community lottery is set up for Salisbury City, using Gatherwell as the ELM and as set out in this report
- 20.2. The Council determine how the surplus central funds income, once operating costs are covered, are to be allocated.

21. Wards Affected: All

22. Background Papers:

<https://gatherwell.co.uk/> for information about Gatherwell.

23. Implications:

- 23.1. **Financial:** As shown in the report
- 23.2. **Personnel:** The Business Team will take on this task, working with the Communities Team.
- 23.3. **Environmental Impact:** Nil in relation to this report,
- 23.4. **Equalities Impact Statement:** Nil in relation to this report.