

# Communities Housing & Environment Committee

20<sup>th</sup> June 2017

Is the final decision on the recommendations in this report to be made at this meeting?

**Yes**

## MAIDSTONE COMMUNITY LOTTERY

<b>Final Decision-Maker</b>	Communities, Housing & Environment Committee
<b>Lead Head of Service</b>	Director of Regeneration & Place
<b>Lead Officer and Report Author</b>	William Cornall Director of Regeneration & Place
<b>Classification</b>	Public
<b>Wards affected</b>	All

### **This report makes the following recommendations to this Committee:**

1. The establishment of a local lottery and associated confidential Business Case are approved.
2. The External Lottery Management (ELM) is approved and the appointment of Gatherwell Ltd is progressed, with the Director of Finance & Business Improvement given delegated responsibility to negotiate and finalise the agreement.
3. Two responsible Officers are appointed to hold the licence and submit the necessary application to the Gambling Commission, with responsibility for making these appointments delegated to the Director of Regeneration & Place.

### **This report relates to the following corporate priorities:**

- Keeping Maidstone Borough an attractive place for all – promoting and sustaining a vibrant voluntary sector within the borough.
- Securing a successful economy for Maidstone Borough - promoting and sustaining a vibrant voluntary sector within the borough.

### **Timetable**

<b>Meeting</b>	<b>Date</b>
Communities, Housing & Environment Committee	20 <sup>th</sup> June 2017
Council	N/A

# MAIDSTONE COMMUNITY LOTTERY

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report is to consider setting up a local lottery to benefit local community groups and charities that are able to contribute towards the Council's ambitions and likely to be impacted by further reductions in local authority funding.
  - 1.2 Faced with central government austerity cuts, the Council is looking at innovative ways to achieve its ambitions.
  - 1.3 The business case is attached as an **Exempt Appendix** to this report which outlines the formation, how it will be delivered, financial modelling and the criteria for joining the Maidstone Borough Lottery.
  - 1.4 In this respect, the development of a local authority lottery has been proven as a means to raise monies for good causes in a number of other councils and following recent local consultation it is evident that it would be suited to Maidstone. A survey was recently undertaken by the Council, in conjunction with Involve Maidstone, and a summary of results is attached at **Appendix A**.
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## 2. INTRODUCTION AND BACKGROUND

- 2.1 Following a Members briefing session on 14<sup>th</sup> December 2016, the Council have consulted with local groups and concluded there is interest and support for a local community lottery initiative.
- 2.2 Furthermore in January 2017 this Committee approved a 20% reduction in our "grants to outside bodies" programme over a four year period, reducing the MBC spend on this area from £225,000 to £180,000. The creation of a lottery is a means of reducing the impact of this upon our voluntary sector partners.
- 2.3 The associated confidential Business Plan has been produced (Part II Exempt Appendix) and sets out the extent of the opportunity that a local lottery could bring.
- 2.4 If recommended proposals are approved it will enable the establishment of the lottery to proceed with a view to launching it in December 2017.
- 2.5 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'.
- 2.6 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.

2.7 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.

2.8 This proposal is to establish a 'large society lottery' the same as recently introduced by other local authorities including Aylesbury Vale, Portsmouth City Council, Melton Borough Council and Gloucester City Council.

2.9 A local lottery such as the one proposed has a set of aims and unique selling point (USP) that resonates with players. This is because the scheme will focus on:

- Delivering the proceeds locally – A Borough wide lottery that delivers benefits only to local causes, unlike any other provider – players can be assured that the proceeds will stay in the Borough.
- Maximising benefits to the community – To bolster support and to help in continuing the good work Maidstone BC already does, there is a significant benefit being delivered to the Voluntary and Community Sector (VCS). The proposal in this report has 60% of proceeds being given to good causes.
- Minimising costs – The appointment of an External Lottery Manager with a tried and tested digital platform enables the scheme to be largely self-financing.
- Delivering winners locally – whilst anyone can play, it is likely that players will be locally based and hence it is easier to maximise the value from winners' stories and thereby encourage more

participation.

- Facilitating a wider benefit – whilst the lottery will help current funding of good causes, it will also enable local good causes to fundraise in partnership with Maidstone BC and hence enables the Council to help good causes to help themselves. It will also enable access to lottery-type funding which may not have been accessed due to barriers such as licensing, administration or ability to support such an endeavour.
- Helping to shift residents' perceptions - of what Maidstone BC can do, and is here for, in line with a commercial approach taking the authority from provider to enabler.

2.10 The proposed delivery method entails a partnership with an existing deliverer of lotteries in the market place (an External Lottery Manager – ELM). This in effect means 'buying into' an existing lottery manager's products and as such the council would be commissioning experts in the field to run the lottery. This ensures minimal risk to the council compared to trying to run a lottery directly as the ELM holds responsibility for the sale process, insurance of winnings etc. and is also licensed by the Gambling Commission to do this. The ELM is also able to act as a specialist advisor to the Council and provides necessary compliance training in the package.

2.11 There is a one off set up fee for the adoption of the platform but thereafter the arrangement is financed at the point of ticket sale as the ELM takes a percentage of the ticket price. It is therefore not technically a procurement. The council will not handle any transactions other than receiving its share of the income on a monthly basis. The Council will have a contract agreement with the ELM.

2.12 The lottery proposal will look to operate as follows:

- £1 ticket per week with a weekly draw.
- Only playable online.
- Funded only via Direct Debit, rolling monthly card payment, or block ticket purchase with single payment for 3, 6 or 12 months.
- 6 number self selected ticket.
- Delivered via an ELM - Gatherwell Ltd.

2.13 The prize structure and odds for the draws are set out in the table below:

<b>Prize Structure</b>		
	<b>Winning Odds</b>	<b>£ Prize</b>
6 numbers	1,000,000:1	£25,000
5 numbers	55,556:1	£2,000
4 numbers	5,556:1	£250

3 numbers	556:1	£25
2 numbers	56:1	3 free tickets

2.14 Distribution of proceeds from each ticket sold is proposed below:

<b>Proceeds Apportionment</b>		
	<b>% Allocation</b>	<b>£ Allocation per ticket</b>
Good Causes	60	£0.60
Prizes	20	£0.20
ELM	17	£0.17
VAT	3	£0.03
<b>Totals</b>	<b>100</b>	<b>£1.00</b>

2.15 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 proposed Lottery scheme will help mitigate against many of the issues related to addictive gambling by:

- Being only playable via direct debit and by pre-arranged sign up;
- There is no 'instant' gratification or 'instant reward' to taking part;
- There will be no 'high profile' activity surrounding the draw;
- The Lottery website will contain a section providing links to gambling support organisations.

2.16 Due to these factors, it is not anticipated that a Council-run Lottery would significantly increase problem gambling, and the benefits to good causes in the Borough from the proceeds of the lottery would outweigh possible negative issues.

2.17 The implementation of the scheme will require a one off fee to Gatherwell Ltd of £3,000 to set up the Maidstone BC Lottery digital platform. Licencing fees will be in the region of £1,000 and some marketing resource will also be required.

2.18 Until the level of funds being raised is known it is difficult to anticipate how much may be generated however The Aylesbury Vale Lottery generated over £60,000 in its first year of operation. The lottery will allow participants to contribute to a general fund if they have no particular cause they wish to support. This fund will be administered by Maidstone BC and will

complement existing grant funding.

- 2.19 The Council has commissioned Aylesbury Vale District Council to work closely with Maidstone BC to assist in development of a local Community Lottery at a one off cost of £10,000. This includes preparing the business plan for the Gambling Commission licence application, developing the necessary policies for this as well and producing a communications plan to support the implementation process. AVDC will assist through the process and advise on any issues in accordance with our agreement with them.
- 2.20 The proposals to introduce an online lottery that funds good causes throughout the Borough and helps external organisations to raise additional funds is seen as a positive move forward which can also encourage community funding.

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### **3. AVAILABLE OPTIONS**

- 3.1 In considering the report, the Committee can choose to proceed with the establishment of a Maidstone Borough Council Lottery.
- 3.2 Alternatively, the Committee can choose not to proceed with the Establishment of a Maidstone Borough Council Lottery.

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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The preferred option is 3.1, and so it is recommended that:
- The establishment of a local lottery and associated confidential Business Case are approved.
  - The External Lottery Management (ELM) is approved and the appointment of Gatherwell Ltd is progressed, with the Director of Finance & Business Improvement given delegated responsibility to negotiate and finalise the agreement.
  - Two responsible Officers are appointed to hold the licence and submit the necessary application to the Gambling Commission, with responsibility for making these appointments delegated to the Director of Regeneration & Place.
- 4.2 This option is preferred as it gives an improved opportunity for Maidstone's voluntary sector to flourish.

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### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 The concept was the subject of a Member briefing session in December 2016, and subsequent to this, the concept has been discussed at two meetings between the Corporate Leadership Team and the Group Leaders.

In terms of the level of support from Group Leaders, whilst not total, all felt that the proposal should go forward to this Committee for decision.

## 6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 This report is not expected to lead to any further consultation.

## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	The voluntary sector within Maidstone does play a role in supporting many of the Councils' priorities, and this is evidenced by the fact that this Committee decided in January 2017 to continue to fund our grants to outside bodies programme, albeit at a reduced rate.	[Head of Service or Manager]
<b>Risk Management</b>		[Head of Service or Manager]
<b>Financial</b>	Funding will need to be identified for the initial set-up costs and the ongoing running costs, and for the payment to Aylesbury Vale DC.	Senior Finance Manager (Client)
<b>Staffing</b>	This is a new area of work but it is envisaged that it can be incorporated within existing staff resources either within Housing & Communities or Tourism & Leisure.	[Head of Service]
<b>Legal</b>	The necessary form of agreement between the proposed ELM and MBC will be reviewed by MKLS and completed in accordance with MBC's Contract Procedure Rules.  Other legal matters are set out within the body of the report.	[Team Leader, Contracts and Commissioning, MKLS]

<b>Equality Impact Needs Assessment</b>		[Policy & Information Manager]
<b>Environmental/Sustainable Development</b>	N/A	[Head of Service or Manager]
<b>Community Safety</b>	N/A	[Head of Service or Manager]
<b>Human Rights Act</b>	N/A	[Head of Service or Manager]
<b>Procurement</b>	The consideration is that we are effectively buying into an existing and working model, rather than procuring our own ELM.	[Head of Service & Section 151 Officer]
<b>Asset Management</b>	N/A	[Head of Service & Manager]

## **8. REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix A Part 2: Business Case
- Appendix B: Summary Survey Results

## **9. BACKGROUND PAPERS**

***None***