



CABINET REPORT

Report Title	Northampton Lottery
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	14 November 2018
Key Decision:	NO
Within Policy:	YES
Policy Document:	YES
Directorate:	Finance
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	All

1 Purpose

The purpose of the report is:

- 1.1 To seek approval from Cabinet to launch a Northampton Lottery to help fund discretionary support to the local voluntary and community sector and to enable good causes to raise funds directly.

2 Recommendations

- 2.1 To recommend to Council that a Northampton Lottery be launched as detailed in the report.
- 2.2 To delegate the final arrangements of launching the lottery to the Chief Finance Officer, in conjunction with the Portfolio Holder for Finance, including the authorisation to appoint Gatherwell Ltd. as an External Lottery Manager to operate the Northampton Lottery.
- 2.3 To delegate the initial selection of core recipients to Cllr A King and Cllr B Eldred in conjunction with Head of Customers and Communities and the Chief Finance Officer.

3 Issues and Choices

3.1 Report Background

- 3.1.1 Despite significant pressure on Council budgets and available funding for community grant programmes over recent years, Northampton Borough Council is committed to continuing to support the voluntary and community sector (VCS). A lottery would allow this sector to raise funds directly, while contributing to a general ‘good cause pot’ with causes chosen by councillors. This innovative approach would move the council from ‘provider to enabler’.
- 3.1.2 The concept of a local lottery was pioneered by Aylesbury Vale District Council, whose lottery was given Council approval in November 2015. AVDC has raised £45,000 per year for local good causes, using Gatherwell Ltd. As an External Lottery Manager (ELM). The appointed ELM delivers all aspects of running the lottery, including providing an online platform, ticket payment systems, prize management and licensing arrangements, with joint responsibility for promotion and marketing of the lottery.
- 3.1.3 At least 30 councils now use a lottery as a means of raising additional funds for projects and causes, including Essex County Council and Corby District Council. They are regulated by the Gambling Act 2005 as ‘local authority lotteries’.
- 3.1.4 Local Authority lotteries must deliver a minimum of 20% of proceeds to good causes. This report recommends a minimum of 60% of Northampton Lottery proceeds go to good causes. As a local authority we would need to be licensed by the Gambling Commission, as would an appointed ELM.
- 3.1.5 There are four well-known national lotteries running in England and Wales – Euromillions, the National Lottery (Lotto), Health Lottery and Postcode Lottery. The table below sets out some statistics for these providers for comparison.

Provider	Odds of jackpot win	Odds of any prize win	% share to good causes	% to operator / owner
Euromillions	1:116,000,000	1:13	28%	22%
National Lottery (Lotto)	1:14,000,000	1:54	28%	22%
Health Lottery	1:2,000,000	1:209	20%	22%
Postcode Lottery	No data available		27.5%	32.5%
Proposed Northampton Lottery (using AVDC as a template)	1:1,000,000	1:50	60%	20%

- 3.1.6 There are a number of community groups and charities that run lotteries or similar fundraising schemes within the borough, but there are no other Northampton-wide lotteries currently being delivered. The unique selling point of a Northampton Lottery is that players can be assured that proceeds will stay within Northampton, as will the majority of prizes. Further details of the proposed operation and set-up of the Lottery are set out in Appendix A.

3.2 Issues

- 3.2.1 The costs of setting up an in-house delivery option for a lottery have been estimated at £80-100k. This would be mitigated by buying in a 'template' from an ELM such as Gatherwell, who have used the same model in each of the council lotteries they operate, delivering the skills, expertise, operating system and sharing the risk of delivery. This includes ticket payments, prize management and licensing. The ELM is also be required to be licensed by the Gambling Commission.
- 3.2.2 There has been very limited negative feedback from the operation of lotteries at other councils relating to the promotion of gambling and worries about reductions in direct funding, which has been outweighed by positive reactions from the groups and causes, including schools, which have benefited from the increase in funding.
- 3.2.3 Decisions on the price of tickets, good causes eligible for funding, the percentages of proceeds allocated to prizes, good causes and administration, frequency of draws and the costs of marketing may be delegated to the officer charged with setting up the lottery or engaging the ELM.

3.3 Choices

3.3.1 Option 1

- a) Engage Gatherwell Ltd as the ELM to set up and operate a Northampton Lottery. Gatherwell would conduct all day-to-day operations with the Council retaining control, oversight and governance of the scheme.
- b) Advantages: This uses an existing system and template for roll-out, including marketing and licensing, which would also reduce the time and resources needed to set up, and the council would share risk with the ELM as they would be paid solely from ticket sales. Creates additional funds for local good causes.
- c) Disadvantages: Limited level of risk relating to low take-up, which can be offset by effective marketing.

3.3.2 Option 2

- a) Set up an in-house lottery by employing a part-time staff member (0.5 FTE)
- b) Advantages: Complete control over the process, administrative costs, marketing and systems. Creates additional funds for local good causes.
- c) Disadvantages: The Council would face prohibitive additional costs relating to employing staff with the knowledge and experience required to set up and run the lottery, including licensing, the website, lottery system and marketing strategy.

3.3.3 Option 3

- a) Do not set up a lottery
- b) Advantages: No risk of additional costs.
- c) Disadvantages: No additional funds for local good causes, which overlooks an opportunity to establish a new income stream to support the Council's community grants programme and enable the VCS sector to raise funds through a secure lottery scheme at no expense to them.

3.3.4 Preferred Option

Option 1 is the preferred and recommended option. This is because there are expected to be no setup or operational costs to the Council unless it chooses to boost the marketing budget. Risks relating to the ongoing operations would be shared with the EELM, who would also be able to provide an 'off the shelf' product that will be both reliable and quick to employ.

3.3.5 Delegated Powers to Officers

There is no need for Council to amend the scheme of delegations if Options 1 or 2 are approved by Cabinet then Officers will have delegated powers to implement that decision.

3.4 Next Steps

- 3.4.1 The Chief Financial Officer will be delegated the responsibility to engage Gatherwell as an ELM in order to set up a Northampton Lottery.

4 Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

- 4.2.1 There will be a limited annual cost to operating the lottery that can be recouped from ticket sales. It is estimated that:
 - £1,000 will be required annually for licensing and administration costs, which may be recouped from lottery proceeds. Two officers within the authority must hold gambling licenses.
 - £3,000 should be allocated for marketing, setup and launch costs in the first year
 - There will be officer time which will be required to run the lottery annually, including reviews of governance and financial contributions.
- 4.2.2 Income from the lottery will be used to assist in funding existing commitments to the Voluntary and Community Sector. Until the level of funds being raised is

known it is difficult to estimate the level of funding each organisation can expect. However, Aylesbury Vale has been able to generate £45,000 per annum for good causes with a smaller population than Northampton. An annual review will be undertaken to ensure that the lottery is running in line with the aims set out in this report.

4.3 Legal

4.3.1 A Northampton Lottery will have to comply with the Gambling Act 2005, which stipulates that:

- Local authority lotteries must be run under an operating licence issued by the Gambling Commission, as well as a remote lottery operating licence for internet and telephone ticket sales.
- A minimum of 20% of gross proceeds must be applied to a purpose for which the authority has power to incur expenditure, with a maximum of 80% allocated to prizes and expenses.
- The maximum prize in a single lottery is £25,000 or 10% of the gross ticket sales, whichever is greater, in the case of a local authority lottery.
- Tickets may not be sold to or by those under the age of 16.
- The value of tickets sent to any one address other than that of a promoting society must be limited to £20.
- Accounting records must be retained for a minimum of three years, relating to total proceeds, amount allocated to prizes, detailed expenses, the amount applied to the purposes of society and the numbers of sold and unsold tickets.
- Every local authority licensed by the Gambling Commission must provide a submission for each lottery. This must show the total proceeds and how they have been distributed between prizes and expenses and the amount applied directly to the purpose for which the local authority has power to incur expenditure.

4.3.2 A tender process for the Lottery will not be required, as it is an award for a public service concession Under the Concessions Contract Regulations 2016, lottery services are expressly excluded from being governed by procurement rules.

4.4 Equality and Health

4.4.1 A Community Impact Assessment has been carried out as a background paper, the link of which is below at 5.1 of the report.

4.4.2 Whilst there are concerns over the impact of gambling, community lotteries are considered to be low level and the prizes whilst attractive

4.4.3 Gambling Responsibility

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 NBC Lottery will help mitigate against many of the issues related to addictive gambling by :

- the lottery only 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
- there is a maximum cap on the number of tickets purchasable by an individual

In addition, the NBC Lottery website will contain a section providing links to gambling support organisations.

In this way the NBC Lottery should not have an impact on problem gambling; and the benefits to good causes in the District from the proceeds of the lottery balances against possible negative issues.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Creating a Northampton Lottery will enable fundraising opportunities for the local voluntary and community sector.

4.7 Other Implications

4.7.1 None

5 Background Papers

5.1 Equality Impact Assessment:

<https://www.northampton.gov.uk/downloads/file/10587/eia---northampton-lottery>

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APPENDIX 1

Ticket Price, Proceeds Apportionment, Prize Structure and Player Modelling

- a) The proposed ticket price is £1, in order to be distinct from the National Lottery (£2), with draws taking place once per week.
- b) Proceeds are proposed to be split as follows:

Ticket purchased via	Specific Northampton Good Cause (e.g. Delapre Abbey Preservation Trust)	Northampton Lottery (no specific cause)
	<i>Allocation per ticket</i>	<i>Allocation per ticket</i>
Specific Good Causes	50p	-
Prizes	20p	20p
Northampton Lottery Good Causes	10p	60p
Administration – Gatherwell Ltd.	17p	17p
VAT	3p	3p
Total	£1	£1

- c) Number selection and prize structure

	Winning Odds	£ Prize
6 numbers	1:1,000,000	£25,000
5 numbers	1:55,556	£2,000
4 numbers	1:5,556	£200
3 numbers	1:556	£20
2 numbers	1:56	3 free tickets
Overall odds of winning any prize	1:50	

- d) Player modelling

Assumptions - £1 per ticket, 1 ticket per week for 52 weeks, NBC population of 215,173 (based on 2011 census), 60% of gross returns are allocated to good causes.

% of Northampton population buying a ticket	Number of players	Annual Gross Return	Annual Amount received by Good Causes £
0.5 (1 in 200)	1,075	55,900	33,540
1 (1 in 100)	2,151	111,800	67,080
1.5 (1 in 67)	3,226	166,700	100,620
2 (1 in 50)	4,302	223,600	134,160

The equivalent of 1.035% of the population of Aylesbury Vale play the Vale Lottery. If the same proportion were to play the Northampton Lottery, good causes would receive a total of £69,438 in additional funding per year.

Draft Criteria for Acceptance into the Lottery Scheme

As part of the proposed Northampton Lottery we are enabling good cause groups to sign up under an umbrella lottery scheme. Set out below are a set of draft criteria that will be used in deciding whether or not to allow groups to operate within the NBC Lottery License and we need to ensure that any license conditions are adhered to.

Criteria for joining the Northampton Lottery – Good Causes Lottery:

We want to enable as many organisations as possible to join the good causes lottery under the Northampton Lottery. As you will be joining under our overall gambling license (Gambling Act 2005) we have to ensure that organisations meet certain criteria. There is no application fee.

Your organisation must:

- Provide local community activities or services *within* Northampton Borough, which are of benefit to *residents of* Northampton Borough - visitors to Northampton may also benefit from the services/facilities, but not to the exclusion of local residents
- Has a formal constitution or set of rules
- Has a bank account requiring at least 2 unrelated signatories
- Operates with no undue restrictions on membership

And be either:

- A constituted group with a volunteer **management committee** with a minimum of three unrelated members that meets on a regular basis (at least 3-4 times per year)
- **A registered charity, with a board of trustees**

Or :

- Is a registered **Community Interest Company**, and provides copies of their Community Interest Statement, details of the Asset Lock included in their Memorandum and Articles of Association, and a copy of their latest annual community interest report.

We Will Not Permit Applications that:

- promote activities/groups promoting a particular religious or political belief
- from organisations that do not do work within the boundaries of Aylesbury Vale
- Individuals
- Organisations which aim to distribute a profit
- Organisations with no established management committee/board of trustees (unless a CIC)
- Incomplete applications

The council reserves the right to reject any application.

The council will reserve its rights to not accept or cease to license any organisation with a minimum of 7 day notice period for any reason, unless where fraudulent or illegal activity is suspected where cessation will be immediate.