

REPORT NO. 1

REPORT TO THE EXECUTIVE MEETING OF 8 MAY 2017

Meeting: Executive
Date: 8 May 2017
Subject: Harborough District Local Lottery
Report of: Tom Day – Community Partnerships Manager
Portfolio Holder: Cllr Michael Rickman
Status: For Decision
Relevant Ward(s): All

1 Purpose of the Report

- 1.1 To consider the establishment and management of a local authority lottery for Harborough District that would support the voluntary and community sector also easing the financial strains on the Council and to enable good causes to raise funds directly.

2 Recommendations:

- 2.1 **To approve the establishment of a Local Authority Lottery and to delegate responsibility to the Corporate Director (NP) to procure, award and conclude a contract for external management of a lottery on behalf of the Council in consultation with the Portfolio Holder.**
- 2.2 **To delegate to the Corporate Director (NP) to act as the responsible officer in relation to the lottery licence with the Gambling Commission, if required.**
- 2.3 **To further delegate the final arrangements of launching the lottery to the Corporate Director (NP) in consultation with the Head of Legal and Democratic Services.**

3 Summary of Reasons for the Recommendations

- 3.1 To help alleviate the pressures on the council's voluntary sector budget.
- 3.2 To support the voluntary sector whilst moving the council's role from provider/funder to an enabler – as set out in the Councils Voluntary Sector Policy 2015-2020.

- 3.3 To enable the voluntary sector to access a lottery product that is designed for them and at no cost to them.
- 3.4 To provide a lottery that will help the voluntary sector raise funds and maintain long term relationships with their supporters.

4 Key Facts

- 4.1 The Gambling Act 2005 allows a local authority to establish and operate a local authority lottery and the council must use at least 20 per cent of the proceeds 'for any purpose for which it has power to incur expenditure'.
- 4.2 The lottery can be operated by the authority or it can be operated by an External provider with a percentage of ticket proceeds being retained by the External provider to operate the lottery on behalf of the authority.
- 4.3 The first Local Authority lottery was set up by Aylesbury Vale District Council in partnership with an External provider in November 2015. The lottery in Aylesbury proved an early success and since then there have been 16 council lottery launches and a further 23 plans for lotteries progressing through cabinet approval processes. There are at least two known providers of a local authority lottery platform.
- 4.4 All known platforms are online lotteries, to which members sign up and create an online account. Tickets cost £1 and there are weekly draws with a maximum prize of £25,000. Players can buy a single ticket or sign up to play every week through a regular card payment or choose to buy a batch of tickets (e.g. £12 for 12 draws). In general around 60% of the proceeds from tickets tend to go to good causes with the remaining 40% going to the prize fund and to the External provider. Players can choose to support either a specific good cause or a general fund to be distributed by the Council:
- 4.5 Using Aylesbury Vale as a case study (population 166,000).
- 2,000 tickets are sold every week.
 - 80% of people choose a specific cause to support.
 - 90% of players sign up to play every week
 - The lottery generates over £60,000 per year for good causes.
- 4.6 Harborough District has a population in excess of 85,000 so a successful local lottery could generate in excess of £30,000 per year for good causes.
- 4.7 The success of any lottery depends on the marketing. The platform is built from the ground up and encourages charities themselves to promote the lottery in addition to Council marketing. The Council have two key marketing responsibilities:

- Promoting the lottery to good causes. These good causes will then join and drive participation through their own page.
- Promoting the lottery to residents to drive ticket sales.

5 Legal Issues

- 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 local authority and the net proceeds can be used for any purpose for which the authority has power to incur expenditure.
- 5.2 If the Council were to set up a local authority lottery it must be run under an operating licence issued by the Gambling Commission, and will be required to comply with the specific licence conditions and relevant codes of practice. The licence conditions will be set out at the time the licence is issued. It is intended that with regard to the licence the Corporate Director (NP) will be the responsible officer supported by the Head of Finance and Corporate Services (S151 Officer) as the deputy. Both officers will need to submit an application to the Gambling Commission. The Council can appoint an External provider to manage the lottery on its behalf in accordance with section 257 of the Gambling Act 2005, and the External provider will also need to obtain the necessary consent and operating licence from the Gambling Commission. However, it should be noted that the Council would remain responsible for ensuring that the lottery was operated lawfully in the event that an External provider was appointed.
- 5.3 These arrangements would appear to fall within the definition of a “Service Concession” contract, which is now covered by the Concession Contracts Regulations 2016. However, the value of the contract is estimated as £3,000 and the threshold for application of the Concession Contract Regulations is £4,104,394, so the Council would not be obliged to comply with them.
- 5.4 The Council would need to comply with its own Procurement SORP: this requires competition in the procurement of any contract that is awarded unless there are grounds for exemption. 5.5 During the first 12 months as officers review performance of the lottery they will also continue to look at what the market has to offer in relation to the emergence of similar companies so value for money is tested along with competitiveness.

6 Resource Issues

- 6.1 There will be a cost to operating the lottery.

One off costs (to be funded from the corporate contingency)

- £3,000 to fund platform set up costs.
- £3,000 to be allocated for marketing in the first year.

Revenue costs.

- £1,000 will be required annually for licensing and administration costs.
- £2,000 will be required annually for marketing.
- Officer time will be required to run the lottery annually. This can currently be funded from existing resources.

7 Equality Analysis Implications/Outcomes

- 7.1 In terms of website design each site is tailored to the Local Authority along with additional support requirements such as playing via telephone for those who do not have internet access so further consideration of access requirements will be considered as part of the lottery procurement. .

8. Risk Management Implications

Risk	Mitigation
That the External provider External provider fail to pay winning tickets.	Evidence that the External provider will have sufficient capital/insurance necessary to guarantee prizes.
Lottery does not perform/sell tickets as expected.	An effective communication plan in place with monitoring of the online platform and performance.
Low take up from Voluntary/Community Organisations.	Effective engagement of the local voluntary sector through existing networks and contacts.
The External provider does not perform adequately.	Seek references/ experience of providing a successful lottery platform for charities and schools for some time before entering Local Authority lottery market.
Increased demand on Customer Services from residents asking about lottery/ how to play.	Ensure External provider operate a contact centre that players can call/ be transferred to, but some calls to HDC contact centre expected.

9 Consultation

- 9.1 The Portfolio Holder has been consulted. A full robust communications plan will be developed if members agree to the creation of a Local Lottery. This will involve marketing to the community and direct contact with key voluntary and community sector service delivery organisations in the District of Harborough.

10. Options

10.1 The Council could choose not to progress with a local lottery but would face the same pressures on VCS funding.

11 Background Papers

11.1 *Voluntary & Community Sector Policy 2015-2020*

Previous report(s):

Information Issued Under Sensitive Issue Procedure: Y/N

Ward Members Notified: Y/N

Appendices: