

<b>Subject:</b>	<b>LAUNCH OF A LOCAL AUTHORITY LOTTERY</b>
<b>Meeting and Date:</b>	<b>Cabinet – 1 October 2018</b>
<b>Report of:</b>	<b>Mike Davis, Director of Finance, Housing and Community</b>
<b>Portfolio Holder:</b>	<b>Councillor M J Holloway, Portfolio Holder for Community Services</b>
<b>Decision Type:</b>	<b>Non-Key</b>
<b>Classification:</b>	<b>Unrestricted</b>
<b>Purpose of the report:</b>	To launch a local authority lottery by March 2019 that will raise new funds for participating local good causes, and help to fund an increase in the DDC Community Grants programme.
<b>Recommendations:</b>	<p>That Cabinet:</p> <ol style="list-style-type: none"> <li>1. Authorise the Director of Finance, Housing &amp; Community Services to make an application for and to accept a Gambling Commission licence on behalf of the Council to operate a local authority lottery under the Gambling Act 2005 as amended.</li> <li>2. Approve the Gambling and Lottery Policy.</li> <li>3. Approve the use of an External Lottery Manager that has worked with other Local Authorities running similar schemes for greater assurance.</li> <li>4. Authorise the Director of Finance, Housing &amp; Community Services to appoint an External Lottery Manager (ELM) to run the day-to-day operations of the lottery, for an initial one year period, ensuring compliance with procurement standing orders and obtaining of competitive quotes where applicable.</li> <li>5. Approve the eligibility criteria for good causes to participate in the Dover District Lottery.</li> <li>6. Approve the apportionment of the Central Fund to the DDC Community Grants programme.</li> <li>7. Authorise Dover District Council's membership of the Lotteries Council in order to demonstrate best practice and to provide access to free membership services on legal and compliance issues.</li> <li>8. Authorise the Director of Finance, Housing &amp; Community Services to discharge the powers and functions of the Council in relation to the running of a local authority lottery.</li> </ol>

## 1. Summary

- 1.1 The proposed Dover District Lottery would raise new funds for participating local good causes, and help to fund an increase in the DDC Community Grants programme. Participating good causes would receive 50p in the £1, providing a regular income stream to support their work in the community, at no cost to them. Players would have the option to specify which participating good causes they wanted to support, as well as making a 10p contribution to a Central Fund which will increase the amount of funding available to community groups and projects via the DDC Community Grants programme. Where players do not opt to support specific good causes, 60p in the £1 is apportioned to the Central Fund.

Standard Lottery Proceeds Apportionment				
	Player chooses specific good cause		Player chooses Central Fund (no specific good cause)	
	%	£ per ticket	%	£ per ticket
<b>Specific Good Cause</b>	50	£0.50	-	-
<b>DDC Community Grants (Central Fund)</b>	10	£0.10	60	£0.60
<b>Prizes</b>	20	£0.20	20	£0.20
<b>External Lottery Manager (Administration)</b>	17	£0.17	17	£0.17
<b>VAT</b>	3	£0.03	3	£0.03
<b>TOTAL</b>	100	£1.00	100	£1.00

## 2. Introduction and Background

- 2.1 Dover District Council has a strong track record of supporting local community and voluntary groups. The Council's community development team provides a wide range of support to help build the capacity of local groups to deliver voluntary services, projects and activities in the community. Through its Community Grants programme the Council also directly funds local community/voluntary groups and projects. In 2018/19 community grants totalling £23,500 were awarded to 32 community and voluntary groups and projects.
- 2.2 The launch of a Local Authority Lottery provides an innovative and low-cost way for the Council to continue its strong support of the community and voluntary sector, without placing additional pressures on Council budgets.
- 2.3 Local lotteries have proved effective as part of charity fundraising strategies, and are becoming increasingly used in the public sector to complement existing funding campaigns. The first schools lottery was launched in 2013, and in 2015 Aylesbury

Vale District Council became the first local authority to launch an online lottery to support local good causes. There are currently 26 local authority lotteries operating in Britain, including Thanet, Tonbridge & Malling, and Tunbridge Wells in Kent.

- 2.4 This would be an online lottery only with a standalone branded website. The name of the lottery is still to be decided. Participating local good causes will have their own branded webpage to promote the lottery. Tickets cost £1 per week and can only be purchased online by direct debit or payment card on a monthly recurring plan, or with a three, six or 12 month one-off payment. 60p in every £1 goes to good causes, which compares favourably with the National Lottery where only 28p goes to good causes. Draws are conducted every Saturday at 8pm with results posted live online. Prizes are paid into nominated accounts, or can be donated to chosen good causes.

	<b>Winning Odds</b>	<b>£ Prize</b>
<b>Match 6 numbers</b>	1:1,000,000	£25,000
<b>Match 5 numbers</b>	1:55,556	£2,000
<b>Match 4 numbers</b>	1:5,556	£250
<b>Match 3 numbers</b>	1:556	£25
<b>Match 2 numbers</b>	1:56	£3 in free tickets
<b>Overall odds of winning a prize</b>	1:50	

- 2.5 Established local authority lotteries such as Aylesbury Vale District Council (population 174,000) which launched its lottery in 2015 is generating £69,000 a year for good causes with tickets sales of approximately 115,000 sold per annum supporting 161 good causes. The good causes themselves have a vested interest in supporting and promoting the lottery, and for the most proactive this can generate new income of £3,000-5,000 a year (based on 150+ ticket sales a week). More modest sales of 30-50 tickets a week would still generate in the region of £800 a year for a good cause.

- 2.6 The most successful local authority lotteries have enabled local good causes to build a sustainable level of regular income. Sales of 150-200 tickets per week would raise an annual income of £3,900-£5,200. Local good causes will need to meet the following criteria to participate in the lottery.

The meet the eligibility criteria **Good causes** must:

- Provide community activities or services within the Dover District, which are of benefit to the residents of the Dover District
- Have a formal constitution or set of rules
- Have a bank account requiring at least two unrelated signatories
- Operate 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 three times per year)

- A registered charity, with a board of trustees

**Or:**

A registered Community Interest Company (CIC), and provide 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

In line with the DDC Community Grants programme, the following organisations will not be eligible to participate in the lottery:

Registered or for-profit business organisations  
 Individuals (for example, for personal sponsorship)  
 Political Parties or Political Groups  
 Groups seeking donations towards general appeals  
 District, County, Town or Parish Councillors  
 Organisations in receipt of a Public Precept, such as Town and Parish Councils

- 2.7 There is no cost to the good cause and they are provided with their own branded web page and bespoke marketing materials to drive participation and further promote the lottery through their own web page. The good causes keep 50% of all ticket sales generated through their web page. The good causes are paid their income automatically every month.
- 2.8 Dover District Council's Community Services team would control oversight, governance and marketing of the lottery. A number of safeguarding measures will be in place to prevent problem gambling. The lottery will not offer instant gratification. Tickets cannot be purchased "over the counter" and credit and debit card payments cannot facilitate "instant play" into a draw for that week. Players will require a bank account and a series of validation and set-up checks in order to play and claim prizes. Limits will be in place to ensure individuals cannot buy excessive numbers of tickets. Promotion of the lottery will comply with the Advertising Codes of Practice and Gambling Industry Code for Socially Responsible Advertising. The website will include links to Gamble Aware.
- 2.9 Dover District Council is committed to being socially responsible in all its dealings. In order to manage the potential risks associated with gambling, Cabinet is being asked to approve new policies to protect children and vulnerable people from being harmed or exploited by gambling, to protect individuals from excessive and addictive gambling, and to ensure that the Council is protected from being, or associated with, a source of crime or disorder, or being used to support crime. This primarily relates to money laundering.
- 2.10 There will be regular monitoring and evaluation of the performance and governance of the lottery during the first year of operation. Cabinet will be updated on performance after the first six months and, if necessary, recommendations brought forward.

### **3. Identification of Options**

- 3.1 Option 1 - To make all necessary preparations for the launch a local authority lottery for the Dover District in the fourth quarter of 2018/19, utilising identified lottery providers who already provide tested Local Authority lottery schemes.

- 3.2 Option 2 – Not to proceed further with plans to launch a local authority lottery for the Dover District.

#### 4. Evaluation of Options

- 4.1 Option 1 is preferred. The launch of a local authority lottery provides an effective way for the Council to increase funding to the voluntary and community sector. The lottery enables participating good causes to generate a sustainable income stream, whilst the Central Fund will support an increase in the DDC Community Grants budget. Utilising an existing Local Authority provider will also provide added assurance to the success of the scheme introduction..
- 4.2 The current DDC Community Grants programme is over-subscribed. In 2018/19 there were 52 applications to the Community Grants programme requesting funding of £38,470 (up 47% on 2016/17). Only 32 projects and groups could be supported from the £23,500 budget available in 2018/19.

#### 5. Resource Implications

- 5.1 The revenue implications of the launch of a local authority lottery for the Dover District are minimal and primarily relate to the set-up costs for licencing and the appointment of an external lottery manager. It is also recommended that a limited budget for marketing be made available. The only on-going costs are in respect of the annual renewal of the Gambling Commission licence, and membership of the Lotteries Council. The budget for the project can be met from existing resources.

<i>Launch Budget</i>	<i>2018/19 £</i>	<i>On-Going £</i>
External Lottery Manager	3,000	-
Gambling Commission licence application	163	-
Gambling Commission lottery licence	348	348
Lotteries Council membership	350	350
DDC Launch marketing	3,000	-
TOTAL	6,861	698

- 5.2 The lottery will be operated by an external lottery manager. There is no annual cost for the external lottery manager as the lottery's running costs are covered by the administration charge (17p) on ticket sales. All ticket payments would be handled by the external lottery manager. 80% of ticket revenue would be paid into a client deposit account for the prizes and good causes. There would be no financial risk to the Council in the event that the income from the lottery does not cover the prize fund. The prize fund and good cause donations are calculated on a percentage basis of the revenue pot therefore ensuring funds will always be in place and jackpot prizes are funded through an underwritten insurance policy provided by a reputable underwriter established in the UK, again paid for as a percentage of each entry.
- 5.3 In terms of officer time, the Council's primary role will be to market and promote the lottery to generate ticket sales, and engagement with, and approval of, on-line applications from the good causes.

#### 6. Corporate Implications

- 6.1 Comment from the Section 151 Officer: “The Section 151 Officer and the Accountancy Section have been consulted on the report and have no further comments to add. (LS)”
- 6.2 Comment from the Solicitor to the Council: “The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make (HR)”.
- 6.3 Comment from the Equalities Officer: Whilst the report does not specifically highlight any equality implications, consideration has been given to the protection of children from harm. Members are reminded that, in discharging their responsibilities they are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>
- 6.4 Other Officers (as appropriate):

7. **Appendices**

Appendix 1 – Gambling and Lottery Policy

8. **Background Papers**

Presentation – Dover District Lottery Operational Plan

Lottery Terms & Conditions

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