

**CABINET
15 DECEMBER 2020**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: NORTH HERTFORDSHIRE COMMUNITY LOTTERY

REPORT OF THE COMMERCIAL MANAGER AND SERVICE DIRECTOR - COMMERCIAL

EXECUTIVE MEMBER: EXECUTIVE MEMBERS FOR ENTERPRISE AND COOPERATIVE DEVELOPMENT; AND COMMUNITY ENGAGEMENT

COUNCIL PRIORITY: BUILD THRIVING AND RESILIENT COMMUNITIES / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to seek approval for the Council to introduce a Community Lottery that will generate additional revenue in support of, and to help good causes within the District.
- 1.2. Voluntary and Community Sector (VCS) groups such as local charities, community groups, sports clubs and schools will have the opportunity to financially benefit from this project, via funds raised through online lottery ticket sales.

2. RECOMMENDATIONS

- 2.1. That Cabinet approves the establishment of a Community Lottery, to be managed by an External Lottery Manager (ELM).

3. REASONS FOR RECOMMENDATIONS

- 3.1 To set up a Community Lottery that will enable the local Voluntary and Community Sector groups to have access to additional funding at no cost.
- 3.2 The Community Lottery will provide an income stream for the Council, with the Council benefiting financially from each ticket sale, however at a lower monetary proportion than the VCS groups.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 To set up a Community Lottery managed directly by NHDC. This would require additional funding for several elements such as staffing, set up of the lottery and running software systems. This option has not been fully costed however data from other local authorities estimate the costs to be in the region of £80-100,000 for set-up costs alone.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The Executive Member and Deputy Executive Member for Enterprise and Co-operative Development have been kept updated regarding this project. The business case was considered by the Senior Leadership Team on 5 October 2020. It was also presented to Political Liaison Board on 3 November 2020 whom supported it and recommend it be taken to Cabinet to seek approval. The team have also held initial discussions with an External Lottery Manager (ELM) who has experience delivering and managing other local authority lotteries.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision although this was notified to the public in the Forward Plan on 12 November 2020.

7. BACKGROUND

- 7.1 The concept of a Community Lottery was first identified in 2017 by the Community Engagement and Finance teams. However, after consideration it was not pursued at that point in time. Concerns were raised regarding staff resource, and time associated with the ongoing promoting and managing of the project.
- 7.2 The Commercial team has since reinvestigated this project and has identified that several Councils have successfully implemented and managed a Community Lottery within their local community. The team scored the viability of the concept using the Commercial scoring matrix (a resource used within the team as part of the commercial ideas process), based on attributes such as, but not limited to; political impact, social value impact, financial impact and local competition.
- 7.3 The team have identified a suitable External Lottery Manager (ELM), however are currently following the NHDC Procurement Process before appointing them.

8. RELEVANT CONSIDERATIONS

- 8.1 The aim of the Community Lottery is to generate additional revenue in support of good causes such as local charities, community groups, sports clubs and schools within the District.
- 8.2 The Council will also benefit financially from each ticket sale, however at a lower monetary proportion than the VCS groups.
- 8.3 This project will require the support of the Council, an External Lottery Manager (ELM), the VCS groups, and the general public/ community.
- 8.4 The Community Lottery will support local groups and organisations to create and promote an additional funding stream. Members of the public/ community can purchase tickets from the North Hertfordshire Community Lottery website and choose which VCS group or organisation/s they wish to financially support via a lottery ticket sale. By doing this, it allows a large proportion of the monetary donation to go directly to the good cause.

- 8.5 The money draw is based upon the results of the 'Australian National Lottery Super66' game and takes place every Saturday. The external provider will monitor the results and will also notify and process any winning payments if required. East Hertfordshire report that since launching their Community Lottery in February 2019, an average of 20 winners per draw worldwide have been drawn.
- 8.6 The purchase of a ticket automatically enters the 'player' into a money draw whereby they have the chance of winning up to £25,000.
- 8.7 Each ticket has a 1 in 56 chance to win a prize each week. Prizes are fixed and do not rollover. All prizes are guaranteed and underwritten by the ELM.
- 8.8 The local VCS group or organisation/s will retain half of the monetary amount of every ticket sold via their own webpage, providing the local good cause another source of income.
- 8.9 Each ticket is worth £1.00. Please see below for how this £1.00 is split amongst good causes, the Council, prize fund, management fee and VAT.
- 50p to good causes (VCS groups and organisations)
 - 10p to the Council
 - 20p to the prize fund
 - 17p to the lottery management company for administration and management
 - 3p VAT
- 8.10 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.
- 8.11 The table below shows the estimated income that could be achieved according to NHDC's population. This is based on 0.5% (533 people or tickets sold) of the total population, playing weekly in the first year with an increase of 0.5% in players per year to a maximum of 2.5% over six years. These projections are based on the performance data of other local authority led lotteries provided by the ELM.

Year	% NHDC population	player	NHDC share (10%) cover costs/distribute to VCS	Annual cost of lottery	Set up cost	Net income to the Council	Good Causes (50%)
2021/22	0.5% (533 sold)	tickets	£2,771	£1,000	£5,000	-£3,229	£13,858
2022/23	1.0% (1066 sold)	tickets	£5,543	£1,000	-	£4,543	£27,716
2023/24	1.5% (1599 sold)	tickets	£8,314	£1,000	-	£7,314	£41,574
2024/25	2.0% (2133 sold)	tickets	£11,091	£1,000	-	£10,091	£55,458
2025/26	2.5% (2666 sold)	tickets	£13,863	£1,000	-	£12,863	£69,316
2026/27	2.5% (2666 sold)	tickets	£13,863	£1,000	-	£12,863	£69,316

8.12 For comparative purposes, East Hertfordshire District Council launched their community lottery in February 2019. As a Council they have a population of approximately 149,000 people, of which 93,000 are eligible to purchase a ticket/s for the lottery. The current VCS groups and organisations signed up to the East Hertfordshire lottery are on course to raise £39,000 this year (2020) despite effects of Covid-19.

8.13 The table below demonstrates examples of ticket sales according to eligible population by other local authorities in their first year of launching the community lottery.

Council	Eligible Population (16+)	Money to the Central Fund	Money to Good Causes	% of Player population
A	70,000	£35, 261	£46, 776	2.09%
B	116, 000	£19, 124	£48, 577	1.04%
C	122, 000	£10, 930	£44, 088	0.72%

8.14 Although the Lottery will be managed and run by an external provider; it will require officer time. Once set up, duties will include managing applications from VCS groups and organisations to become beneficiaries of the lottery, processing payments for the Council allocated money to VCS groups and organisations and completing the annual licence return. Advice from the ELM and the experience from other Local Authority led lotteries states that the above duties averages out at approximately one hour per week of officer time. These processes can be managed within the Commercial team by a Commercial Support Officer, with further ongoing support from the Community Engagement and Communications teams.

8.15 The Community Engagement team have agreed to support a launch event alongside the Commercial team. As mentioned previously, due to the current Covid-19 restrictions, a virtual launch will be considered. The team will monitor the restrictions and a decision will be taken on the best approach based on recent guidance that is in place at the time. The Commercial team will lead on the organisation of the event, however, will require support from the Community Engagement team. The amount of time required from the Community Engagement team is estimated at a maximum of one hour per week in the run up to the event.

8.16 Support will also be required from our Communications team regarding advertising via NHDC social media channels. The estimated resource costs for launching the lottery is £300, however this is not a growth item and the Communications team have been informed and will be updated regarding this project.

8.17 At an estimate, officer cost for operating the lottery is £600 per annum (based on one hour a week at grade 5). This cost is already accounted for and is not a growth. This will not be affected by ticket demand.

9. LEGAL IMPLICATIONS

9.1. Based on research, there is just one ELM who offer the specific services we require. Due to this, and with the contract value over the one quote threshold (£5, 000), a single tender will be conducted upon approval following this Cabinet report.

9.2. Single tenders fall under Rule 14 of the Contract Procurement Rules, and it is the reason of 14.1 c) (i)(ii) that applies:

- c) Specialist consultants, suppliers, agents or professional advisors are required and:
 - (i) Evidence that there is no satisfactory alternative; or
 - (ii) evidence indicates that there is likely to be no genuine competition;

9.3 The Gambling Act 2005 (the 'Act') creates eight categories of permitted lottery, one of which is a local authority lottery. The Act requires the Council to apply for an operating licence and it must comply with specific licence conditions and relevant codes of practice which are published by the Gambling Commission.

9.4 The Council will appoint an ELM to run its lottery under S257 of the Act.

10. FINANCIAL IMPLICATIONS

10.1 To set up the Community Lottery there is a one-off payment of £5,000 plus VAT to the ELM. This is required for an external platform/ website to be set up and made bespoke to the North Hertfordshire Community Lottery. This figure also includes personalised pages set up for the VCS groups and organisations and marketing materials.

10.2 Please refer to 8.14 and 8.15 regarding officer time and cost.

10.3 It is important to note that the ELM provides initial and ongoing marketing materials to NHDC and the VCS groups and organisations at no additional cost. They will also continuously work with groups and organisations to promote the lottery.

10.4 The Council will have two annual payments associated with the lottery, totalling an annual cost of £1, 000 (excluding Officer time). Please see further details below:

- Payment 1: To the Lotteries Council Membership - Estimated at £350.
- Payment 2: A Licence Fee - Estimated at £650.

11. RISK IMPLICATIONS

11.1 In order to operate a Local Authority Lottery, the Council would need to apply for a Local Authority Lottery Licence from the Gambling Commission. A local authority licensed by the Gambling Commission is required to have at least one Personal Management Licence holder. We have identified two officers that meet the requirements of a Personal Management Licence Holder. They will be supported by the ELM to apply for the appropriate licence.

11.2 The number of VCS groups and organisations that sign up poses a risk as one of the main purposes of the lottery is to support as many VCS groups and organisations as possible within the District.

11.3 There is a risk that the number of 'players' purchasing tickets does not meet the desired percentage set out in 8.11.

- 11.4 The lottery requires VCS groups and organisations to continually promote the lottery to their supporters/ players. If the marketing and promotion is not supported by the groups or organisations, this could impact on sales. NHDC will support aspects of the marketing campaign via social media, with an aim to create awareness of the lottery and to increase the number of people that take part. However, this must be mirrored/ supported by the VCS group or organisation.
- 11.5 The Council are aware of the potential issues/ perceptions around gambling and the reputational impact of supporting this type of activity. Although lotteries can be considered as gambling, we do not believe the North Hertfordshire Community Lottery will be portrayed in the same manner. The key aim is to support local organisations and the potential prizes funds are significantly less than other types of lotteries. However, if this becomes an issue NHDC have the ability to exclude or place a cap on the amount of tickets that a player is able to purchase. The lottery website will also contain a section providing links to gambling support organisations. Marketing material will also promote the support to the VCS groups and organisations, rather than focussing on the prize fund.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no direct equality implications arising from this report. One of the three objectives of the Gambling Act 2005 is 'to protect children and other vulnerable people from being harmed or exploited by gambling'. The promotion of the Gamble Aware via any External Lottery Manager and the Licence Holder will seek to mitigate any adverse and disproportionate impacts on vulnerable groups as noted at 11.5.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. As the recommendations in the report relate to a contract below £50,000 the "go local" policy has not been applied for the following reason: There is no local provider able to deliver a suitable alternative

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 None identified other than staffing requirements detailed in the body of the report.

16. APPENDICES

- 16.1 None.

17. CONTACT OFFICERS

- 17.1 Mark Fleming, Commercial Team Leader, (mark.fleming@north-herts.gov.uk / ext 4230)

- 17.2 Chloe Gray, Commercial Manager, (chloe.gray@north-herts.gov.uk / ext 4223)
- 17.3 Steve Crowley, Service Director – Commercial, (steve.crowley@north-herts.gov.uk / ext 4211)
- 17.4 Reuben Ayavoo, Policy and Community Engagement Manager, (reuben.ayavoo@north-herts.gov.uk / ext 4212)
- 17.5 Jeanette Thompson, Service Director – Legal and Community, (jeanette.thompson@north-herts.gov.uk / ext 4370)
- 17.6 Shah Mohammed, Group Accountant (shah.mohammed@north-herts.gov.uk / ext 4240)
- 17.7 Tim Everitt, Performance and Risk Officer (tim.everitt@north-herts.gov.uk / ext 4646)

18. BACKGROUND PAPERS

- 18.1 BC01 – North Hertfordshire Community Lottery – Final 6.