

Agenda Item No: 9.9 **Report No:** 154/17
Report Title: Lewes Local Lottery
Report To: Cabinet **Date:** 13 November 2017
Cabinet Member: Councillor Merry
Ward(s) Affected: All
Report By: Ian Fitzpatrick, Director of Service Delivery
Contact Officer(s)-

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Purpose of Report:

To set out the proposals for a Lewes Local Lottery that will enable local good causes to raise additional income.

Officers Recommendation(s):

- 1 That Cabinet delegate to the Director of Service Delivery in consultation with the Lead Cabinet Member to implement a Lewes Local Lottery in line with the proposals in the Report including:
- 2 that a minimum of 60% of proceeds go to good causes in Lewes,
- 3 that an External Lottery Manager is appointed
- 4 That the lottery is an on-line weekly draw with tickets of £1 tickets.

Reasons for Recommendations

- 1 A Lewes Local Lottery presents an opportunity for the council to support local good causes in raising additional income.

Information

- 2 Local lotteries are now being run by several councils, including Aylesbury Vale, Portsmouth and Mendip. Eastbourne Borough Council are in the process of implementing a local lottery

Lotteries have long been a way of smaller organisations raising income. They are regulated by the Gambling Act 2015. There are different types of lotteries; the one being proposed is a 'large society lottery/local authority lottery'.

In all cases, lotteries have to deliver a minimum of 20% of proceeds to good causes. This report recommends that a minimum of 60% of proceeds would go to good causes in Lewes.

3 Proposed form of lottery

One overriding issue regarding the form of the lottery is that it will have to be online and so would require a remote society lottery operating licence. This is due to the costs of distribution and sales in any other way. The lottery will be able to be accessed via desktop, mobile and tablet.

The suggested model would operate at two levels:

Lewes lottery – operating council wide with profits generated distributed through existing mechanisms to local good causes. Players selecting this option would not specify a group to benefit from the proceeds and the funding would be distributed by the Council to existing council funded commitments.

Specific Lewes good causes – this version enable groups to ‘sign-up’ to take part in the lottery specifically raising the 50% share for their good cause. By signing up they will have their own web page for the lottery helping them engage with players and raising income. Players buying tickets through specific web pages would know that the profits are for that specific good cause. This option removes a hurdle for groups who might struggle otherwise to take part in their own lotteries for example, holding licences and setting up the necessary infrastructure.

4 Delivery Options

There are two options for the delivery of the lottery, either in-house or through an External Lottery Manager (ELM).

- In-house – This option would necessitate creating new posts to administer the lottery. This has not been fully costed, but would likely be in the region of £75k. This would include the recruitment of a lottery manager, the necessary Gambling Commission licence and the purchase, or development, of the software to enable a lottery to run.
- External Lottery Manager – This option would see a partnership with an existing deliverer of lotteries. Effectively buying in the skills and expertise necessary. The ELM would deliver all aspects of the lottery, from taking ticket payment, prize management and licensing and would share with the Council and the good causes the role of marketing.

The Council would be the licence holder and control the good causes joining the scheme. A draft set of criteria for acceptance into the scheme is at Appendix A.

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5 Ticket pricing

Investigations have identified two ELMs, with the main difference being their ticket pricing. Provider A offers a product with a ticket price of £1, whereas Provider B’s offer is a lottery with a ticket price of £2.

The start-up costs of Provider A are c£3,000 and Provider B c£5,000. Both offer a similar prize structure but with differing percentage splits to the operator, LDC and good causes. Provider B offers a matched jackpot prize, if won, to the good cause the player opted for.

The ticket price will obviously have an effect of the number of tickets sold. Research by The Leadership Factor in June 2013 suggests that there is a significant drop off in sales, up to 69%, if a ticket is priced at £2 compared to a ticket priced at £1.

6 Ticket Price, Proceeds apportionment and Prizes

Based on the recommendations in this report the Lewes Lottery structure would operate as set out below:

- Ticket price £1 per week
- Draw once a week
- Two modes of operation – specific good cause or no specific good cause

Proceeds apportionment				
	Specific Good Cause		No Specific Good Cause	
	% allocation	£allocation per ticket	% allocation	£allocation per ticket
Specific Good Cause	50	£0.50	-	-
Prizes	20	£0.20	20	£0.20
Lewes Good Causes	10	£0.10	60	£0.60
ELM	17	£0.17	17	£0.17
VAT	3	£0.03	4	£0.03
Total	100	£1.00	100	£1.00

7 Number Selection and Prizes

Players can purchase tickets, either on a monthly recurring basis or a 3/6/12 month payment upfront, on line by either setting up a Direct Debit or using a payment card.

Players have to register, giving their name, address, date of birth and email address.

Players choose six numbers or can have them selected randomly. To win the jackpot the player must match both the numbers and sequence as draw. Players can also win prizes if the ticket matches the sequence of the first or last two, three, four or five numbers drawn. Bolt on 'raffle' type prizes are possible with this model.

The jackpot is an insured prize and it is a guaranteed pay out of £20,000 per winner, even if more than one person wins; the jackpot is not shared or rolled-over.

Number selection and Prize structure		
	Winning odds	£prize
6 numbers	1:1,000,000	£20,000
5 numbers	1:55,556	£1,000
4 numbers	1:5,556	£100
3 numbers	1:556	£10
2 numbers	1:50	3 free tickets

Set out below is a player modelling analysis. It shows that, over a year,					
Ticket price	Number of players	Tickets bought per week	Number of weeks	Gross return	Received by good causes
£1	500	1	52	£26,000	£15,600
£1	1,000	1	52	£52,000	£31,200
£1	1,500	1	52	£78,000	£46,800
£1	2,000	1	52	£104,000	£62,400
£1	2,500	1	52	£130,000	£78,000

Day-to-day management of the lottery will be conducted by the ELM. This includes processing new players, contacting winners, distributing prizes and income for good causes. The ELM will send newsletters to all good causes signing up and will help the Council publicise the lottery and support its take-up. Apart from some officer time, set-up and marketing costs the lottery will be self-funding.

8 Gambling

Lotteries are the most common form of gambling activity across the world and are considered to be a low risk form of gambling when it comes to problem gambling. The Lewes lottery mitigates against the risks of problem gambling by:

- Being only playable by pre-arranged sign-up and non-cash methods
- There being no instant gratifications or reward in taking part
- Being fully compliant with the Gambling Commission's licensing code of practice, which includes self-exclusion and links with support organisations
- Due to these factors it is believed that the Lewes lottery will not significantly increase

problem gambling and that the benefits to good causes outweigh the possible negative issues.

9 Financial Appraisal

There would be one-off set-up costs of £3,000 for the External Lottery Manager plus the first year licence fees of £1,301. Thereafter there will be an annual licence fee of £1,042 a year. The Council can decide how much it wished to spend on marketing, but a figure of £2,000 in year one should be sufficient.

10 Legal Implications

- 10.1 Lotteries are illegal unless they fall into one of the categories specifically permitted by law. The relevant law is contained in the Gambling Act 2005 ("the Act"). The Act has three licensing objectives which are preventing gambling from being a source of crime or disorder, being associated with crime and disorder or being used to support crime, ensuring that gambling is conducted in a fair and open way and protecting children and other vulnerable people from being harmed or exploited by gambling.
- 10.2 A local authority may run a lottery to raise funds to cover anything for which it has the power to incur expenditure, for example, local community projects, arts centres or parks and leisure facilities. Although all lotteries must deliver a minimum of 20% of proceeds to good causes and the recommendation is that 60% of proceeds will go to good causes in Lewes.
- 10.3 All local authority lotteries must be licensed by the Gambling Commission under the Act and must adhere to the rules and guidance set out therein regarding the running and reporting of a local lottery
- 10.4 The designated lead officer will work with the ELM to ensure the necessary licences are in place before the lottery commences. All ELM's must hold an operating licence issued by the Gambling Commission and it is the responsibility of the Council to ensure they do so. Having a ELM does not absolve the Council from its responsibilities for ensuring that the lottery is conducted in such a way as to ensure that it is lawful and fully complies with all licence conditions and codes of practice/guidance.
- 10.5 The agreement with the proposed ELM constitutes a services agreement for the purposes of the Contract Procedure Rules but, due to the low estimated contract value, does not require the Designated Officer to obtain a certain number of quotes before award. This decision can be made by the Accountable Officer.
- 10.6 This Report was seen by legal on 9 October 2017 IKEN 6740-MW-LEWES

11 Equality Screening

- 11.1 An Equality and Fairness Analysis has been undertaken and has been sent to the Steering Group for consideration.

Background Papers

12 None

Appendices

13 A – Draft criteria for acceptance into the Lewes Local Lottery.