

<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>8 February 2017</b>
<b>Subject:</b>	<b>Eastbourne Local Lottery</b>
<b>Report Of:</b>	<b>Ian Fitzpatrick (Director of Service Delivery)</b>
<b>Ward(s)</b>	All
<b>Purpose</b>	To gain agreement for the launch of an online Eastbourne Local lottery to help fund discretionary support for Community organisations and to enable good causes to raise funds directly.
<b>Decision Type:</b>	Key decision
<b>Recommendation:</b>	That Cabinet delegate to the Director of Service Delivery the authority to set up an Eastbourne Local Lottery
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## **1.0 Introduction**

- 1.1 As budgets come under increasing pressure councils are looking at ways of reducing cost or raising additional income.
- 1.2 Local lotteries are a way of raising funds for good causes, which could take pressure off community grants budgets. The Council currently awards Major and Housing grants of £259,500 to six organisations and allocates a Small Grants budget of £60,000 to between fifteen and twenty five different organisations each year. Future contributions from the Eastbourne Local Lottery could be used to reduce the Council's expenditure on grants without reducing the level of funds allocated through the Community Grants programme.
- 1.3 Local lotteries are now being run by several councils, including Aylesbury Vale, Portsmouth and Mendip, and are being considered by several others, including Tunbridge Wells.
- 1.4 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 'society lottery', which is a lottery promoted for the benefit of a non-commercial society.
- 1.5 A society is non-commercial if it is established and conducted for:
  - Charitable purposes

- The purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity
- Any other non-commercial purpose other than that of private gain

1.6 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 Eastbourne.

## **2.0 Proposed form of lottery**

2.1 One overriding issue regarding the form of the lottery is that it will have to be online. 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.

2.2 The suggested model would operate at two levels

*Eastbourne 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 funding commitments.

*Specific Eastbourne 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.

2.3 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.

## **3.0 Delivery Options**

3.1 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 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.

3.2 Based on the lack of in-house expertise the preferred option is to engage an ELM.

### **Ticket pricing**

#### **4.0**

4.1 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.

4.2 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, EBC and good causes. Provider B offers a matched jackpot prize, if won, to the good cause the player opted for.

4.3 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.

### **5.0 Ticket Price, Proceeds apportionment and Prizes**

5.1 Based on the recommendations in this report the Eastbourne 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

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

### **Number Selection and Prizes**

5.2 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.

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

- 5.4 Players choose six numbers or can have them selected randomly. To win the jackpot the player must match both the numbers and sequence as drawn. 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.
- 5.5 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.

<b>Number selection and Prize structure</b>		
	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, a considerable amount of income can be generated for good causes.					
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

- 5.6 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.

## **6.0 Gambling**

- 6.1 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 Eastbourne 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 Eastbourne lottery will not significantly increase problem gambling and that the benefits to good causes outweigh the possible negative issues.

## **7.0 Equalities**

5.1 In terms of equalities a Local Lottery may be more relevant to some religious organisations as, if they have objections to gambling, they may not be able to benefit from it in the way other organisations do.

## **8.0 Resource Implications**

8.1 Financial

There are set-up costs in the region of £5,000 plus annual licence fees of £1,000 a year. Additional costs of up to £3,000 may also be incurred in the first year for marketing of the local lottery scheme.

8.2 Staffing

There would be some staff time taken in setting up the lottery, marketing and approving good causes but, from then on, the majority of work sits with the ELM.

8.3 Legal

- a) 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.
- b) All local authority lotteries must be licensed by the Gambling Commission under the Gambling Act 2005 and must adhere to the rules and guidance set out therein regarding the running and reporting of a local lottery
- c) The designated lead officer will work with the ELM to ensure the necessary licences are in place before the lottery commences.
- d) 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.

## **9.0 Conclusion**

9.1 An Eastbourne Local Lottery could not only reduce the pressures on the Council's grants programme, but also present an opportunity for local good causes to raise additional income.

**lead officer name: Bill McCafferty**

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### **Background Papers:**

The Background Papers used in compiling this report were as follows:

*Equality and Fairness Analysis*