



Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

Scrutiny Commission
Council

24 May 2018
12 June 2018

WARDS AFFECTED: ALL WARDS

Introduction of a Local Authority Lottery

Report of – Director Community Services

1. PURPOSE OF REPORT

- 1.1 To outline the benefits of the introduction of a local authority lottery, enabling access to a possible additional funding stream in helping to sustain the borough's voluntary and community sector.
- 1.2. To seek members support for the establishment and management of a local authority Lottery for Hinckley & Bosworth Borough Council.

2. RECOMMENDATION

- 2.1 To approve the establishment of a local authority lottery for Hinckley & Bosworth Borough Council and the appointment of a preferred external lottery manager (ELM)
- 2.2. To authorise the Director of Community Services to have overall management responsibility for the promotion and proper governance of the lottery, and for compliance with the regulatory regime as a whole, including appointment of the preferred ELM, and associated percentage pay-outs.
- 2.3. To endorse the presentation of an annual report to Scrutiny Commission.

3. BACKGROUND TO THE REPORT

- 3.1 A Local Authority Lottery Scheme has the potential to help local authorities and the voluntary and community sector (VCS) gain access to new funding streams, which in turn will help to sustain the VCS sector.
- 3.1.1 The Borough Council has a longstanding relationship with its VCS, and through an established HBBC/VCS Partnership, directly commissions the VCS to delivery front

line services, which complement statutory provision. This is enabled by the allocation of HBBC funds on an annual basis.

- 3.1.2. Therefore, the introduction of a local authority lottery has the potential to enable HBBC to maintain and increase its financial commitment to the VCS, aligned with its corporate plan priorities.
- 3.1.3 A local authority may run a lottery to raise funds to cover anything for which they have power to incur expenditure. In the case of a local authority lottery, the authority must apply a minimum of 20% of the gross proceeds to a purpose for which it has the power to incur expenditure. This report proposes that 60% of the proceeds go to good causes, pay-out percentages are set out at paragraph 3.2.7.
- 3.1.4. All local authority lotteries must be licensed by the Gambling Commission. All licensees have to act in accordance with the requirements imposed by the Gambling Act 2005.
- 3.1.5 A copy of advice from the Gambling Commission, updated at April 2018, on promoting local authority lotteries is attached at appendix 1 to this report.

3.2. Options for delivery

3.2.1. In order for HBBC to run a lottery there are three management options

3.2.2. (i). Deliver in house

This would require a dedicated IT/software system to run the lottery i.e. management of online ticket sales, etc. and a licensed in house manager to run the lottery. The council would be responsible for developing and maintaining a dedicated website and have full responsibility for marketing and managing the lottery.

(ii).Through an External Lottery Manager (ELM)

This option would enable HBBC to employ an established and experienced provider to manage all or part of its lottery. An ELM would have responsibility for all day to day operations of the lottery, management of online and telephone ticket sales, and provide advice, etc. HBBC would retain full oversight and governance; with responsibility for ensuring that the lottery is conducted lawfully and that it fully complies with all licence conditions. The authority's role would also be to ensure good cause organisation signing up meet the required criteria, and subsequently allocate funding to good causes, and support the ELM with local PR and marketing.

(ii).Through a small society lottery provider

A small society lottery is not required to hold a licence from the Gambling Commission, but does need to be licensed by the local authority. Prize money cannot exceed £20,000. This type of lottery tends to be for clubs, groups and societies with relatively small numbers of members.

- 3.2.3 It is proposed that Option (ii) is the most appropriate model for HBBC.
- 3.2.4 Having researched appropriate ELMs, officers have identified a preferred supplier, as the current sole established and experienced ELM provider. They

are currently working with 50 local authorities in supporting them with the introduction of a lottery, a mix of Boroughs/Districts, Unitaries and a County Council. Of the 50, 26 of these have launched their lottery, with the others in various stages of working towards achieving their licence, but all have signed up with this preferred provider.

3.3 How the lottery works

3.3.1 The following provides an overview of how the preferred provider model works, and the associated terms the local authority would be signing up to.

3.3.2 Players sign up online using Direct Debit or a payment card. Payments are taken on a monthly recurring plan of 3, 6 or 12 month one-off payment. Tickets cost £1.00, players can buy multiple tickets and support multiple good causes.

3.3.3. When players sign up they can choose to buy a ticket that supports either:

- **The Central Fund** – where 60% of the ticket price goes to a central fund, to be allocated by the council's chosen process.
- **A Specific Good Cause** - where 50% of the ticket price goes directly to the good cause chosen by the player, and the other 10% going to the Central Fund.

3.3.4. Once approved by the local authority, good causes can apply to join the lottery website. They are provided with their own branded page within the website and provided with regularly updated bespoke marketing materials. The cause keeps 50% of all ticket sales generated through their page.

3.3.5. The lottery draw is conducted by the ELM every Saturday at 8pm and results posted live online, on the dedicated website. Winning players are notified via email and will receive their prize directly into their nominated account. Good causes are paid their income automatically on a monthly basis.

3.3.6. The prize structure is shown below:

Number selection and prize structure:

	Winning Odds	£ Prize
6 numbers	1:1,000,000	£25,000
5 numbers	1:55,556	£2,000
4 numbers	1:5,556	£250
3 numbers	1:556	£25
2 numbers	1:56	£3 free tickets
Overall odds of winning any prize	1:50	

3.3.7. The table below shows the structure of how ticket revenues are distributed:

	Player chooses Specific Good Cause	Player chooses Specific Good Cause	Player chooses Central Fund	Player chooses Central Fund
	% Allocation	£ Allocation per ticket	% Allocation	£ Allocation per ticket
Prizes	20	£0.20	20	£0.20
Specific Good Cause	50	£0.50	-	-
Councils Central Community Lottery Fund	10	£0.20	60	£0.60
Administration	17	£0.17	17	£0.17
VAT	3	£0.03	3	£0.03
Totals	100	£1.00	100	£1.00

3.3.8. In summary:

- 60% of all ticket sales go to Good Causes (50% to the individual cause selling the ticket, and 10% to the central fund)
- 20% of all ticket sales go back to supporters as prizes
- 20% (17% plus 3% VAT) is allocated to running costs

3.4. How the Lottery is run

3.4.1 The proposed ELM is licensed by the Gambling Commission, and would run all of the day to day operations of the lottery, but HBBC would be responsible, as stated earlier for ensuring that the lottery is conducted lawfully.

3.4.2. **The following details the key responsibilities for HBBC in establishing and delivering a local lottery:**

- Application of a Local Authority Lottery licence from the Gambling Commission. The cost of the licence will be approximately £500 per annum
- Approval of initial and ongoing good causes as applications are submitted on-line
- Authorisation of monthly good cause payments and quarterly Gambling Commission submissions
- Continually promote the lottery to players and good causes

3.4.3. **The following details the key initial, and ongoing costs:**

- An upfront set up cost of £3000
- The Local Authority Lottery License fee, approx. £500 p.a.
- Initial and ongoing marketing costs

Please note, all running costs are covered within the administration charge on tickets sales. There is no annual fee.

3.4.4. Given the authority's established VCS partnership arrangements, it is proposed that consideration be given to utilising the VCS Commissioning Board, as the decision making body for the allocation of the central fund.

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

4.1 This report is to be taken in open session.

5. FINANCIAL IMPLICATIONS (AW)

- 5.1. Contained within the report at para 3.3.3. Winnings are paid out of takings and any shortfall, considered unlikely, is covered by the ELM. Therefore the cost to the general fund is minimal.

6. LEGAL IMPLICATIONS (MR)

- 6.1. Set out in the report

7. CORPORATE PLAN IMPLICATIONS

- 7.1 The introduction of a local authority lottery supports our People, Place and Prosperity corporate priorities, and will specifically support the delivery of the following ambition: 'Support an effective and viable voluntary and community sector.'

8. CONSULTATION

- 8.1. Ongoing consultation with our VCS is undertaken as part of our broader VCS arrangements, overseen by Next Generation, utilising the established VCS Forum, broader VCS database and VCS Commissioning Board.

9. RISK IMPLICATIONS

- 9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Risk description	Actions to mitigate risk	Owner
Lottery does not perform and we do not sell tickets	Robust HBBC marketing plan and support via VCS partnership to support VCS marketing	Sharon Stacey
Low take up from our VCS	Marketing via VCS database, and VCS Forum arrangements	Edwina Grant
Reputational risk to the Council is affected due to poor performance	Robust project monitoring and marketing strategy	Sharon Stacey
Reputational risk regarding the Council promoting Gambling activities	Being only playable by direct debit and pre-arranged sign up, no instant gratification or instant reward, a section will be provided on the website to link to gambling	Sharon Stacey

	support	
--	---------	--

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

- 10.1. The utilisation of up to date evidence sources and data, informed via the VCS Development Forum, and VCS database, has helped to inform the ongoing development of our VCS arrangements, and approaches to the sustainability, including the needs of rural areas.

11. CORPORATE IMPLICATIONS

- 11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

Background papers: None

Contact Officer: Edwina Grant, Ext 5629
 Executive Member: Cllr Mike Hall