

POLICY FINANCE & ADMINISTRATION COMMITTEE

12 JULY 2016

REPORT OF HEAD OF COMMUNITIES & NEIGHBOURHOODS

MELTON BOROUGH LOCAL AUTHORITY LOTTERY

1.0 PURPOSE OF REPORT

- 1.1. To gain agreement from members to the establishment and management of a local authority lottery for the Borough of Melton that would support the voluntary and community sector also easing the financial strains on the Council and to enable good causes to raise funds directly.

2.0 RECOMMENDATIONS

It is recommended that members;

- 2.1 **approve the implementation of a Local Authority Lottery that will be operated by Melton Borough Council for which an external company will be appointed to manage it on behalf of the Council.**
- 2.2 **approve the business case as detailed in Appendix A.**
- 2.3 **delegate to the Head of Communities & Neighbourhoods to act as the responsible officer in relation to the lottery licence with the Gambling Commission**
- 2.4 **further delegate the final arrangements of launching the lottery to the Head of Communities & Neighbourhoods in consultation with the Solicitor to the Council'.**
- 2.4 **approve to waive contract procedure rules enabling the Council to enter into a contract with Gatherwell Limited who are a private company who also operate the only two other local authority lotteries nationally.**

3.0 KEY ISSUES

Background

- 3.1 As budget pressures continue to grow on all aspects of the council's work there will inevitably be an impact on the amount of funding available to commission work with the voluntary and community sector across the Borough. Additionally there will be pressures on the discretionary services that the Council feel they should deliver that make a positive impact upon the local community. The Council also has the challenge of finding significant savings over the next four years.
- 3.2 A Borough local authority lottery has the potential to help all organisations to address any funding pressures they are facing. There are currently two other authorities who

have implemented lotteries in England and they are proving to be beneficial to the respective Council's (Aylesbury Vale DC & Portsmouth City Council).

- 3.3 Melton Borough Council is exploring new ways of increasing income, reducing processes, bureaucracy and costs. As this occurs there will be increasing pressures on monies available to support services and activities through the community and voluntary sector.

Lotteries – Background

- 3.4 Lotteries have long been a way of smaller organisations raising income. They are regulated by the Gambling Act 2005. There are eight different types of lotteries available, however in this report we are only discussing 'local authority lotteries'.
- 3.5 The Council would look to encourage the community and voluntary sector to participate in the promotion of the lottery which would enable groups to benefit financially through the sale of tickets.
- 3.6 A local authority lottery has to deliver a minimum of 20% of the gross proceeds directly to a purpose to which it has power to incur expenditure. This report recommends that 50% of proceeds would go to good causes in the Melton Lottery. Up to a maximum of 80% of the gross proceeds of each lottery may be divided between prizes and the expenses of the lottery. The maximum prize is £25,000 or 10% of the proceeds (gross ticket sales) whichever is the greater. As we are a local authority we have to be licensed by the Gambling Commission.

The Lottery Market Place

- 3.7 There are three well-known lotteries running in England and Wales – the National Lottery, Health Lottery and the Postcode Lottery. Set out in the table below are some background statistics regarding those providers for comparison.

Provider	Odds of jackpot win	Odds of any prize win	% share to good causes	% to operator/owner
Euromillions	1:116m	1:13	28%	22%
National Lottery	1:14m	1:54	28%	22%
Health Lottery	1:14m	1:209	20%	22%
Postcode Lottery	N/A	N/A	27.5%	32.5%

- 3.8 There are no other Borough wide lotteries currently being delivered, and there is only two other known to be a licensed operator in the country. There are however a number of community groups/charities who either run lotteries or lottery-like fundraising within the Borough.
- 3.9 Appendix A in relation to the Business Case gives a full breakdown of how the lottery will work, ticket prize/size and management.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 The Council would be adopting a lottery that it will manage across the Borough and will have to appoint a responsible officer in relation to the licence with the Gambling Commission who in this case will be the Head of Communities & Neighbourhoods.
- 4.2 Staff in the People Team of the Council will be asked to take responsibility for the registration of community and voluntary sector groups along with writing the criteria. These criteria will be submitted to the Community and Social Affairs Committee at its September 2016 meeting for approval.
- 4.3 It is proposed that income from the lottery will be used to assist in funding some existing commitments to the Voluntary & Community Sector. Until the level of funds being raised is known it is difficult to anticipate the levels that may be generated. An annual review of the performance of the lottery will be undertaken.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 There will be a cost to operating the lottery. It is estimated that;
- £1,000 will be required annually for licensing and administration costs.
 - £3,000 to be allocated for marketing in the first year.
 - £5,000 of officer time will be required to run the lottery annually. This can currently be funded from existing resources.

6.0 LEGAL IMPLICATIONS/POWERS

- 6.1 The Gambling Act 2005 creates eight categories of permitted lottery, one of which is a local authority lottery. Local authority lotteries are promoted by the local authority and the net proceeds can be used for any purpose for which the authority has power to incur expenditure.
- 6.2 If the Council were to set up a local authority lottery it must be run under an operating licence issued by the Gambling Commission, and will be required to comply with the specific licence conditions and relevant codes of practice. The licence conditions will be set out at the time the licence is issued. The Council can appoint an External Lottery Manager (ELM) to manage the lottery on its behalf in accordance with section 257 of the Gambling Act 2005, and the ELM will also need to obtain the necessary consent and operating licence from the Gambling Commission. However, it should be noted that the Council would remain responsible for ensuring that the lottery was operated lawfully in the event that an ELM was appointed.
- 6.3 Initial procurement advice has been obtained that this would fall within the definition of a "Service Concession" contract, which is now covered by the Concession Contracts Regulations 2016. Bearing in mind the value of the contract there is no requirement to follow an OJEU process and as such the Council's Contract Procedure Rules would apply.. Officers have researched as widely as possible as to what other companies can deliver the service required and to date have not come across another organisation that runs a lottery for a local authority as Gatherwell Ltd currently provide for Aylesbury Vale District Council and Portsmouth City Council. As

such Members are asked to consider waiving the requirement to follow Contract procedure Rules for the reasons set out in the body of this report.

6.2 During the first 12 months as officers review performance of the lottery they will also continue to look at what the market has to offer in relation to the emergence of similar companies so value for money is tested along with competitiveness.

7.0 **COMMUNITY SAFETY**

7.1 The lottery has been identified as a mechanism that can be used to support the voluntary sector and community groups who have a focus on making the Borough safer and addressing issues that impact upon community safety.

8.0 **EQUALITIES**

8.1 An Equalities Impact is being developed and once completed will be will be discussed at the Council's officer equality steering group for sign off.

9.0 **RISKS**

9.1 Risks for the project are detailed below

L I K E L I H O O D	A	Very High				
	B	High				
	C	Significant				
	D	Low		1, 3	2,4	
	E	Very Low				
	F	Almost Impossible				
			Negligible 1	Marginal 2	Critical 3	Catastrophic 4

IMPACT

Risk	Risk Description
1	Lottery does not perform/sell tickets as expected
2	Low take up from Voluntary/Community Organisations
3	Gatherwell Ltd does not perform adequately
4	Reputation of the Council is impacted upon due to poor performance

10.0 CLIMATE CHANGE

10.1 No Direct Implications have been identified.

11.0 CONSULTATION

11.1 Strategic Management Team has been consulted. A full robust consultation exercise and plan will be developed if members agree to the creation of a Borough Lottery. This will involve marketing to the community and direct contact with key voluntary and community sector service delivery organisations in the Borough of Melton.

12.0 WARDS AFFECTED

12.1 All Wards

Contact Officer: Ronan Browne

Date: 1st July 2016

Appendices: Appendix A – Business Case

Background Papers: Aylesbury Vale Lottery Presentation

Reference: