

APPENDIX A

Business Case

Melton Borough Local Lottery

Date: 1 July 2016

Part A - Document Control

A 1 - Key personnel

Project	Melton Borough Local Lottery
Sponsor	Dawn Garton
Project Manager	Ronan Browne

A 2 - Version history

Version	Date	Summary of changes	Changes marked

A 3 - Distribution

Name	Area

Part B – Project Background/Overview

B 1 – Background to the Project

The project will deliver a local authority lottery for the Borough of Melton with the aim of generating income via lottery ticket sales. The money raised will be split between supporting voluntary & community sector plus it can be used to support services that have a community focus including sport & leisure. This will reduce the reliance on council funds to support this expenditure thereby contributing to the efficiency plan.

B 2 – Key Service Areas Affected

There are a number of areas that the project will impact upon positively which include voluntary & community sector support, leisure & sport and could support services that the Council and community feel are important but due to the financial pressures cannot be maintained at the same level.

Communities & Neighbourhoods and Central Services will work together to manage and administer the project which will involve officer resources and time.

B 3 – Strategic Fit

The principles and aims of the lottery fit into the Council's priorities of supporting those individuals and communities who require services in order to overcome issues in their lives/communities and also will help with improving the whole community as a whole by supporting them to be able to raise funds much easier.

Currently the Council is facing a challenge of having to manage a reduction in finances of circa £900,000 over the next four years. If the Council does not try and mitigate this reduction it is likely that it will become increasingly difficult to continue to fund all of the local community and voluntary projects that we currently do.

The Council has been developing an ethos of creating independence within our community so people are less dependent on services and can deliver and manage projects themselves without the need for the Council to intervene. The lottery aims to give them a financial tool in order to try and achieve this.

The main objectives of running a local lottery are;

- Community Organisations can raise money to support their initiatives
- The Council can manage the need to reduce financial support to the voluntary sector and generate additional support for cultural activities and if it wishes other services the community value but may be at risk as appropriate
- Create an opportunity that in the future if services need to be reduced that support the voluntary sector, funding from the lottery may cushion the financial impact if they engage with the lottery.

In order to evaluate how successful the lottery is there will be an annual evaluation but monthly monitoring will take place in relation to ticket sales, money raised and how much local organisations are benefiting from the lottery.

B 4 - Options Appraisal

Officers have looked at two delivery models which are listed below;

- **In-house** – This option would see the setting up of the necessary posts and systems to run a lottery in-house. This has not been fully costed, but it is considered somewhere in the region of a £80 - £100k for set up costs alone (Staff, IT, Promotion and Marketing) and is based on estimated costs assessed by another district Council who have adopted an external lottery management model. This would include a lottery manager and the necessary development software systems to enable the lottery to run.
- **External Lottery Manager (ELM)** – This option would see a partnership with an existing deliverer of lotteries in the market place. This in effect means 'buying in' the skills and expertise of an existing provider and sharing the risk with them to deliver the lottery, from ticket payments, prize management and licensing, and share with Melton BC and the good causes.

Balancing the set up costs, unknown player numbers and skills base to run the lottery effectively the preferred option is to use an ELM.

Due to the few numbers of providers of an ELM and only one company who has any track record of working with local authorities in order to reduce risk to the council and have a greater chance of success it is preferred that contract procedure rules are waived and we enter into a contract with Gatherwell Ltd.

The lottery has the potential to be a success throughout the Borough as local communities will benefit and also the players have a greater chance of winning a prize than the other national lotteries.

Ticket Price/Prize Structure

Gatherwell Ltd has advised that their model is dependent on an online model, with a minimum play of one ticket per week. As this will be taken monthly and equates to a minimum monthly expenditure for the player of £4.33 (or higher should they wish to purchase multiple tickets/support multiple good causes). There is no set up cost for Melton Borough Council.

The structure therefore will operate as follows;

- Ticket price - £1 per week
- Draw Frequency – once per week (no rollover)
- 2 funds created :

Borough Lottery (Unspecified good cause) the funds will be delivered through a funding stream determined by the Council.

Specified Borough Good Cause directly signing up to the Borough Lottery umbrella scheme, enabling them to fundraise for their own cause within the wider Borough Lottery process.

Proceeds Apportionment				
	Specific Value Good Cause		Borough Lottery (No specific Cause)	
	% Allocation	£ Allocation per ticket	% Allocation	£ Allocation
Specific Good Cause	50	£0.50	-	-
Prizes	20	£0.20	20	£0.20
Borough Lottery Good Causes	8	£0.08	58	£0.58
External Lottery Provider	18	£0.18	18	£0.18
VAT	4	£0.04	4	£0.04
Totals	100	£1.00	100	£1.00

The distribution of monies from the Borough Lottery (No specific cause) will need to have a process worked up as to decide how monies that are made from this fund are then used in the community or on services.

Predicted Usage/Take Up

Based upon research from the other two lotteries running in the country we are basing the first year figures on a maximum penetration rate of 1% of the population. Working on a population circa 50,000 people, we are predicting that this would generate gross takings of £26,000. Until we see how the lottery works locally and how people react to the options it is difficult to be precise as to where allocations of funding will end up.

Projections Going Forward

Officers have projected that this initiative could grow as follows (excluding prize money, external management fees and VAT);

Borough Lottery Revenue

Year	1	2	3	4
Take up - % of population	1%	1.50%	2%	4%
All Specific Value Good Causes	£2,080	£3,120	£4,160	£8,320
Mixed Good Causes	£6,630	£9,945	£13,260	£26,520
Mixed plus 10% Specific Good Causes	£7,475	£11,212	£14,950	£29,900

Number Selection & Prize Structure

Players are able to choose 6 numbers. To win the jackpot the ticket must match both the numbers and sequence as drawn. Players can also win a prize if the ticket matches the sequence of the first or last 2, 3, 4 or 5 numbers drawn. Multiple tickets are able to be purchased, and numbers can be changed by players. Bolt on 'raffle' type prizes are possible with this model. Players also have the option to donate their winnings to their chosen good cause if they wish. The jackpot is an insured prize. It is a guaranteed pay out of £20,000 per winner (even if multiple people win the jackpot it is not shared or rolled over).

Number Selection and Prize Structure

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

All day to day management will be conducted by Gatherwell Ltd. This includes processing new players, distributing prizes and income for good causes. They will also provide significant tailored marketing support to good causes, MBC and assist players should they experience difficulties. The company will send newsletters to all good causes signing up to the lottery and updates on their lottery. Melton BC will help publicise the lottery and support its take up. Apart from licensing and marketing costs the lottery is self-funding.

Voluntary/Community Sector

Currently the Council support the voluntary and community sector locally in revenue support of £100,000 per annum and this figure can increase through one off requests. If the business case is approved officers will engage with all those organisations aiming to get them to use the lottery as an income stream. This will create more resilience if as we progress through addressing funding pressures we have to reduce grants.

B5D 1- Key Business Risks/Contingency Plans

There has been a number of risks identified which are listed below but overall these have been reviewed as being low due to the evidence that we have seen of performance from Aylesbury Vale DC and Portsmouth City Council:

- Lottery does not perform/sell tickets as expected
- Low take up from Voluntary/Community Organisations
- Gatherwell Ltd does not perform adequately
- Financial risk from Gatherwell occurs

- Reputational risk to the Council is affected due to poor performance

In order to mitigate the above risks a project plan is being developed for the top three points. In relation to the fourth bullet point financial checks are being carried out by both legal services and finance.

B 6- Financial Implications

Cap / Rev

Please define if these are capital or revenue and the financial years they will be incurred. Also consider if they are Special or General Expenses or HRA

The costs incurred will be revenue costs for the next four years. There is an expected income that will offset grant funding given to the voluntary/community sector

	£	£	£	£	Comment
Year	2016/17	2017/18	2018/2019	2019/2020	
Initial Costs	£4,000	£1,000	£1,000	£1,000	
External Funding	£7,475	£11,212	£14,950	£29,900	Funding is from lottery sale income to the Council/reduced expenditure
Net Income	£3,475	£10,212	£13,950	£28,900	Estimation based on current performance from other two LA's and assumes increased take up over the next 4 years as per B4.
Ongoing Savings(-) /costs					

B 7 – Project Scoring Matrix

<i>Scoring – for your project – calculate the points</i>				
Criteria	1 Point	2 Points	3 Points	Score
Cost £ (budget, time and human resource)	<£10k	£10k - £50K	>£50K	1
Timescale	< 6 months	6 – 12 months	> 12 months	3
Impact if project failed on the organisation	Minor disruption	Moderate	Major	1
Melton's Track Record	Done Successfully Many Times Before	Done Successfully Once or Twice Before	New Area of Working	3
Stakeholder Interest (internal and external)	Minimal	Moderate	Major	3
Project Complexity	Straight-forward	Moderately Complex	Highly Complex	2
Total score				13

Projects scoring 6 – 10 points - Formal methodology **not** necessary
 Projects scoring > 10 points - Formal methodology **is** necessary

Note

The business case must be submitted initially to the Programme Board and will allow schemes to be prioritised and feasibility to be assessed. Programme board to agree the on-going project management required based on the above scoring and documented on the Project List

Part C – Project Details

This section sets out the direction, scope and objectives of the project and forms essentially the “contract” between the Project Sponsor and Project Manager as to what will need to be delivered.

C 1 - Project Objectives, Outcomes and Benefits

What are we hoping to achieve from doing this project? Outline principle aspirations/objectives.

The key objectives are to establish a Borough Wide Local Authority Lottery by 30th November 2016. It will benefit the local community and voluntary sector by allowing them to fundraise through the lottery.

In the medium term it is hoped that if local groups who the Council currently support can raise income from the lottery the Council can reduce costs in future years. Longer term additional funding may also be available to support cultural activities or other at risk services

Part D – Project Management

D 1- Delivery

How will the project be delivered and resourced. This section should outline the internal and external resources to be used and any partner involvement. Have other projects and business as usual priorities been considered?

The project will be managed internally through the People Team and using Gatherwell Ltd to manage the lottery operation.

Internal teams supporting the project will be legal services and financial services in addition to the People Team.

B4 outlines the input from Gatherwell Ltd in supporting the project.

D 2 - Key Stakeholders

This section should identify the key stakeholders, both internal and external to Melton Borough Council, for example:

External Stakeholders

General Public – We expect the public to buy into the lottery and purchase tickets. The community organisations will also be key if the project is to be successful. A robust marketing period prior to the lottery going live will take place in the community and targeted at community groups and the voluntary sector.

The Media – The project should be subject to positive media and the Council's Communications team will manage queries.

Partners – The projects aim is to add support and benefits to the community groups and the voluntary sector. It has the potential to also support partners

Internal Stakeholders

Finance – Financial Services have been a key stakeholder in the Business Case development.

Legal – the legal team have advised that a local authority lottery needs to be set up to run the lottery. The relevant agreements with Gatherwell need to be put in place

IT –N/A as the system is run by Gatherwell

Procurement – 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.

Property –This is not applicable.

Communications – internal promotion through the Council's Corporate Messenger will keep internal stakeholders informed of progress. MBC staff and partners will be eligible to participate in this lottery.

Equalities – an impact equality assessment is currently being developed by staff and will be reviewed by the equality steering group.

D

Appendix B2, – Standard Risk Management Template

Project Name:

Updated:

Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9	Col 10	Col 11
Risk No.	Grade [red, amber, green]	Risk Owner	Cause	Potential Consequences	Current Score	Original Score	Movement [↔,↑,↓]	Current controls [working]	Adequacy of mitigation measures	Planned actions (For key risks only)
1	Green	RB	Lottery does not perform/sell tickets as expected	Less income than expected resulting in impact against financial expectation	D2					
2	Green	RB	Low take up from Voluntary/Community Organisations	Will result in lower than expected ticket sales	D3					
3	Green	RB	Gatherwell Ltd does not perform adequately	Affects reputation of the lottery and impact on income if poorly managed	D2					
4	Green	RB	Reputation of the Council is impacted upon due to poor performance	Community and users have no confidence in lottery and results in poor sales.	D3					

Last updated:

Risk Number	This is the unique identification number given to each individual risk
Owner/project	Who is the risk owner and therefore responsible for ensuring the mitigation work is undertaken
Cause	This describes the existing, potential or perceived risk/threat to the project objectives

Consequence	The impact of the cause is often a chain of events that can impact on many stakeholders
Current score and original score	Based on the risk matrix, how is the risk likelihood scored e.g. A, B, C, D or E Based on the risk matrix, how is the impact scored e.g. 1, 2, 3 or 4 The original score is as per the first time it was raised.
Current mitigation	The existing measures that are in place to control /prevent the risk (risk mitigation)
Adequacy	An assessment on the suitability of the current mitigation measures (adequate, poor, good)