

Scrutiny Committee

7 January 2020

Report of:	Director for People and Communities
Cabinet Member	Portfolio Holder for Corporate Governance, Access and Engagement

MELTON COMMUNITY LOTTERY

1.0 Summary:

- 1.1 The purpose of the report is to provide a breakdown of the costs associated with running the Melton Community Lottery.

2.0 Recommendations

- 2.1 **That Scrutiny assess the financial costs and benefits of running the Melton Community Lottery and as required, make recommendations to Cabinet in relation to the future of the Melton Community Lottery.**

3.0 Report Detail

- 3.1 The Scrutiny Committee requested that an item on the Melton Community Lottery be added to the Scrutiny Work plan at their meeting on 12 November 2019.
- 3.2 In order to make informed conclusions, it is important to understand the background and objectives of the Community Lottery as well as the financial implications involved in running the lottery and also the financial consequences should it be discontinued.
- 3.3 The Melton Community Lottery was created with the aim of generating income via lottery ticket sales. The money raised would be split between supporting voluntary & community sector plus it can be used to support services that have a community focus including sport & leisure. This would reduce the reliance on council and other public funds to support this expenditure thereby contributing to the efficiency plan.
- 3.4 Approval for the implementation of a Local Authority Lottery was gained at the Policy Finance and Administration Committee on 12 July 2016. The full Business Case is attached as **Appendix A**.

The main objectives of running a local lottery, as specified in the Business Case, 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.

3.5 Melton Community Lottery does not come with additional or dedicated resource for administrative and support purposes. The work is absorbed within the People Directorate. In other words, since inception in 2016 there has been no additional resource provided by the Council specifically to deal with the Melton Community Lottery.

It is set up to ensure the operator costs and contribution to the Community Grants budget is covered through ticket sales.

The percentage breakdown for every £1 ticket sold is as follows:

50%	Either directly to Good causes if a specific cause is chosen by the player or into the Council's Community Grants pot if no cause is chosen.
10%	To MBC Community Grants pot
20%	Prize Fund
17%	External Lottery Manager costs
3%	VAT

3.6 As part of Scrutiny work plan, a financial breakdown of the Community Lottery costs and benefits have been requested and is provided in **Appendix B**. This addresses most of the questions requested in advance by the Chair of Scrutiny. Any questions not answered in Appendix B are addressed in 3.7 – 3.12.

3.7 Whilst every effort has been made to complete as much of the information as possible in the format requested, there will be a number of anomalies in the way the information in Appendix B is presented. The detail and explanation of these are as follows:

- The lottery dashboard presents information in calendar years and the Council's accounts work in financial years.
- Discrepancies in year on year ticket sales not aligning with the percentages shown in 3.5 e.g. payments to the external lottery manager. This is due to income from ticket sales (other than that which goes directly to Good Causes) is credited to MBC immediately whereas expenditure is accounted for after invoices have been processed, which can cross two financial years as reserve creditors were not completed. In addition, processes took a while to embed after the lottery was set up in November 2016. However cumulatively the accounts and percentage breakdown illustrated in 3.5 do balance. Going forward, this accounting process will be rectified.
- Actual percentage paid to External Lottery Manager (Gatherwell) is 16.67%. The 0.33% remains as income and ultimately goes back into the Community Grants pot.

3.8 The historical performance will also understate actual performance of the lottery due to an up front investment of £3,000 (costs not recovered) when the lottery was being set up.

3.9 Questions from Scrutiny not included in Appendix B are addressed in 3.10 – 3.11:

3.10 **Number of members of the Lottery at each year end for the years 2016-17, 2017-18, 2018-19 and the estimated/part actual for 2019-2020:**

Calendar Year	Members	New members (not playing last year)	Members from last year not playing this year
24/11/2016 - 31/12/2016	171	171	0
01/01/2017 - 31/12/2017	412	241	0
01/01/2018 - 31/12/2018	367	81	45
01/01/2019 - 31/12/2019	300	32	187

(This will not be the same as tickets sold as some members buy more than 1 ticket).

3.11 **Gains for Melton's Good Causes for the years 2016-17, 2017-18, 2018-19 and the estimated/part actual for 2019-2020:**

Where a ticket is bought directly from a Good Cause site, this does not come into Melton Borough Council (MBC) as income but goes directly to the Good Cause. This figure is not on Appendix B for this reason. The lottery is set up to automatically allocate the correct amount directly to good causes. Based on the cumulative figures in Column G of Appendix B, the amount credited to Good Causes directly will be £20,172. Whilst this can be assumed with a degree of confidence, the report cannot categorically confirm this amount as this will involve manually working through three years worth of payments on each Good Cause page.

3.12 **The real cost to Melton's taxpayers**

The real cost to Melton taxpayers are the direct costs highlighted in green on Appendix B as costs not recovered. These are payments for Gambling Commission Licence, Promotion and Marketing budget, Subscription for Lotteries Council membership and a one-off set up fee.

Support Services are recharged staff and overhead costs. These are estimated overheads rather than direct costs.

The support costs are showing as higher than usual in the current financial year due to overestimated allocation of recharges. The over-estimation was partly based on a proposal (Approved at the previous People Committee) to run a member-led Task and Finish Group to increase performance of the community lottery. As the Task and Finish Group failed to come together and progress this piece of work, actual officer time spent on lottery administration in reality would not have been so high.

Our approach to such recharges has changed and staff management of the lottery is not usually expected to be resource intensive. The work associated with running the lottery within MBC is absorbed within the People Directorate.

Therefore, discontinuing the lottery will not result in any direct savings as the support costs will simply be allocated to another service area. This also means the resources could be redirected to another service area but there would be an increase to the pressure on Council funds as there will no longer be any contribution to the Community Grants budget.

The purchasing of tickets by Melton residents is not considered as a cost to the taxpayer as this is a personal choice of residents to play in their local community lottery.

4.0 Consultation and Feedback

4.1 Consultation has taken place with the Portfolio Holder.

4.2 On 20 June 2018, a report was taken to the People Committee to identify a small group of members to work with the relevant officer as a task and finish group to explore ways to increase Good Cause activity and consequently income through the Good Cause group pages. While the support was offered in principle, the task and finish group failed to progress.

5.0 Next Steps

5.1 The Scrutiny Committee may provide feedback and recommendations for Cabinet consideration.

6.0 Financial Implications

6.1 The main financial implications are outlined in Appendix B. Focusing on the direct costs the lottery provides a net benefit to the Council which has been used to help fund the Community grant scheme.

6.2 If the lottery was to be discontinued it would not result in any savings as the support costs will simply be allocated to another service and actually increase the pressure on Council funds as there will no longer be any contribution to the Community Grants budget.

7.0 Legal and Governance Implications:

7.1 There are no legal implications as the report is for information purposes only. Should the Scrutiny Committee wish to make recommendations on the future of the Melton Community Lottery to Cabinet a management response will be provided to Cabinet to include full details of Financial and Legal implications.

7.2 The Scrutiny Committee may report to Cabinet as detailed in Section 9 of Chapter 2, Part 10 of the MBC Constitution.

8.0 Equality and Safeguarding Implications:

8.1 Not applicable at this stage as this report is to provide information only. An Equality Impact Assessment was undertaken at the start of the project.

9.0 Community Safety Implications:
9.1 None


10.0 Other Implications
10.1 None

11.0 Risk & Mitigation:
11.1 Not Applicable at this stage. This report is for information only

Background Papers:
None

Appendices
Appendix A Lottery Business Case Appendix B Lottery Summary

Report Timeline:	Dated: (initials and date)
Equalities Check & Challenge	N/A
SLT Sign off	N/A
Previously Considered by Cabinet	N/A
Director Approval	20.12.19
Chief Finance Officer Sign Off	23.12.19
Finance Sign Off	N/A
Legal Sign Off	23.12.19
Monitoring Officer Sign Off	19.12.19
Consultation with Portfolio Holder	16.12.19

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