

Cherwell District Council  
COMMUNITY LOTTERY  
**BUSINESS CASE**

## **1 Purpose of the Lottery**

1.1 To help fund discretionary support for local voluntary and community sector (VCS) organisations and enable such organisations to raise funds directly for themselves. The Council would not take any of the proceeds for themselves.

1.2 All funds raised by the lottery would be spent within the district and provide benefits to the people and communities of CDC district.

1.3 This report has been written with guidance from Mendip District Council and Aylesbury Vale District Council (AVDC).

## **2 Executive summary**

2.1 In the medium-term, as budget pressure continues to grow on all aspects of the council's work, there will inevitably be an impact on the funding available for the VCS sector. Historically CDC provides support to VCS but does not have a grants scheme. The CDC Lottery could be used to support existing contracts/service level agreements/grants (Current cost is £135,343.00: existing VCS receptive of monies in Appendix B (restricted)).

2.2 A CDC Lottery has the potential to help all VCS organisations active in the district by helping address any funding pressures they are facing. The lottery proposal would also help move the Council from 'provider' to 'enabler'. The AVDC have published that in their scheme (2015) they raised £65,000 pa, with over 120 VCS benefiting.

2.3 By agreeing the proposal, the council would adopt a proactive approach and be one of the first council in the country to run a lottery. The proposal is to use a model similar to that launched by AVDC. Namely to seek a license from the Gambling Commission and to 'buy-in' the skills and expertise of an External Lottery Manager (ELM) to run and market the lottery.

## **3 Supporting information**

3.1 The council are exploring new income streams, streamlining processes, reducing costs and working innovatively in partnership - this work is completed through the newly created (August 2016) Commercial Development Team and the Transformation Team and this is some of ways for addressing the financial challenges we face over the coming years following the government's decision to

reduce the level of grants to local authorities.

3.2 This fits with the changing business model of the Council which is moving away from being the provider of all services to one where there is a mix of delivery models for buying and selling services, as well as moving customers towards more 'self-help' digital options.

3.3 Inevitably, in the medium-term, the amount of funding available for VCS organisations will be impacted. With this in mind, the Council has been investigating ways to address this position. A CDC Lottery would create new income stream for VCS organisations helping them address funding pressures and provide benefits to the people and communities in the district.

#### 4 Background to Lottery

4.1 Lottery have long been a way of enabling smaller organisations to raise income. All local authority lottery must be licensed by the Gambling Commission and are regulated by the Gambling Act 2005.

4.2 There are different types of lottery available. In this instance, we are only discussing 'society lottery' which are promoted for the benefit of the non-commercial society. A society is deemed to be non-commercial if it is established and conducted for the following purposes and activities:

- Charitable purposes;
- To enable participation in or support of sports, athletics or cultural activities;
- Any other non-commercial purpose, other than that of private gain.

4.3 In all cases, local authority lottery must deliver a minimum of 20% of gross proceeds to community and voluntary causes – this business case recommends a minimum of 50% of proceeds going to such causes.

It is proposed that the CDC Lottery would split each £1 from the purchase of tickets as below:



## 5 The Lottery Market Place

5.1 There are three well-known national lotteries running in England and Wales – these are the National Lottery, Health Lottery and the Postcode Lottery. The table below provides background statistics regarding these providers for comparison.

Provider	Odds of jackpot win	Odds of any prize win	% share to CVS orgs	% to operator/owner
Euromillions	1:116m	1:13	28%	22%
National Lottery	1:14m	1:54	28%	22%
Health Lottery	1:2m	1:209	20%	22%
Postcode Lottery	No data available		27.5%	32.5%

5.2 In the Cherwell district there are no Community Lottery specifically based in the district, but some that cover the whole of the Thames Valley:

- Thames Valley Air Ambulance (£1,000 top prize)
- Thames Valley Hospice Lottery (£1,000 top prize)

There are only four other councils known to be a licensed lottery operator in the country (AVDC; Mendip District Council; Portsmouth City Council; Melton Borough Council).

5.3 A local authority lottery requires a set of aims or a unique selling point that resonates with lottery players. It is believed there is a place for a lottery that focuses on the following aims:

- *Delivering the proceeds locally* – a Council lottery would deliver benefits only to VCS causes that provide benefits the people and communities in the CDC district. Unlike any other lottery provider, players can be assured that the proceeds will stay within the district of their choice.
- *Maximising benefits to the community* –to bolster support and help continue the good work the Council already does, there is a need for significant support and benefits to be provided by the VCS sector. This proposal would result in 60% of proceeds being given to VCS organisations, with the additional benefit that none of the proceeds being generated is taken by the Council.

- *Minimising costs* - whatever delivery route is adopted, set-up costs have to be minimised. This means the lottery will need to be largely self-financing and any funding distribution mechanism should tap into existing distribution routes.
- *Delivering winners locally* – whilst anyone could play (players don't have to live in either the CDC district), it is likely that players will be locally based (or have a local connection) hence it will be easier to maximise the value from winners' stories and encourage more participation.
- *Facilitating a wider benefit* – whilst the lottery will help current funding to VCS organisations, it will also enable such organisations to fundraise in partnership with us. This can be seen as the council enabling VCS organisations to help themselves by reducing barriers to securing lottery-type funding, such as making access to funding easier and allowing freedom on how the money can be spent. It will also open up a way for voluntary and community organisations to create new links with repeat donors and reach out a much wider audience.
- *Helping to shift residents' perceptions* - of what a Council can do and is here for. This is in line with the changing business model for the Council towards adopting a more commercial approach to service delivery, as well as moving customers towards more 'self-help' options.

## 6 Proposed Form of the Lottery

6.1 The proposal is to use a model similar to that launched by AVDC. This is an online lottery due to the high costs of distribution and sales if it was run in any other way. The benefit of this approach is that this model has a proven track record of delivering a successful product which is achieving the aims of their lottery, i.e. helping deal with the pressure on their community funding budgets and enabling VCS organisations gain access to new funding streams.

6.2 The proposed lottery would create a new funding stream for the VCS active in the CDC district and provide them with a platform to fundraise independently.

Players can choose to buy a ticket to support either:

**The Central Fund** – this operates district-wide and players do not specify an organisation to benefit from the 60% of their ticket purchase. All the monies raised would be distributed direct to VCS organisations active in the CDC district through a new grant scheme – the details of how this would work are to be developed. As the lottery grows, it could also help towards the cost of

funding and support arrangements the Council may have with the VCS sector. This approach may also help organisations who may have fewer local supporters and/or less ability to generate funding support because of the nature and/or size of their service(s).

**The Umbrella Scheme** – this allows players to support a specific organisation and, in turn, this motivates participating organisations to encourage more players to support them and therefore generate more income for themselves. VCS organisations would need to meet criteria (see Annexe A) set by the license holder (i.e. the Council) before they can ‘sign-up’. Support would include their own branded web page on the lottery website and regularly updated bespoke marketing materials to help them engage with players. This option would help remove barriers for organisations who may struggle to access other funding streams or aspire to run their own lottery (barriers for them might include difficulties in holding their own license or setting up the infrastructure to run it). Organisations keep 50% of all ticket sales generated through their page and another 10% goes to the Central Fund.

The Council would control which organisations can join the umbrella scheme and VCS organisations would need to meet certain criteria in order to join. Annexe A sets out the draft criteria.

6.3 All sales for the lottery (no matter which of the two versions the player chooses) would operate through a dedicated website (specific organisations would have their own landing pages on this website) and be funded via ticket sales made by online payment (payment card) or direct debit. This approach is needed to keep operating costs at a minimum.

### **Delivery Options**

6.4 The Council would have to apply to the Gambling Commission for a license to run a lottery and be the overall license holder.

6.5 The proposal is to use the services of an External Lottery Manager (ELM) to run the lottery. This is the most common form of lottery provision for Council. In terms of procurement rules, the provision of lottery services is a public service concession. However, under the current Concessions Contracts Regulations 2016, specifically under Regulation 10(13), lottery services are expressly excluded from being governed by the procurement rules. Given the Council would be an enabler and

would not be taking any money. All that would be required is a contract between the Council and the ELM. Notwithstanding the appointment of an ELM, the Council would retain obligations to the Gambling Commission to ensure that the lottery is conducted in a lawful and fully compliant way.

6.6 The Council has reviewed use of an ELM and considered the approach taken by AVDC. We have had informal discussions with both AVDC and an ELM and consider that appointing an ELM would be the most cost-effective solution and would provide the necessary skills and expertise required to establish and run the lottery.

There is no requirement to carry out a competition to appoint an ELM because of the exclusion of lottery services from the procurement rules; however the Councils' procurement guidelines will be followed. The Council must satisfy itself that any ELM considered holds a valid operating license, personal management licenses (if appropriate) and will conduct the Council's lottery in a lawful and compliant way. The Council will be required to complete due diligence on any ELM being considered.

6.7 The proposal is that the ELM would carry out all day-to-day management, including processing new players, distributing prizes, income for VCS organisations (once the Council have approved the monthly payments to CVS organisations) and assisting players should they experience difficulties. The ELM will also provide significant tailored marketing support to the VCS organisations and the Council. The ELM will send newsletters to all community and voluntary organisations signing up to the lottery providing updates on their lottery.

The resource implications for the Council are detailed in Section 11.

### **7.11 Ticket Price, Proceeds Apportionment and Prize Structure**

**Ticket Price £1** – the minimum play would be £1 ticket per week per player, this would equate to a minimum monthly expenditure of £4.33 per player (this being 52 weeks x £1 divided by 12 months).

Players can purchase multiple tickets/support multiple organisations.

7.12 Research shows that ticket price has a significant bearing on the success of a lottery the £1 cost would also create us in positive competition with the National Lottery (£2).

7.13 The public's perception of appropriate lottery ticket pricing is considered to be the most significant factor when selecting a preferred model for the lottery.

7.14 ***This report recommends that the ticket price is set at £1 per ticket.***

7.15 Based on the above, the CDC Lottery would operate as below:

- Ticket price - £1 per week
- Draw frequency – once per week
- With 2 delivery options – CDC Lottery and CDC Umbrella Scheme (see 4.12 above for details)

<b>Proceeds Apportionment</b>				
	<b>Umbrella Scheme (Specific Org/Cause)</b>		<b>CDC Lottery (Unspecified Org/Cause)<sup>a</sup></b>	
	<i>% allocation</i>	<i>£ allocation per ticket</i>	<i>% allocation</i>	<i>£ allocation per ticket</i>
Specific community and voluntary organisations	50	£0.50	-	-
Prizes	20	£0.20	20	£0.20
CDC Lottery community and voluntary organisations	8	£0.08	58	£0.58
External Lottery Provider	18	£0.18	18	£0.18
VAT	4	£0.04	4	£0.04
<b>Totals</b>	<b>100</b>	<b>£1.00</b>	<b>100</b>	<b>£1.00</b>

a CDC Lottery supports VCS organisations through a new grant pot.

### **Number Selection & Prize Structure:**

7.16 The proposal would use the Australian Super 66 Lotto results to provide the winning numbers for the proposed Lottery. The Super 66 is played in all parts of Australia, except New South Wales, and draws take place on Saturdays.

Players of the CDC Lottery would choose 6 numbers. To win the jackpot, the ticket must match both the numbers and the sequence as drawn. You can also win a prize if your Super 66 number matches the sequence of the first or last 2, 3, 4 or 5 numbers drawn. In all there are 5 prize divisions.

The following are the winning numbers for each division, if:

•N means a winning number



•n means a number other than a winning number:

<b>Division</b>	<b>Your Super 66 number starts with OR ends with</b>	<b>Odds based on 1 Game</b>
Division 1	NNNNNN	1,000,000:1
Division 2	NNNNNn or nNNNNN	55,556:1
Division 3	NNNNnn or nnNNNN	5,556:1
Division 4	NNNnnn or nnnNNN	556:1
Division 5	NNnnnn or nnnnNN	56:1

Multiple tickets can be purchased and numbers can be changed by players.

7.17 Bolt-on 'raffle' type prizes are possible with this model. It is considered there is potential here for the CDC Lottery to partner with CDC based events and festivals and that this could provide significant additional benefits to VCS organisations and to the people and communities in both areas.

7.18 Players can donate their winnings to their chosen VCS organisation, if they wish.

7.19 The jackpot is an insured prize. It is a guaranteed pay out of £25,000 per winner and there could be multiple winners. There is no rollover if there is no winner.

7.20 The ELM distributes prizes to winners as soon as the player claims their win - either immediately into the winner's bank account or to the chosen VCS organisation if the winner has chosen to donate their win back to them.

Participating VCS organisations are paid monthly by the ELM and the Council are required to authorise these payments before they are made. The process for this will be developed and it will be covered under the contractual arrangements by which the ELM is appointed.

<b>Number Selection and Prize Structure</b>		
	<i>Winning odds</i>	<i>£ prize</i>
6 numbers	1:1,000,000	£25,000
5 numbers	1:55,556	£1,000
4 numbers	1:5,556	£250
3 numbers	1: 556	£25
2 numbers	1:56	3 free tickets
<b>Overall odds of winning any prize</b>	<b>1:50</b>	-

## Player modeling:

7.21 Set out below is a player modeling analysis. It shows that a very conservative level of players can generate a considerable income for VCS organisations.

<b>£1 Ticket / 1 Ticket per week</b>						
Ticket price (£)	Number of players (16+)	% CDC Player Pop (16+)	Tickets per player/week	Number of weeks	Gross Return	Received by CVS organisation <sup>b</sup>
1	455	0.5	1	52	£23,660	£13,723
1	910	1	1	52	£47,320	£27,446
1	1,365	1.5	1	52	£70,980	£41,168
1	1,910	2	1	52	£94,640	£54,891
1	2,275	2.5	1	52	£118,300	£68,614

<sup>b</sup>: no distinction has been made in the above table between players selecting either delivery option (CDC Lottery or the Umbrella Scheme). It is very difficult to model how this split will break down with actual players therefore a total to community and voluntary organisations is shown (58% of gross return).

## 8 Gambling Responsibly and Risks

8.1 Lottery are the most common type of gambling activity across the world, and considered to be a 'low risk' form with respect to the emergence of problem gambling. This is due to its relatively controlled form.

The CDC Lottery would help mitigate against many of the issues related to addictive gambling by:

- Being only playable via by pre-arranged sign-up and non-cash methods
- Offering no 'instant gratification' or 'instant reward' to those taking part
- Ensuring the lottery is compliant with the Gambling Commission's licensing code of practice, including self-exclusion and support organisation links.

8.2 Due to these factors, it is reasonable to believe that a Council led Community Lottery would not significantly increase problem gambling, and that the benefits to community and voluntary organisations in the district from the proceeds of the lottery would outweigh the possible negative

issues.

8.3 License holders and operators must comply with legislation and are regulated by the Gambling Commission; both are responsible for running the lottery in such a way that potential risks such as underage gambling, weak financial management and potential fraud are minimised. The proposed CDC Lottery operates within the law and follows the Gambling Commission's operational guidelines.

## **9 Delivery Timeline**

9.1 Following the decision to go ahead with the proposal, based on AVDC's experience for establishing their lottery, it would take approximately four months from appointment of ELM to set-up and launch the lottery.

9.2 The key milestones in delivering this are set out below:

- By October 2016 – Report to BMP
- By December 2016 – Report to Executive
- By late December 2016 – Appoint ELM.
- By Jan 2017 - Hold launch event targeted at VCS organisations encouraging them to 'sign-up'; PR event for members and the media
- End February 2017 – License Approved for the Council (subject to Gambling Commission)
- Mid March 2017 – First Draw

## **10 Resource implications**

10.1 The estimated costs to the Council is:

- £1,000 annually for licensing and administration costs
- Start up (off one) cost of ELM Setup Fee £3,000

There will also be a cost of £1,500 for marketing in the first year, with on-going £750 annually to promote the Lottery.

Inevitably, some officer time would be required to establish the lottery and ensure its administration. This can be managed within existing resources of the Grants Officer with the support of the Commercial Development Team.

This proposal would help fund discretionary support to the VCS and enable such organisations raise funds directly for themselves. Until the level of funds being raised is known, it is difficult to anticipate how much money may be generated. An annual review would be undertaken to ensure that the lottery is running in line with the aims set out in this report and to agree any changes.

***10.2 This report recommends that a local community lottery be created for CDC with the appointment of an ELM.***

***10.3 This report recommends that the Council agrees to provide £3K for set-up costs and £1k for the annual license and administration costs. In the first year the Council allocates £1.5K for marketing funded from existing resources, and £750 annually for on-going marketing.***

Tracie Darke

Business Development Officer

## **ANNEX A: CDC Lottery Umbrella Scheme**

### **Draft Criteria for Accepting VCS groups**

As part of the proposed CDC Lottery, voluntary and community organisations can sign up under an umbrella lottery scheme. Below are the draft criteria that will be used in deciding whether or not to allow an organisation to join.

#### **Application Fee**

There is no application fee to join.

#### **Criteria for joining:**

We want to enable as many VCS organisations as possible to join. The Council has been granted a licence to run the lottery by the Gambling Commission and part of its licence obligations are to ensure that organisations meet certain criteria.

#### **YOUR ORGANISATION MUST:**

- Provide local community activities or services *within* the CDC District, which benefit the people and communities of CDC - visitors to CDC may also benefit from the services/facilities, but not to the exclusion of local residents
- Have a formal constitution or set of rules
- Have a bank account requiring at least 2 unrelated signatories
- Operate with no undue restrictions on membership

#### **AND BE:**

A constituted group with a volunteer **management committee** with a minimum of three unrelated members that meets on a regular basis (at least 3-4 times per year); or, **a registered charity with a board of trustees.**

#### **OR BE:**

A registered **Community Interest Company** and provide copies of their Community Interest Statement, details of the Asset Lock included in their Memorandum and Articles of Association, together with a copy of their latest annual community interest report.

**WE WILL NOT PERMIT APPLICATIONS THAT:**

- Are incomplete
- Are from groups that promote a particular religious or political belief
- Are from organisations that do not do work within the boundaries of CDC
- Are from individuals
- Are from organisations which aim to distribute a profit
- Are from organisations with no established management committee/board of trustees (unless they are a CIC)

**PLEASE NOTE THE FOLLOWING:**

The Council reserves the right to reject any application.

The Council will reserve its rights to not accept or cease to license any organisation with a minimum of 7 days' notice for any reason, unless where fraudulent or illegal activity is suspected where cessation will be immediate.