

	Cabinet 17 June 2019
	Report from the Assistant Chief Executive
Brent Community Lottery Proposal	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Two: <ul style="list-style-type: none"> • Appendix 1 - Comparison of Lottery Providers • Appendix 2 - Lottery Screenshots
Background Papers:	None
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1.0 Purpose of the Report

1.1 To present a Brent Community Lottery proposal to Members.

2.0 Recommendation(s)

2.1 For Cabinet to approve the following recommendations;

- (a) To establish a local authority run Lottery called the Brent Community Lottery based on the preferred option and to approve the criteria for registering organisations as beneficiaries.
- (b) To note that the purpose of the lottery is to raise funds for Brent's Voluntary and Community Sector (VSC).

- (c) To waive the requirement of Contract Standing Orders to seek quotes and appoint Gatherwell Ltd. by way of a direct award as an external lottery manager (ELM) to run the lottery on behalf of the council for a period of 5 years, subject to annual review.
- (d) To delegate authority to the Assistant Chief Executive following consultation with the Portfolio Holder for Public Health, Culture & Leisure (given their remit in relation to Voluntary Sector Liaison and Development), to agree the policies and procedures necessary and/or desirable to fulfil the conditions for obtaining a licence from the Gambling Commission and the process for the allocation of the lottery central fund income.
- (d) To nominate two senior managers – (Assistant Chief Executive and the Head of Strategy and Partnerships) - to hold the Gambling Commission licence on behalf of the local authority.
- (f) To note that set up costs will be taken from the Strategy and Partnerships approved budget for 2019/20.

3.0 Detail

- 3.1 This report sets out plans to introduce a Community Lottery in Brent to raise funds to support local Good Causes in the Borough. It also seeks to further our commitment to work with the Voluntary and Community Sector to support it to access alternative sources of funding. This approach is central to the achievement of the overall vision for the borough as set out in the Borough Plan 2019 – 2023. This vision is:

To make Brent a borough of culture, empathy, and shared prosperity

- 3.2 A Brent Community Lottery has the potential to help alleviate some of the pressures on the council's funding for the Voluntary and Community Sector (VCS) by bringing in more funding whilst at the same time enabling the VCS to raise money directly by accessing a lottery product designed for them at no cost to them.
- 3.3 The Community Lottery is regulated by the Gambling Act 2005, Society Lotteries were created to allow for the distribution of lottery proceeds collected by non-commercial societies, local authorities and External Lottery Managers (ELMs). Lotteries must deliver a minimum of 20% of proceeds to Good Causes. The model proposed for the Brent Community Lottery delivers 50% to Good Causes and 10% to the council's central fund from each ticket sold.
- 3.4 Local authority lotteries that are promoted by councils permit the authorities to use the net proceeds of such lotteries for any purpose for which they have power to incur expenditure. A local authority lottery must apply 20% of the gross proceeds of the lottery directly to the purpose for which the authority has power to incur expenditure. Up to a maximum of 80% of the gross proceeds of a lottery may be divided between prizes and the expenses of the lottery.
- 3.5 As a local authority the council will have to be licensed by the Gambling Commission to operate a lottery. The maximum prize in a single lottery for a local authority lottery is £25,000 or 10% of the proceeds (gross tickets sales).

The statutory limit for a maximum single prize is £400,000. Rollovers are permitted provided the maximum single prize limit is not breached. There is no maximum price of a lottery ticket. Every ticket must be the same price and the cost of purchased tickets must be paid to the local authority before entry into the draw is allowed. Local authority lotteries which allow players to participate in their lottery by means of remote communication will be required to hold a remote operating licence.

The Lottery Market Place

- 3.6 There are three well-known national lotteries running in England and Wales – the National Lottery, Health Lottery and the Postcode Lottery. A comparison table is set out below:

Provider	Jackpot Odds	Any prize odds	% to Good Causes	% to operator costs
Euro millions	1:14m	1:54	28%	22%
Health Lottery	1:2m	1:209	20%	22%
Postcode Lottery	No data	No data	27.5%	32.5%

- 3.7 The local authority lottery model operates at two levels:
The Central Fund – operating borough wide, where 60% of the ticket price goes to the central fund to be awarded to VCS by the council's chosen process. All monies raised by the lottery for the central fund can either be used to increase the council's existing community grant funding budget or can be used to replace/reduce committed funding, thereby releasing general funds back to council. The chosen areas could be based on thematic or priority areas and reviewed on a regular basis to ensure they align with borough priorities.

A Specific Good Cause – of the 60% mentioned above - 50% of the ticket price goes directly to the good cause (i.e. a Brent community organisation) with the other 10% going to the central fund. Groups sign up and have their own web page created to enable them to encourage supporters to raise income via the lottery at no cost to the groups.

- 3.8 Over 50 local authorities in England have introduced a local lottery as an alternative way of raising money for local Good Causes. For example, in Aylesbury Vale – the Lottery was launched in December 2015, and by September 2017 they were raising £120k per year from the lottery from which £63k per year has been allocated to local Good Causes. Currently about 2% of the population (the population of Aylesbury Vale is 174,137) is playing the lottery and their business plan projects this increasing up to 5%. 40 Good Causes were signed up to be part of the lottery before the first tickets were sold, at the last count they now have 180 Good Causes signed up. Currently the London Borough of Bexley and Barking and Dagenham are running a local authority lottery with income raised £59K and £40k respectively. We have had discussions with both councils to gain insight into their approaches. Organisations that are part of the lottery scheme have found they are benefiting from a small, but regular and unfettered income stream. For example, Aylesbury Vale Homestart is receiving about £800 per year from the lottery and the local cricket club is receiving £2,500-£3,000 per year.

- 3.9 We have also sought the views of a sample of local VCS organisations about their views and interest in a local lottery which have been positive.

Analysis and Conclusion

- 3.9 A review of available delivery options for the lottery has been undertaken and the options are explained below. The lottery delivery options are all online with weekly draws. The costs and management associated with the sale of tickets in any other way are prohibitive. An online approach is in line with Brent Council's strategy to become a digital borough.

Options for Delivery

- 3.10 For a local authority to run a lottery there are three management options;
- Deliver in house
 - Through a small society lottery
 - With an External Lottery Manager (ELM)

Option 1 - In-house

In order to operate a lottery in-house it would be necessary to create dedicated licensed, lottery posts. Brent would also need a dedicated IT system and other systems to run it. This option has not been costed as it would involve a new software system and a licensed manager to run the lottery. Aylesbury Vale (in their research) costed this to be approximately £80 - £100K. This option is not recommended.

Option 2 - 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 licenced by the local authority. Prize money cannot exceed £20,000. This type of lottery provider tends to be smaller clubs, groups and societies with small numbers of members. This option is not recommended.

Option 3 – With an External Lottery Manager (ELM)

An ELM makes arrangements for a lottery on behalf of a local authority and is licensed as an ELM with the Gambling Commission. A local authority and an ELM must be separate entities. An ELM can be employed to manage all or parts of a local authority lottery. This option enables Brent to partner with an established and experienced ELM who are in effect brought in to deliver the lottery.

- 3.11 All ELMs undertake responsibility for managing on-line lottery ticket sales and prize management. There are also three main options in the additional support that they can provide for local authority lotteries:

a) Local Authority Specific online platform

This option provides a Brent only online platform and includes pages and support for Good Causes. The council will need to apply for a Gambling licence, approve the Good Cause applications via the ELM management system, allocate the central fund income and support the lottery with agreed press, PR and marketing to ensure continued support.

b) Multiple local authority online platform

This option provides Brent and Brent's Good Causes with a shared online platform as part of a lottery which is run by a company established by another local authority and ELM. The council would not need a Gambling License and will approve the good cause applications via the ELM management system, allocate the funding to Good Causes and support the lottery with agreed press, PR and marketing to ensure continued support.

c) ELM Product Usage

This option provides Brent with a page within an ELM managed lottery product but no option for Good Causes. The council would need to apply for a Gambling Licence and be required to create and manage a website to be linked to the lottery product and take responsibility for all marketing. This option is recommended.

3.12 Conclusion

A comparison of three ELMs is detailed in Appendix 1 with screen shots shown in Appendix 2. Operating details of schemes have been reviewed and considered and it is recommended that Gatherwell Ltd. is appointed to run the Brent Community Lottery for the following reasons:

- (a) Gatherwell have run dedicated local authority online lotteries since November 2015 making them the most experienced in terms of local authority lotteries.
 - (b) Gatherwell currently run or are contracted to run local authority lotteries for 28 councils.
 - (c) Positive feedback was received from all launched local authority lotteries.
 - (d) All administration of the scheme including payments and prizes would be undertaken by Gatherwell requiring minimal administration by the council.
 - (e) Prizes are offered for matching 2 numbers as opposed to other providers who only provided prizes for matching 3 numbers.
 - (f) A Brent specific lottery online platform would be set up by Gatherwell whereas other providers did not offer this.
 - (g) A '*Brent Community Lottery*' transaction title would appear on all financial transactions whereas other providers do not offer this.
 - (h) The council set conditions for and approves the 'Good Causes' before they can create their own web page within the Brent Community Lottery platform.
 - (i) Payments to the council and Good Causes are on a monthly basis.
- The income received from the central fund is administered by the council whilst Good Causes would receive funding directly from the lottery provider.

3.13 Overview of the Lottery

The lottery as designed by Gatherwell, offers players the choice to support the central fund (managed by the council) or a specific good cause with each £1 ticket bought. Gatherwell seeks the commitment of the VCS to promote the lottery to their supporters whilst providing the opportunity to win up to £25,000. Community groups are each given their own page on the lottery online platform with bespoke marketing materials provided. There is no cost to groups. Groups apply to join online and once approved by council officers their page goes live

and they can start to promote and sell tickets. Proceeds apportionment for each ticket sold is set out in the table below:

	Player chooses <i>Specific Good Cause</i>		Player chooses <i>Central Fund</i>	
	% Allocation	£ Allocation per ticket	% Allocation	£ Allocation per ticket
Prizes	20	£0.20	20%	£0.20
Specific Good Cause	50	£0.50	-	-
Council Central Fund	10	£0.10	60	£0.60
ELM – Administration	17	£0.17	17	£0.17
ELM – VAT	3	£0.03	3	£0.03
Totals	100	£1.00	100	£1.00

3.14 How does it work?

- Tickets cost £1 per week
- All players must be aged 16 or over
- Players can buy multiple tickets for multiple causes
- Draws are conducted every Saturday at 8pm and results are posted online
- Players sign up via direct debit or payment card; payments are taken on a monthly plan or a 3, 6 or 12 month one off payment
- Winners are notified by email and receive the prize directly into nominated account or can donate the prize to a good cause
- Good Causes are paid their income on a monthly basis
- Good Causes and the council promote the lottery to their supporters
- The Central Fund is administrated by the council

3.15 Number Selection and Prize Structure is set out in the table below:

	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	

Costs

3.16 Gatherwell charge a one off set up fee which includes:

- Website design, hosting, maintenance and development.
- Payment gateway investments (dedicated Direct Debit and payment card accounts).
- Dedicated support telephone number, email & social media accounts.
- Marketing strategy support and generic design creation.
- Gambling License application support.
- Training for licence holders.

Councils are recommended to provide funds for launch marketing which could include: bolt on launch prizes, Good Cause launch event, PR & press events,

focused above the line marketing e.g. press, radio, refuse vehicle branding and social media campaign.

Lottery Income

- 3.17 There are a number of variables involved in predicting the income that the Brent Community Lottery will achieve but what is known is that councils and Good Causes who spend time on marketing and promoting the lottery achieve a good level of supporters who buy tickets.
- 3.18 Brent Council will receive 10% (10p) of every ticket sold for a specific good cause and 60% (60p) of every ticket sold for the central fund. Good Causes will receive 50% (50p) of every ticket sold for their specific cause.
- 3.19 Data collected by Gatherwell suggests that for local authority lotteries (that they manage) between 0.5% and 1% of the population buy tickets. Taking Brent's population as 325,000 the following table outlines the possible income from a Brent Community Lottery:

Brent population – 325,000						
% of population who buy tickets (per week)	Number of tickets per year	Total Ticket sales per year	Total income (60% of ticket sales)	10% to central fund	Split of income (50%)	
					% of Central Fund Ticket Sales	% Specific Good Causes Ticket Sales
0.5% = 1,625	1,625 x 52 weeks	£84,500	£50,700	£5,070	30% £13,689	70%£31,941
					50%£22,815	50% £22,815
1% = 3,250	3,250 x 52 weeks	£169,000	£101,400	£10,140	30% £27,378	70%£63,882
					50%£45,630	50%£45,630

- 3.20 Total income from a Brent Lottery can therefore be assumed to be between £50,000 and £100,000 per year. Whereas income generated by ELM is assumed to be between £14,500 and £29,000 per year. In order for Brent to have no financial outlay yearly ticket sales of £30,042 need to be achieved if 100% of tickets are bought for good causes with yearly ticket sales of only £18,000 needed to be achieved if 70% of tickets are bought for good causes.

Marketing

- 3.21 All councils with lotteries have highlighted that the key to a successful lottery is ongoing marketing. Gatherwell supports the Good Causes with all of the operational and administrative requirements in order to set up their individual lottery page and provide regular marketing support by a) generating bespoke marketing materials which they can print off, publish or amend to promote work b) get supporters and Good Causes to be proactive on social media, sharing and liking pages at key points. Brent will have two key marketing responsibilities a) promoting the lottery to drive tickets sales directly to the central fund and b)

promoting the lottery to Good Causes who will then join and drive participating and further promotion through their own page. A marketing budget has been

included in the budgets and a lottery marketing timetable will be developed with the Communications team with support from Gatherwell.

Delivery Timetable

3.22 Gatherwell recommend a 24-week turnaround to take into consideration the timescales of being granted a Gambling Licence (18 weeks). It is not recommended to launch in a shorter timescale as time is needed for Good Causes to sign up, web platform development, launch timetable and communication plans to be developed and a suitable launch date event promoted.

Local Lottery Good Cause Criteria

3.23 Your organisation must:

- Provide community activities or services within the London borough of Brent which support the ambitions and actions of the Borough Plan 2019-2023.
 - Have a formal constitution or set of rules.
 - Have a bank account requiring at least two unrelated signatories.
 - Operate with no undue restrictions on membership.
 - Have a detailed plan as to how the lottery will be promoted.
- And be either:
- A constituted group with a volunteer management committee, with a minimum of three unrelated members, that meets on a regular basis (at least three times a year)
 - A registered charity, with a board of trustees.
- Or:
- A registered Community Interest Company, and provide copies of your Community Interest Statement, details of the Asset Lock included in your Memorandum and Articles of Association, and a copy of your latest annual community interest report.

The council will not permit applications to join the lottery from:

- Groups promoting or lobbying for particular religious, political beliefs or campaigns.
- Organisations that do not work within the boundaries of the London Borough of Brent.
- Individuals.
- Organisations which aim to distribute a profit.
- Organisations with no established management committee/board of trustees (unless a CIC).

The council reserve the right to reject any application in line with the criteria above and to cease to licence any organisation with a minimum of seven days' notice for any reason. If fraudulent or illegal activity is suspected cessation would be immediate.

4.0 Financial Implications

- 4.1 The set up costs of the Brent Community Lottery will be £7,311. These one off costs would be funded from within the overall Strategy and Partnerships budget. From year 2 onwards it is expected that the running costs will all be met from ticket sales. A proportion of each ticket sold contributes towards the prize fund and the ELM has insurance to cover the jackpot prize to ensure the council is not at risk. On current estimates it is expected that The Brent Community Lottery could generate income to the council of approximately £50,000 per annum.
- 4.2 Local authority lotteries promoted under licence from the Gambling Commission must retain accounting records for a minimum of three years from the date of any lottery to which they relate and they must be available for inspection by the Commission on request. These records must contain, in respect of each lottery, details of the total proceeds of each lottery, the expenses of the lottery and the number of sold and unsold tickets. Where the cumulative proceeds of lotteries promoted by a local authority exceed £1m in a calendar year, the Gambling Commission must be sent a written confirmation from a qualifying auditor that the proceeds of these lotteries must be provided within ten months of the period to which the accounts relate.
- 4.3 A local authority that is licensed by the Gambling Commission to promote a lottery must submit a return for each lottery which shows the total proceeds and how they have been distributed between prizes and expenses and the amount applied directly to the purpose for which the local authority has power to incur expenditure. Guidance from the Gambling Commission sets out what the local authority's return must contain. A local authority's return to the Gambling Commission must be made within three months of the last date on which tickets in the lottery were on sale. When a return is submitted to the Commission, it must be verified by a Personal Management Holder.

Risk Management Implications

- 4.4 The biggest risk associated with setting up a local lottery is the perception that the council is promoting gambling. However, a community lottery is a well-recognised model operating in over 50 local authority areas and is more akin to a raffle than a lottery, the experience of other community lotteries being that it appeals more to those who want to donate rather than gamble as 60p in every pound goes to Good Causes. There are various actions however, that can be taken to mitigate against any unhealthy gambling behaviour:
- It will be marketed with the promotion of Good Causes as its focus - appealing more to people who are motivated to donate rather than gamble.
 - It is delivered remotely and requires people to go through the process of setting up an online account.
 - There is no instant gratification element.
 - The top prize is capped at £25,000 and there are no roll overs, so the prizes are not life changing amounts.
 - You can limit the number of tickets that people can buy (the average purchase from lotteries in existence is 1.8 tickets).

- We provide the ability for players to self-exclude, and have the ability to place blocks or caps on players.
- Because the lottery is run online any unhealthy patterns will be spotted.

As part of the Gambling Commission license application the council will need to produce a safeguarding policy to protect vulnerable people.

5.0 Legal Implications

- 5.1 It will be necessary for the council to make an application to the Gambling Commission and obtain a Local Authority Lottery Licence. Part 11 of the Gambling Act 2005 sets out the law regarding lotteries that are promoted by local authorities. The Operating Licence will be subject to conditions laid down by the Gambling Commission. The council must have regard to the Conditions and Codes of Practice which are published by the Commission. Some of the guidance provided by the Gambling Commission dated September 2014 is set out in this report.
- 5.2 The Gambling Act 2005 allows councils to employ an external lottery manager (ELM) to run all or part of their lottery. An ELM is defined in section 257 of the Gambling Act 2005 as a person or company who makes arrangements for a lottery on behalf of a local authority but is not a member, officer or employee of that authority. ELMs are required to be registered with the Gambling Commission. In practice, a local authority will be required by the Gambling Commission to have at least one personal management licence holder as a local authority will not be considered to be a small scale operator. Considerations include that if the officers move employment a new licence must be applied for within 5 days. Officers will need to meet the criteria and give personal details for checks to be carried out. The licence from the Gambling Commission may stipulate the minimum number of persons who should obtain a personal management licence.
- 5.3 The guidance from the Gambling Commission of September 2014 states that in deciding who should hold the personal management licence on behalf of the local authority, it should identify the relevant senior individual who can take overall management responsibility for the promotion and proper management of the lottery and for compliance with the regulatory regime as a whole. The guidance also states that a personal management licence holder must be someone in a senior management post who holds the relevant delegated authority from the licensing local authority. Officers recommend that the Head of Strategy & Partnerships and the Assistant Chief Executive are personal management licence holders for the purpose of promoting this new proposed lottery.
- 5.4 Officers are proposing to engage an external lottery manager (ELM) to run all of Brent's lottery. The appointment of an ELM will need to be formalised by entering into a public concession contract. Officers estimate that the maximum value of this concession contract will be £145k for the five years plus a one-off set up fee of £3,000. Consequently, this contract will be outside the Concessions Contracts Regulations 2016 (EU Regulations) which sets a threshold for services concession contracts of £4,104,394 and also specifically excludes lottery services under Regulation 10(13). The proposed contract falls within the definition of a Low Value Contract in accordance with Standing Order 82. No formal tendering procedures apply to Low Value Contracts except that

at least three written quotes must be sought and the quotes sought shall be recorded (Standing Order 86(b)).

- 5.5 Officers in this report show a comparison of the three ELMs considered for this contract and are recommending to award the contract to Gatherwell Ltd. Whilst there has been a comparison of three ELMs, three written quotes have not formally been sought in accordance with Standing Order 86(b) and hence it is recommended to waive this requirement to enable a direct award to Gatherwell Ltd. The remaining legal implications, including guidance from the Gambling Commission of September 2014, are set out in the body of this report.

6.0 Equality Implications

- 6.1 Brent is committed to equality, diversity and inclusion; the council is determined to be an exemplar of good practice in equality, diversity and human rights and it is our policy to treat everyone fairly and with respect. We aim to ensure that all our current and future residents, staff and stakeholders are treated fairly and receive appropriate, accessible services, and fair and equal opportunities.
- 6.2 This commitment requires that equality considerations play a key role in our decision-making processes and that our policies are fully compliant with the duties placed on us as a public sector body by the Equality Act 2010. Equality Analyses (EAs) ensure that we follow through on our commitment to equality and they provide a method for clearly demonstrating the necessary legal compliance.
- 6.3 The Equality Act 2010 replaced the pre-existing anti-discrimination laws with a single Act. The legislation covers the exercise of public functions, employment and work, goods and services, premises, associations, transport and education. The act prohibits victimisation and harassment, and all of the following forms of discrimination: direct; indirect; by association; by perception; or discrimination arising from disability. The detail regarding the Public Sector Equality Duty pursuant to section 149 of the Equality Act 2010 is set out in paragraph 5.3 above.
- 6.4 The impact of the changes on people with protected characteristics will be monitored on a regular basis and where any unintended negative consequences are identified, the council will implement remedial actions. An equality analysis has been carried out and further analyses will be undertaken if the recommendations in this report are adopted.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 The Lead Member has been involved during the process.

8.0 Human Resources/Property Implications (if appropriate)

- 8.1 The strategy does not have human resources/property implications.

Report sign off:

PETER GADSDON
Assistant Chief Executive