

NORTH LINCOLNSHIRE COUNCIL

**COMMERCIAL ENTERPRISE CABINET MEMBER
AND
GOVERNANCE AND TRANSFORMATION CABINET MEMBER**

NORTH LINCOLNSHIRE COMMUNITY LOTTERY

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform the Cabinet Members of the opportunities associated with a community lottery for North Lincolnshire and to seek approval to undertake a soft market testing exercise of licensed External Lottery Managers to inform the development of a business case and subsequent procurement.
- 1.2 The key points in this report are:
- Local authorities may run 'local authority lotteries' to raise funds to cover anything for which they have the power to incur expenditure
 - A small number of local authorities have successfully set up a community lottery with c. 60% of income supporting local good causes
 - The administration of community lotteries is regulated and licensed by the Gambling Commission. A business case is required to fully understand the opportunities and associated regulatory and administrative implications
 - Initially a soft market testing is recommended to inform the development of the business case and subsequent procurement process

2. BACKGROUND INFORMATION

- 2.1 In October 2015 the Policy and Resources Cabinet Member approved a Commercial Strategy 2015-19.
- 2.2 The strategy set out our vision, aspirations and ambition for future income generation.
- 2.3 The changing landscape for local government demands innovation in service delivery in order for councils to achieve their financial plans and corporate strategy objectives.
- 2.4 Lotteries have long been a way for small organisations and charities to raise income. They are regulated by the Gambling Act 2005 and those running lotteries need to be licensed by the Gambling Commission. There are eight

different types of lottery recognised in the legislation, including a specific “local authority lottery”.

2.5 The main benefits of running a local lottery are:

- community organisations can raise money to support their initiatives
- provides an alternative mechanism for financially supporting the voluntary sector, cultural activities and other services that provide community value
- improved partnership working between the council and voluntary sector
- creates an opportunity that may cushion future impacts associated with reductions in council expenditure

2.6 There are four well known lotteries running in England and Wales – Euromillions, National Lottery, Health Lottery and Postcode Lottery, as explained below.

Provider	Odds of jackpot win	Odds of any prize win	% share to good causes	% to operator / owner
Euromillions	1:116m	1:13	27%	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%

2.7 A small number of local authorities have implemented local lotteries in England and they are proving to be beneficial. These include:

- Aylesbury Vale District Council
- Portsmouth City Council
- Melton Borough Council

2.8 The lotteries are normally operated through online purchases of £1 tickets or multiples of tickets with weekly prize draws.

2.9 Up to 80% of the gross proceeds of each lottery may be divided between prizes and expenses of the lottery. Further financial information is set out in section 5.

2.10 The council can appoint an External Lottery Manager (ELM) to manage the lottery on its behalf in accordance with the Gambling Act 2005 subject to obtaining the necessary consents from the Gambling Commission.

2.11 Initial research has shown that there are in excess of twenty licensed ELMs in the market place and it is proposed that a soft market testing exercise is

undertaken, followed immediately by the procurement of an external lottery manager and application for a lottery operator licence.

3. OPTIONS FOR CONSIDERATION

The following options are suggested for consideration at this stage:

- 3.1. Option 1 – Apply for a lottery operator licence and procure an External Lottery Manager following completion of the initial soft market testing exercise.
- 3.2 Option 2 – Do nothing

4. ANALYSIS OF OPTIONS

- 4.1 Option 1 – A North Lincolnshire Community Lottery has the potential to support the council and local good causes as detailed in the main body of the report.
- 4.2 Option 2 – Opportunities to realise income and support good causes through a lottery will not be achieved.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 In line with other local authority lotteries it is envisaged that an external lottery manager would be appointed to administer the scheme and ensure legal compliance as part of a fully managed service. However, it should be noted that the council would remain responsible for ensuring that the lottery was operated lawfully. Typically the lottery manager will levy a fee of c. 20% of ticket sales for this service. It is anticipated that there would be no set up costs incurred by the council.
- 5.2 Local authority lotteries must apply a minimum of 20% of the gross proceeds of each lottery for “any purpose for which it has power to incur expenditure”. Up to a maximum of 80% of the gross proceeds of each lottery may be divided between prizes and the expenses of the lottery. Other lottery providers typically split this with 60% going to local good causes and 20% towards prizes.
- 5.3 Initial research has indicated that the potential income realisable through a lottery is dependent on population and participation levels. The table below illustrates the financial benefit associated with a 1% and 3% take-up (population c.170,000)

	1% Take Up	3% Take Up
Annual Ticket Sales	£90,000	£270,000
External Lottery Manager (20%)	£18,000	£54,000
Prize Fund (20%)	£18,000	£54,000
Good Causes (60%)	£54,000	£162,000

- 5.4 The maximum value of tickets that can be sold in a single lottery is £4 million. The maximum aggregate value of lottery tickets that can be sold in any calendar year is £10 million.
- 5.5 The maximum prize in a single lottery is £25,000 or 10% of the proceeds (gross ticket sales), whichever is greater. Rollovers are permitted provided the maximum single prize limit is not breached.
- 5.6 Initial procurement advice has been obtained and the appointment of an External Lottery Manager would fall within the definition of a “Service Concession” contract, which is regulated under the Concession Contracts Regulations 2016. A formal competitive procurement process would therefore be required to appoint an ELM.

6. OUTCOME OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 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.
- 6.2 An initial analysis of impacts has identified a number of positive outcomes which include:
- Generation of additional income for local community causes
 - Greater engagement with the voluntary and community sector organisations in the area

7. OUTCOMES OF CONSULTATION & CONFLICTS OF INTEREST

- 7.1 Minimal consultation has been undertaken to date, however this will be developed at the next stages subject to Cabinet Member approval to proceed.

8. RECOMMENDATIONS

- 8.1 That a soft market testing exercise of external lottery managers is approved to inform the development of a business case and contract specification; and
- 8.2 That a procurement process and application for a local authority lottery operating licence are initiated immediately following the conclusion of the soft market testing exercise.

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Background Papers used in the preparation of this report:

Commercial Strategy 2015-19

Gambling Commission Guidance