

## **REPORT TO EXECUTIVE**

Date of Meeting: 29 November 2022

## **REPORT TO COUNCIL**

Date of Meeting: 13 December 2022

Report of: Director of Culture, Leisure and Tourism

Title: The Exeter Community Lottery

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Council

### **1. What is the report about?**

1.1 This report asks for approval for officers to establish a community lottery for Exeter. Proceeds would be distributed by the Exeter Grants Programme and provide support to the city's voluntary sector.

### **2. Recommendations:**

That Executive recommends and Council approves:-

2.1 The establishment of a local community lottery for Exeter;

2.2 The Director, in consultation with the Portfolio Holder (Communities), contract an 'External Lottery Manager' to deliver the scheme on the council's behalf;

2.3 That any proceeds be distributed with the existing Exeter Grants Programme; and

2.4 The Council join The Lotteries Council in order to deliver the lottery through best practice and access free membership services on legal and compliance issues.

### **3. Reasons for the recommendation:**

3.1 A community lottery for Exeter could offer a valuable, additional income stream to the Exeter Grants programme, offering further assistance to Exeter's community groups and organisations.

3.2 Since 2015, around 110 councils and CVS organisations in the UK have set up, or are in the process of setting up, local lotteries to support good causes in their areas. A local lottery for Exeter is predicted to add value to the existing Exeter Grants programme and further support and celebrate the voluntary sector in the city.

3.3 The proposal is for officers to engage an External Lottery Manager (ELM). There would then be a contractual arrangement with the appointed ELM for the management of the lottery on the council's behalf, including website management, administration of ticket

sales and payments, prize management, and marketing. ELMs are not primarily to be a vehicle for profit for commercial organisations, but the intention is that they enable councils and other societies to raise funds for their own corporate strategic priorities.

#### **4. What are the resource implications including non financial resources**

4.1 It is estimated that the start-up costs for an Exeter Community Lottery would be circa £10,000 but would not however require new additional resource from council. They include:

- External Lottery Manager set up fees (one off c. £5,000);
- Licence fees and affiliations £1,173 to Lotteries Council (annual); and
- Marketing and Communications direct costs for launch.

4.2 The set-up fee would be waived if the Council sign up for the community lottery and hold the first kick-off meeting with the Project manager before year end.

4.3 The licence fees and marketing launch would be addressed through existing marketing budgets.

4.4 Initial capacity would be required through the existing staffing resources within the Active & Healthy People Team and Communications Team to develop and launch the lottery

4.5 The ongoing costs of running the lottery would be met through ticket sales, and capacity within the existing Active & Healthy People and Communications Teams (c. 2-3 hours per week) to liaise with the External Lottery Manager. If the lottery failed to raise money for local good causes, it would close.

#### **5. Section 151 Officer comments:**

5.1 Although the report makes it clear that the resources required will be funded via existing resources there are some small financial implications for Council to consider. The marketing budget (around £4,000) may be a recurring cost. This will be taken from existing resources and therefore not available for other uses. The Officer capacity will be taken from the Neighbourhood Grants team. Approximately two-thirds of their salaries are covered from Neighbourhood CIL. If this report is approved the percentage funded by CIL will have to be reduced slightly to reflect this work, which cannot be funded from CIL. The approximate cost to the General Fund will be in the region of £2,000 per annum.

#### **6. What are the legal aspects?**

6.1 The Gambling Act 2005 creates eight categories of permitted lottery, one of which is a local authority lottery. Local authority lotteries are promoted by the relevant council and the net proceeds can be used for any purpose for which the authority has the power to incur expenditure.

6.2 Exeter Community Lottery would be run under an operating licence issued by the Gambling Commission and would need to comply with the specific licence conditions and relevant codes of practice.

6.3 As proposed in this report, we can appoint an ELM to manage the lottery on our behalf in accordance with Section 257 of the Gambling Act. The ELM will also need to obtain the necessary consent and operating licence from the Gambling Commission. However, Exeter City Council would remain responsible for ensuring that the lottery operates lawfully if an ELM is appointed. To this end, we will need to appoint a responsible officer(s) for the Gambling Commission's lottery licence and we are recommending that the Director be nominated for this purpose.

## **7. Monitoring Officer's comments:**

It is the Gambling Commission's view that it is the intention of the Gambling Act 2005 to allow local authorities to raise funds for any purpose for which they have power to incur expenditure. The procurement team have advised that the proposal raises no procurement issues for the Council. So on the face of it, there is no issue here of concern to the Monitoring Officer.

## **8. Report details:**

### **Introduction and Background**

8.1 Officers have worked with the Portfolio Holder for Communities to explore the opportunity for the Council to establish a community lottery. This report is the result of the work undertaken.

8.2 The Exeter Community Lottery would supplement and add value to the existing Exeter Grants Programme, which reaches far and wide across the voluntary sector in the city.

8.3 Local authorities have been able to set up community lotteries since legislation was passed in 2007. There are currently over 100 local authorities licensed to run lotteries by the Gambling Commission and regulated under the Gambling Act 2005. It works by enabling good causes to help themselves with the local authority facilitating this by holding the operating licence in an umbrella manner.

8.4 The Council already provides significant financial support to the Exeter voluntary and community sector through its Exeter Community Grants programme and other initiatives, supporting the delivery of the Council's corporate plan, particularly in respect of developing great neighbourhoods and improving community wellbeing.

8.5 A community lottery model has the potential to enhance and extend the Council's support, benefiting more local causes and residents. It extends the Council's support because a new income stream can be added to the existing grants programme and launching the lottery can extend and enhance the broad, diverse range of community organisations that benefit from Council's support. In addition, the community lottery model makes the Council the facilitator instead of the provider, with minimal capacity required.

### **Society lotteries**

8.6 Lotteries are a way for smaller organisations to raise income. They are regulated by the Gambling Act 2005. There are different types of lotteries available; this proposal falls within the category of 'society lotteries'.

8.7 Society lotteries are promoted for the benefit of a non-commercial society. A society is non-commercial and conducted for:

- Charitable purposes;
- The purpose of enabling participation in, or of supporting sport, athletics or a cultural activity; and
- Any other non-commercial purpose other than that of private gain.

8.8 There are two variants of society lotteries, the main difference being who issues the licence - local authorities permit small lotteries and the Gambling Commission permits large lotteries.

8.9 A large society lottery:

- Has proceeds that exceed £20,000 for a single draw; and
- Has aggregate proceeds from lotteries in excess of £250,000 in any one year.

8.10 A small society lottery:

- Does not have proceeds that exceed £20,000 for a single draw;
- Does not have aggregate proceeds from lotteries in excess of £250,000 in any one year.

8.11 The proposed Community Lottery is considered as a large society lottery. Large society lotteries have been set up by other local authorities including Aylesbury Vale, Portsmouth City Council, Melton Borough Council, Gloucester City Council, Dover District Council, Blaby District Council, South Hams and West Devon, Tunbridge Wells Borough Council, Tandridge Council and Hart District Council. A good local example to benchmark against is South Hams and West Devon, you can view their website and full approach here - [SeaMoor Lotto: Easy online fundraising for good causes - SeaMoor Lotto](#)

8.12 A local lottery such as the one proposed has a set of aims and unique selling point that would complement the aims and priorities of the existing Exeter Grants programme. This is because the scheme will focus on:

- Delivering the proceeds locally – A citywide lottery that delivers benefits only to local causes, unlike any other provider – supporters can be assured that the proceeds will stay in the city
- Maximising benefits to the community – To bolster support and to help in continuing the good work the Council already does, there is a significant benefit being delivered to the voluntary and community sector. The proposal in this report has 60% of proceeds being given to good causes. Supporters will be offered the option of choosing a particular local community organisation or group's cause
- Minimising costs – The appointment of an External Lottery Manager with a tried and tested digital platform enables the scheme to be largely self-financing.
- Delivering winners locally – Whilst anyone can play, it is likely that supporters will be locally based and hence it is easier to maximise the value from winners' stories and thereby encourage more participation.
- Facilitating a wider benefit – Whilst the lottery will help current funding of good causes, it will also enable local good causes to fundraise in partnership with the

Council and hence enables the Council to help good causes to help themselves. It will also enable access to lottery-type funding which may not have been accessed due to barriers such as licensing, administration or ability to support such an endeavour.

## **Proposal**

8.14 The proposed delivery method entails a partnership with an existing deliverer of lotteries in the market place (an External Lottery Manager – ELM). This in effect means ‘buying into’ an existing lottery manager’s products and as such the Council would be commissioning experts in the field to run the lottery. This ensures minimal risk to the council compared to trying to run a lottery directly as the ELM holds responsibility for the sale process, insurance of winnings etc. and is also licensed by the Gambling Commission to do this. The ELM is also able to act as a specialist advisor to the Council and provides necessary compliance training in the package.

8.15 The ELM will:

- Manage the prize fund and associated insurance;
- Build the website and provide marketing materials;
- Get local good causes to sign up to the lottery and get their own webpage;
- Ask good causes to encourage their supporters to buy tickets online;
- Enable people to buy tickets per week and choose the cause they want to support;
- Conduct the draw every Saturday night and notify the winners;
- Distribute the funds to the local good causes every month and provide regular detailed reports to the Council; and
- Comply with all licensing requirements including any reporting.

8.16 There is a one-off set up fee for the adoption of the platform (which would be waved), but thereafter the arrangement is financed at the point of ticket sale as the ELM takes a percentage of the ticket price. It is therefore not technically a procurement.

8.17 The Council will not handle any transactions other than receiving its share of the income on a monthly basis. The Council will have a contract agreement with the ELM.

8.18 The Council would not have to go to external procurement for delivering the lottery, as it is an award for a public service concession which falls under the concessions threshold, as advised by the Council procurement team.

## **Ticket Purchase & Prizes**

9.1 Tickets are purchased online only, through direct debit or payment card, and cost £1 each. This is carried out through a site administered and managed by the ELM (specific to Exeter). There are a number of models that could be explored regarding tickets and prizes, this is an indicative model below:

9.2 The proceeds of each ticket sale are split as follows:

- £0.60 goes to local good causes\*
- £0.20 covers prizes
- £0.17 to the ELM

- £0.03 VAT

(\*For comparative purposes, 28% of ticket sales from the National Lottery go to good causes, 27.5% from the Postcode Lottery, and 20% from the Health Lottery.)

9.3 Individual lottery players have two choices as to how the 60% for good causes generated by the purchase of their ticket is distributed:

- the whole 60% can go to a good cause nominated by the council;
- 50% of the ticket price can be given to a specified good cause registered with the lottery and selected by the player, with the remaining 10% being allocated to the council's nominated cause.

9.4 Officers would work with the portfolio holder to establish which

9.5 Players select a line made up of six numbers running from 0 to 9. Prizes will be awarded according to the number of matched numbers, as follows:

- 6 matched numbers - £25,000;
- 5 matched numbers - £1,000;
- 4 matched numbers - £250;
- 3 matched numbers - £25; and
- 2 matched numbers - 3 free tickets

(The odds of winning the jackpot are approximately 1,000,000 to 1 and the odds of winning any prize are 50 to 1.)

## **Practical Implications**

10.1 Advertising and marketing is carried out by a combination of the ELM, the Council, and the beneficiaries of the lottery who will be able to have a link directly on their webpage. The ELM will provide tailored marketing materials and ongoing support; it can all be customised as the Council wishes.

10.2 The council decides the criteria for good causes to be eligible to benefit from the lottery and determines applications from relevant voluntary and community organisations to register. The ELM oversees all aspects of the lottery.

- They provide a bespoke website, which works across all devices, and is secure and with an assured 99% uptime. This is regularly updated to maintain interest;
- Alongside this, there is a dedicated local telephone number and email address for support;
- Professional marketing materials are provided, which include artwork, magazine articles, etc, and social media campaign management;
- They manage payments and administer winner and 'good cause' payment administration, and winner communications. Winners may choose to donate their winnings back and this is also handled by the ELM with minimum effort; and
- They run a client deposit account ensuring all supporters' money is safe, and there is no risk to the council to cover prize winnings.

10.3 In terms of ethical considerations, community lotteries are classed as low risk by the Gambling Commission; they are considered a form of ‘incentivised giving’.

There are procedures in place to mitigate the risks of problem gambling, which include;

- Maximum of 20 tickets per supporter;
- No instant reward or gratification when purchasing;
- Direct debit and recurring payments (no cash); and
- Unable to buy single tickets, or tickets for a draw on the same day.

10.4 The Council would need to:

apply for a local authority lottery licence from the Gambling Commission, and nominate staff to oversee it;

- Define the eligibility criteria for the good causes, and assess applicants for these;
- Promote the central fund;
- Promote the lottery to good causes; and
- Authorise payments to the good causes (monthly) and authorise the Lottery Return form.

## **9. How does the decision contribute to the Council’s Corporate Plan?**

9.1 The decision to approve and establish an Exeter Community Lottery directly impacts key council corporate strategic priorities:

- Building Great neighbourhoods;
- Promoting active and healthy lifestyles; and
- Net Zero ambition.

9.2 The focus of the lottery would be to support local community organisations and groups to deliver projects, initiatives and events that directly impact on Council corporate priorities. The existing priorities as described through the Exeter grants programme are:

- Address Inequalities;
- Improve Health and Wellbeing;
- Get People Active;
- Support Communities Working Together to Address Local Needs;
- Encourage Volunteering;
- Improve Where We Live;
- Support community-based arts and cultural activities.

## **10. What risks are there and how can they be reduced?**

**Risk and Benefits analysis Risk**

**Benefits**

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<p><b>Financial</b></p>	<ul style="list-style-type: none"> <li>□ This is a potentially low-risk scheme, which requires low investment, to cover officer time and external implementation support, initial licence fees and annual licence fees. Running a lottery in partnership with an ELM, it is estimated that ongoing costs would not exceed £5,000 per annum.</li> <li>□ The contract with the ELM would include provision to terminate with 3 months' notice if tickets sales are not projected to be high enough to cover the Council's year 2 and onward costs.</li> <li>□ However, this risk would only be low if the lottery is run in partnership with an ELM; if it was to be run in house, the risks in terms of investment could be extremely high.</li> </ul>	<ul style="list-style-type: none"> <li>□ Staff costs would be reduced if the Council chooses to operate a lottery with an external lottery manager - ELM. This option would mean the Council would facilitate self-help for community groups wishing to fundraise. A percentage of the ticket price goes directly to good causes, similar to other lotteries that operate.</li> </ul>
<p><b>Reputational</b></p>	<ul style="list-style-type: none"> <li>□ There is the possibility of damage to the council's reputation, in the unlikely case that the lottery becomes connected to corruption or avoidable failure (i.e through poor marketing).</li> <li>□ The Council's reputation could also be damaged in the event that it launches the lottery and has to close it due to lack of interest. (However, the Council could still argue it tried to do something in difficult circumstances).</li> <li>□ There could also be a negative reaction from residents who may</li> </ul>	<ul style="list-style-type: none"> <li>□ The Council has a reputation as a dynamic council which leads the way. If the Council chooses to operate a lottery with an experienced ELM they will jointly promote it as a facilitation of community fundraising in a difficult economic climate, particularly in light of Covid-19.</li> <li>□ The key message communicated about a lottery would be that is empowering and enabling communities to help themselves.</li> </ul>



	<p>perceive the lottery to be a stealth tax, as they already pay their council tax.</p>	
<b>Political</b>	<p>□ Discretionary giving is something that has come to be part of what councils do and has come to be depended on by different pockets of the wider community. It not only creates a degree of prestige for the organisation but also individual members who support those causes and sit on decision panels. Some of this impact could be lost.</p>	<p>□ The proposed eligibility criteria for good causes means that a lottery would deliver the benefits for the local community.</p> <p>□ Giving to good causes brings prestige to members serving their communities. A lottery could enable similar prestige.</p>
<b>Commercial</b>	<p>□ Some critics may perceive this idea to encourage gambling, which, in extreme cases, could lead to addiction and is not something a council should be doing.</p> <p>With 185,000 charities in the UK, it could be a risk to set up another avenue of charitable giving. The Council could also be criticised for taking business from other charity lotteries. However, the proposed option gives local good causes a potentially more effective facility with which to fundraise, rather than labour-intensive raffles etc. and would be giving</p>	<p>□ There are already a number of charity and local authority run lotteries and this does not appear to be a problem. If the Council chooses to use an experienced ELM, they do not promote gambling in a hard-hitting way; the emphasis is on helping the community.</p> <p>□ For participants there is a much higher probability of winning the jackpot, compared to the national lottery.</p> <p>□ With the growth in technology, operating an online lottery would provide multiple opportunities to access potential supporters and for them to easily</p>

	opportunities to smaller groups.	participate (using a range of digital devices). □ A Community Lottery would give more to good causes than, say the national lottery. □ Camelot, the best known lottery provider, is seen as a successful commercial company. The lottery has the potential to have positive commercial associations.
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## 11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal potential impact has been identified on people with protected characteristics as determined by the Act and an Equalities Impact Assessment has been included in the background papers for Member's attention

## 12. Carbon Footprint (Environmental) Implications:

12.1 The Community Lottery will have the potential to deliver direct impact on our carbon reduction target (carbon neutral by 2030).

12.2 Specific good causes or projects could be prioritised that support local communities to deliver interventions that support the Council Net Zero by 2030 ambition. For example, training local community Net Zero Carbon Ambassadors.

### **13. Are there any other options?**

Council can choose to:

- (1) Do nothing;
- (2) Deliver in house; or
- (3) Deliver through external partner

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### **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:-

None

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