



## **North Devon Council**

Report Date: Monday, 4 September 2023

Topic: Formation of a Community Lottery for North Devon

Report by: Director of Resources and Deputy Chief Executive

### **1. INTRODUCTION**

- 1.1. Since 2015, around 140 councils have set up, or are in the process of setting up, local lotteries to support good causes in their areas. A local lottery for North Devon would offer a valuable new income stream for local voluntary and community organisations.
- 1.2. Budget pressures have increased over the next few years as we look to adjust for the impacts following the Covid-19 pandemic, continued reductions in core funding streams and identification of suggestions to meet the budget gaps in 2024/25 and thereafter. Depending on these solutions there may be an impact on future grant funding available to support local voluntary and community organisations.
- 1.3. Lotteries have long been a way of smaller organisations raising income, for which they are regulated under the Gambling Act 2005 (“the Act”). The Act creates eight categories of permitted lottery. The Act includes, as a permitted category of lottery, a “local authority lottery”. Local authority lotteries are lotteries promoted by the authority and require the authority to be licensed by the Gambling Commission. The net proceeds from a local authority lottery may be used for any purpose for which the authority has the power to incur expenditure.
- 1.4. Local Authority lotteries have to deliver a minimum of 20% of proceeds to purposes for which the authority has the power to incur expenditure – this report proposes to deliver up to 60% of the Lottery proceeds to good causes.

### **2. RECOMMENDATIONS**

- 2.1. That members;
  - 2.1.1.1. Agree to the establishment of the North Devon Community Lottery for the purpose of raising funds to support good causes, benefitting the residents of North Devon.
  - 2.1.1.2. Approve the appointment of Gatherwell as an External Lottery Manager to run the operational side of the lottery.
  - 2.1.1.3. Agree the criteria for which good causes should participate in the lottery as defined in section 4.10 to 4.12
  - 2.1.1.4. Authorise the Chief Finance Officer to apply for any necessary licences from the Gambling Commission to enable the Lottery to operate.

- 2.1.1.5. Nominate the Chief Executive and the Chief Finance Officer as the personal licence holders for the Lottery and authorise them to apply for the personal licence
- 2.1.1.6. Delegate the management and oversight of the Lottery and the authority to approve appropriate policies and procedures associated with the Lottery to the Chief Executive and Chief Finance Officer, in consultation with the Leader and Lead Member for Commercialisation and Resources.
- 2.1.1.7. Approve that the one-off set up costs of £7,200 as outlined in section 5.1 be funded from the Strategic Contingency Reserve.

### 3. REASONS FOR RECOMMENDATIONS

- 3.1. To gain agreement to the launch of an on-line North Devon Community Lottery (“the Lottery”) to help fund discretionary support for the local voluntary and community sector and to enable such organisations to raise funds which will directly benefit local people and communities.

### 4. REPORT

- 4.1. Budget pressures have increased over the next few years as we look to adjust for the impacts following the Covid-19 pandemic, continued reductions in core funding streams and identification of suggestions to meet the budget gaps in 2024/25 and thereafter. Depending on these solutions there may be an impact on the funding available to support local voluntary and community organisations (referred to in this report as ‘good causes’).
- 4.2. Lotteries have long been a way of smaller organisations raising income, for which they are regulated under the Gambling Act 2005 (“the Act”). The Act creates eight categories of permitted lottery. The Act includes, as a permitted category of lottery, a “local authority lottery”. Local authority lotteries are lotteries promoted by the authority and require the authority to be licensed by the Gambling Commission. The net proceeds from a local authority lottery may be used for any purpose for which the authority has the power to incur expenditure.
- 4.3. Local Authority lotteries have to deliver a minimum of 20% of proceeds to purposes for which the authority has the power to incur expenditure – this report proposes to deliver up to 60% of the Lottery proceeds to good causes.
- 4.4. There are three options for Members to consider:
  - 4.4.1. Option 1: Do not establish a lottery. The reasons not to proceed with establishing a community lottery, are essentially around financial risk and reputational risk. This report will seek to demonstrate that these risks are

minimal and significantly mitigated by the proposal presented to Members later in the report.

4.4.2. Option 2: Establish an in-house lottery. This option would require creating a number of new posts, systems and processes and whilst this has not been fully costed it is estimated that the cost to the Council would be in the region of £80,000 to £100,000 for set-up costs alone. This would include a lottery manager and the necessary development of software systems to enable the lottery to run. The financial risk, if the lottery were not successful, would be borne by the Council.

4.4.3. Option 3: Appoint an External Lottery Manager (ELM). This option would involve a contractual arrangement with an existing provider of community lotteries. This in effect means 'buying-in' the skills and expertise of an existing provider and passing the financial risk to the provider. The ELM would deliver all aspects of running the lottery, from ticket sales, revenue collection, prize management and licensing, and share with North Devon Council and the good causes, the responsibility for the launch and ongoing marketing.

4.5. Reflecting on the above options, it is proposed that rather than allocating officer time and significant cost to setting up and managing an in-house lottery, an External Lottery Manager (ELM) is used to oversee the operations of the local lottery. There will be some in-house resources required to liaise with the external provider to get the lottery up and running.

4.6. There are very few ELM's in the marketplace and, as indicated, Gatherwell are specialists in delivering local authority lotteries. It is therefore proposed to utilise Gatherwell as an ELM for the lottery, initially for a one-year, with an option to extend to a second year.

4.7. Gatherwell now provides this service for around 140 local authorities, including district, metropolitan, county and unitary councils, and their remit is to increase funding to good causes. No other quotes have been obtained from lottery providers as there does not appear to be any other company that can facilitate this type of local authority lottery.

4.8. One of our neighbouring local authorities, Teignbridge District Council, recently set up their community lottery and as part of their research considered these other ELM's:

4.8.1. Tower Lottery – only deals with Charities (mainly air ambulances);

4.8.2. Prize Provision – only runs sports club lotteries;

4.8.3. CFP Data – only provides an online raffle and printed lottery card service;

4.8.4. Brightsource – none or very little experience in working with local authorities;

- 4.8.5. Woods Group– none or very little experience in working with local authorities;
  - 4.8.6. Sterling Lotteries – do not primarily focus on local good causes, and require the local authority to undertake the administration of the scheme;
  - 4.8.7. Gatherwell - their model minimises officer time spent on the project and maximises funding available to local good causes. They also have an extensive record of working with local authorities and are specialists in delivering this type of lottery, and as such, understand local authorities' needs and requirements.
- 4.9. Gatherwell Ltd is the operator of all 140 established or planned local authority lotteries. It has a proven track record of working with councils to deliver low-cost lotteries and offers the flexibility to provide a scheme tailored to North Devon's requirements. As the only ELM with demonstrable knowledge, experience, and expertise, we are recommending Gatherwell Ltd as our preferred partner for establishing a North Devon Community Lottery.
- 4.10. The Council would need to define eligibility criteria against which applications for good causes wishing to join the lottery would be assessed. It is proposed that they must be either:
- 4.10.1. A registered charity, with a board of trustees;
  - 4.10.2. 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 per year) or;
  - 4.10.3. A registered Community Interest Company (CIC) or Charitable Incorporated organisation (CIO).
- 4.11. It is proposed that good causes wishing to join the lottery should:
- 4.11.1. Provide services or activities that directly benefit people within North Devon;
  - 4.11.2. Be independently established for charitable, benevolent or philanthropic purposes;
  - 4.11.3. Have a constitution or set of rules setting out its aims and objective;
  - 4.11.4. Operate a bank or building society account in its own name requiring at least two unrelated signatories;
  - 4.11.5. Place no undue restrictions on membership.
- 4.12. Furthermore, it is proposed that we should NOT accept applications from any organisations that:
- 4.12.1. Do not provide services within the boundaries of North Devon;
  - 4.12.2. Have no established management committee / board of trustees (unless a CIC/CIO);
  - 4.12.3. Aim to make and distribute a profit;
  - 4.12.4. Promote particular political or religious beliefs;
  - 4.12.5. Only benefit an individual;
  - 4.12.6. Submit an incomplete application.

- 4.13. Once the criteria have been agreed, Gatherwell would set up a new website and manage the publicity and recruitment of good causes to the platform. Experience of running 140 such lotteries suggests that there is no upper limit on the number of good causes and the most successful lotteries support the largest numbers of causes.
- 4.14. The local authorities will have significant input into the branding, marketing and launch of the lottery, even to the extent of naming the lottery, however ongoing marketing need only incur modest expenditure, with good causes largely doing this work themselves.
- 4.15. Ticket sales would all be administered by the ELM and participants would be expected to set up a monthly direct debit. No tickets are sold in shops, offices or on the street. The ELM would also be responsible for payment of prizes and distribution of proceeds to good causes and back to the Council. Each ticket costs £1 and the proceeds distributed as follows:
- 4.15.1. 50% directly to the good causes specified by individual lottery players;
- 4.15.2. 10% being paid to the 'central fund' held by the Council. This will be used to fund the annual licences and perhaps modest investment in publicity and marketing, but the major part of this will be available to fund schemes that directly benefit the public or voluntary/community groups;
- 4.15.3. 20% in prize money to participants;
- 4.15.4. 20% is paid to the ELM, however 3% represents VAT, which could then be reclaimed by Council and added to the central fund.
- 4.16. The percentage of the ticket sales going to good causes (60%) is significantly higher than those lotteries offering large jackpots – Euromillions and the National Lottery (28%), the Health Lottery (20%) and the Postcode Lottery (27.5%).
- 4.17. The Lottery is based on a different principle to the UK Lotto and the numbers used are the results of the Australian Super 66. This is a combination lottery that uses only the numbers 0 to 9 which are then randomly drawn by a computer. As the Super 66 is drawn weekly on a Saturday morning (UK time) the deadline for participating in the local lottery is 23:59 Friday. Players (aged 16 or over) are able to choose 6 numbers, and to win the weekly jackpot they must match both the numbers and sequence as drawn. Players can also win a prize if the ticket matches the sequence of the first or last 2, 3, 4, or 5 numbers drawn.
- 4.18. Players also have the option to donate their winnings to their chosen good cause if they so wish (other local authority experience has shown that circa 10% of winners have donated their prize back to the good cause).

4.19. The jackpot is an insured prize and is a guaranteed pay out of £25,000 per winner (even if multiple people win the jackpot it is not shared or rolled over). The ELM takes out insurance to cover all prizes and the risk of ticket sales not being sufficient to cover the prize pay-out lies with ELM. The table below details winning odds and their prizes.

Numbers matched	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
<b>Overall odds of winning a prize</b>	<b>1:50</b>	<b>n/a</b>

\* Note: The odds of winning the Health lottery jackpot is 1:2,000,000 and the Euromillions jackpot is 1:140,000,000

4.20. The process of setting up a local authority lottery normally takes about six months from the date of agreement to approval by the Gambling Commission.

4.21. The Lottery will require branding and it is proposed naming the lottery as North Devon Lottery for Communities (NDLC).

4.22. The Lottery would need to have a set of aims or unique selling point that resonates with local players. Officers believe that there is place for a lottery that is focused on:

4.22.1. Delivering the proceeds locally – Players could be confident that the proceeds would stay within North Devon, for the benefit of local good causes;

4.22.2. Maximising benefits to the community – This proposal would entail almost 60% of proceeds being given to local good causes;

4.22.3. Minimising costs – This proposal involves minimal set-up costs and the lottery would be self-financing, with no financial risk to the Council;

4.22.4. Positive PR – With a combination of local winners and support for local good causes, a community lottery would provide a constant stream of opportunities for positive PR;

4.22.5. Empowering good causes – As well as directly funding good causes, it will also raise their profile and enable them to raise more funding for themselves and create links to repeat donors;

4.22.6. Helping to shift resident's perceptions – Changing the public perception of the local authority from provider to enabler.



- 4.23. A particular facet of the Gatherwell lottery, that makes it such an efficient model, is that it operates entirely online. The lottery will be accessible via a computer, mobile phone or tablet. In order to comply with the Gambling Act the Council would need to hold a remote lottery operating licence to have this type of lottery.
- 4.24. The proposed approach would enable charities and good causes to 'sign up' to take part in the lottery, with 50% of the revenue from ticket sales going directly to the good cause selected by the purchaser. By signing up they would have their own web page for the lottery, helping them in to recruit players and raise income. This model removes a number of hurdles for groups who might struggle to take part in their own lotteries (e.g. holding their own licence and setting up infrastructure to enable the lottery to run). This 50% is distributed to the specific good causes that sign up to the scheme, and the use of the remaining 10% will be used to fund the annual licences and perhaps modest investment in publicity and marketing, but the major part of this will be available to target more resources at the voluntary sector.
- 4.25. The Council would be the overall licence holder and control the good causes joining the scheme. Players buying tickets through specific web pages would know that the proceeds are for that specific good cause. This in turn motivates the group to gain more players to support their specific cause.
- 4.26. Lotteries 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 Lottery will help mitigate against many of the issues related to addictive gambling by:
- 4.26.1. Being only payable via pre-arranged sign up (not 'spur of the moment') and non-cash methods, as players have to pay in advance direct debit;
- 4.26.2. Maximum of 20 tickets per supporter;
- 4.26.3. There is no 'instant gratification' or 'instant reward' to take part, due to the midnight deadline whilst the results are released the following day;
- 4.26.4. Promotion of the lottery will be mainly via the good causes to their supporters;
- 4.26.5. The lottery will be fully compliant with the Gambling Commission's licensing code of practice, which includes self-exclusion and links with support organisations
- 4.27. Gatherwell recommend that each council becomes a member of the Lotteries Council, which provides a range of services for its members, including acting as independent arbitrator for lottery providers should a dispute arise, free access to advice from specialists, and representation with regulators and legislators. The Lotteries Council will also make a contribution to the Responsible Gambling Trust on behalf of each of its members.
- 4.28. The minimum age for participation in a local authority lottery is 16 years. A person commits an offence if they invite or allow a child (someone

under 16) to enter such a lottery. The Council will ensure that appropriate written policies are in place to help prevent and deal with cases of under-age play. Gatherwell, when acting as ELM, require players to declare their age as 16 or over and undertake back office and random checks to verify dates of birth and ensure no under-age players. As part of the licensing objectives the Council are required to ensure that children and other vulnerable people are not harmed or exploited by the lottery.

- 4.29. The Council, as licence holder will take all reasonable steps to ensure that information about how to gamble responsibly and how to access information for help in respect of problem gambling is readily available.
- 4.30. Due to these factors it is reasonable to believe that the North Devon Community Lottery as proposed, will not significantly increase problem gambling, and that the benefits to good causes in the District from the proceeds of the lottery outweigh the possible negative issues.
- 4.31. In order to comply with the licensing requirements under the Act it is proposed that the authority to apply for any operating licences on behalf of the Council be delegated to the Chief Executive and Chief Finance Officer.
- 4.32. It is proposed that the Chief Executive and Chief Finance Officer be nominated as the Personal Management Licence holders for the Lottery and be given authority to apply for such a licence.
- 4.33. The lottery is primarily a fundraising platform for local good causes, is properly regulated, and it supports the licensing objectives set out in the Act which are:
- 4.33.1. Preventing gambling from being a source of crime or disorder, being associated with crime or disorder, or being used to support crime;
  - 4.33.2. Ensuring that gambling is conducted in a fair and open way;
  - 4.33.3. Protecting children and other vulnerable people from being harmed or exploited by gambling.
- 4.34. Lotteries are regulated under the Gambling Act 2005. The Act creates eight categories of permitted lottery, including a “local authority lottery”. Local authority lotteries are lotteries promoted by the authority and require the authority to be licensed by the Gambling Commission. The net proceeds from a local authority lottery may be used for any purpose for which the authority has the power to incur expenditure.
- 4.35. Local authority lotteries can be run in-house or in partnership with an External Lottery Manager (ELM). An ELM is defined in section 257 of the Act as someone that is a person or a body who makes arrangements for a lottery on behalf of a society or local authority, but is not a member, officer or employee of the society or authority. All ELMs must hold a lottery manager’s operating licence before they can manage a lottery on behalf of a local authority. This is in addition to the operating licence held by the local authority. It is important to note that whilst ELMs may run a lottery on behalf of the local authority, it is the responsibility of the local authority to ensure that the lottery is conducted in such a way as to ensure that it is lawful, and



fully complies with the Act, all licence conditions and licensing codes of practice.

4.36. In addition to operating licences from the Gambling Commission, a local authority is required to have at least one Personal Management Licence (PML) holder for the authority, even if the lottery is run by an ELM and it is recommended good practice to have 2 licence holders in event of staff absence. The ELM will have their own PML holders. It is proposed this is the Chief Executive and Chief Finance Officer.

4.37. The ELM (ie Gatherwell Ltd) 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.
- They run a client deposit account ensuring all supporters' money is safe, and there is no risk to the council to cover prize winnings.

4.38. There are of course risks associated with establishing a new North Devon Community Lottery, such as:

(a) the voluntary and community sector choosing not to engage with the initiative; and

(b) the lottery not performing as well as expected and not producing the anticipated levels of income; and

(c) the prize awards exceeding those predicted.

These risks do not appear to have been realised in other council-operated lotteries and we consider that they are outweighed by the potential to generate new funding for local voluntary and community organisations. The worst-case scenario is that the initial start-up costs are effectively written off.

4.39. The top prizes are insured by the ELM (External Lottery Manager) and is funded from the prize fund, which itself is funded by the ELM's share of the ticket sales. The Council is not exposed to prize fund risk due to the contract it will hold with the ELM.

## 5. RESOURCE IMPLICATIONS

5.1. The estimated cost of setting up the lottery is around £7,200 as follows and it is proposed that these costs be met from the Strategic Contingency Reserve.

5.1.1. Gatherwell set up fee of £5,000 (One-off), which will include website design, hosting, maintenance and development; payment gateways (dedicated direct debit and payment card accounts); dedicated support telephone number, email and social media accounts; marketing strategy support and generic design creation; gambling licence application support and training for licence holders;

5.1.2. Licence fees and affiliations of £1,173 (Gambling Commission licence and Lotteries Council membership) – ongoing cost.

5.1.3. Launch event – costs of circa £1,000 (One-off) but will be kept as low as possible.

5.2. Once launched, the ongoing costs would be met from the ‘central fund’ retained by the Council:

5.2.1. Gatherwell will not charge an annual fee, as its costs will be covered by the 17p (plus VAT) service charge from each £1 ticket. The full set of services outlined above will still be provided;

5.2.2. Gambling Commission licence and Lotteries Council membership, which together currently cost £1,173;

5.2.3. Ongoing marketing of the lottery will mainly be the responsibility of individual good causes who will promote the lottery to their supporters and the general public in anticipation of raising income. The Council will provide additional support by placing promotional material and press releases in relevant publications and on-line. It is anticipated that this will be a minimal cost, both in terms of officer time and money.

5.3. From comparing against the other lotteries running, the pot of money for good causes is likely to be in the region of £23,000 – £46,000 + per annum after an initial period of awareness raising.

## Projections

North Devon  
Community Lottery Projections

£1 Ticket Price / 1 Ticket per week								
Ticket Price£	Number of players	% of Pop	Tickets bought per week	Number of weeks	Gross Return	Good Causes Total (60%)	Central Fund (10%)	Good Causes (50%)
1	245	0.25	1.8	52	£22,932	£13,759	£2,293	£11,466
1	490	0.5	1.8	52	£45,864	£27,518	£4,586	£22,932
1	980	1.0	1.8	52	£91,728	£55,037	£9,173	£45,864
1	1470	1.5	1.8	52	£137,592	£82,555	£13,759	£68,796
0	1960	2	1.8	52	£183,456	£110,074	£18,346	£91,728
1	2450	2.5	1.8	52	£229,320	£137,592	£22,932	£114,660

Year 1  
expectation  
between  
0.5% and  
1%

North Devon est 18+ population

98000

5.4. Given the estimated ticket sales above, the amount retained by Gatherwell from ticket sales could be between £9,173 and £18,346 per year including VAT. The initial contract would be for one year with a rolling three-month cancellation period.

5.5. The resources required for North Devon Council as set out above within the report 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
- Authorise payments to the good causes (monthly) and authorise the Lottery Return form

## 6. EQUALITIES ASSESSMENT

6.1. There are no consequences arising from the recommendation that adversely affects or interferes with individual's rights and freedoms as set out in the Equalities Act 2010.



## 7. ENVIRONMENTAL ASSESSMENT

7.1. There are no environmental implications with the process for the Lottery operation taking place on-line or by phone.

## 8. CORPORATE PRIORITIES

8.1. What impact, positive or negative, does the subject of this report have on:

8.1.1. The commercialisation agenda – national run lottery schemes generate between 20% and 30% of proceeds that go to good causes, the community lottery scheme within this report proposes to deliver up to 60% of the Lottery proceeds going to good causes within the local area. Continued budget pressures on the Local Authority moving forwards may impact upon the Councils ability to continue supporting local voluntary and community organisations; a local lottery for North Devon would offer a valuable new income stream for local voluntary and community organisations.

8.1.2. Improving customer focus – the community lottery scheme will benefit the area for our communities.

## 9. CONSTITUTIONAL CONTEXT

9.1. Part 3 Annexe 1 para 1(d)

9.2. Delegated power

## 10. STATEMENT OF CONFIDENTIALITY

This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

## 11. BACKGROUND PAPERS

The background papers are available for inspection and kept by the author of the report.

## 12. STATEMENT OF INTERNAL ADVICE

The author (below) confirms that advice has been taken from all appropriate Councillors and Officers:

Ken Miles – Chief Executive

Jon Triggs – Director of Resources and Deputy Chief Executive

