

| | |
|-------------------------------|---|
| Title of meeting: | Cabinet |
| Date of meeting: | 9 th June 2016 |
| Subject: | Portsmouth Lottery |
| Report by: | Louise Wilders, Director of Community & Communication |
| Wards affected: | All |
| Key decision: | No |
| Full Council decision: | No |

1. Purpose of report

The purpose of the report is to provide a recommendation to introduce a Portsmouth Lottery. To consider how Portsmouth will benefit from the introduction of a lottery and to suggest how this can best be achieved.

2. Recommendations

It is recommended that:

- 1. A city council run Portsmouth Lottery be introduced in 2016, called The Portsmouth Lottery.**
- 2. The purpose of the lottery is to raise funds for local charities, voluntary organisations and good causes in the city.**
- 3. That the city council works with Gatherwell, the external lottery management company (ELM) behind Aylesbury Vale District Council's lottery, in order to deliver a Portsmouth Lottery.**
- 4. The initial set up fee of £3,500 is sourced from Resources underspend to initiate the lottery.**
- 5. The ongoing £500 annual licence fee is assigned from ongoing lottery income streams.**
- 6. An annual £2,000 marketing budget be allocated to the lottery (from ticket receipts) to ensure ongoing lotto awareness and promotion to drive ticket sales and to promote the lottery amongst good causes.**
- 7. That two council officers - the Director of Community & Communications and the Corporate Marketing & Business Development Manager are nominated to be the licenced personal holders.**
- 8. The city council hosts a launch event to promote the lottery - to include press, PR, Flagship and social media, as well as provide additional first draw prizes (iPad, theatre tickets etc.).**
- 9. Delegated authority is given to the Deputy Leader and the Resources Portfolio Holder to agree a policy and process for the allocation of the good causes central pot in conjunction with relevant officers.**

3. Background

- 3.1 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).
- 3.2 Society lotteries are promoted for the benefit of a non-commercial society. A society is non-commercial if it is established and conducted:
- For charitable purposes
 - For the purpose of enabling participation in, or of supporting, sport, athletics or a cultural activity
 - For any other non-commercial purpose other than that of private gain
- 3.3 Lotteries must return a minimum of 20% of the proceeds to the purpose of the society or local authority. If PCC chooses to go with Gatherwell ELM, 60% of the ticket sales collected will be returned to the good causes.

4.0 Competition / Market Place

- 4.1 Apart from the three well-known national lotteries running in England and Wales – the National Lottery, Health Lottery and the Postcode Lottery, there are also a number of Portsmouth local lotteries in existence:
- Pompey Lottery - (PFC youth support)
 - Rowans Lottery
 - Headway Portsmouth - Brain Injury Association
 - Portsmouth Cricket Club lottery
 - Fight for Life lottery - Hants & IOW Air Ambulance

Depending on their fundraising activity and level of financial commitment, many of these competitors could be persuaded to join the Portsmouth Lotto as a good cause. This would minimise competition, reduce or negate their overheads of managing a lottery and could even increase the revenue raised for their charity / organisation.

5. Options for Delivery

- 5.1 With the exception of Aylesbury Vale District Council, no other local authority has established a lottery. Southampton City Council recently announced its intention to create 'SoLotto' a lottery for the SO postcode area, working with the Isle of Wight lottery (which is run by the Hampshire & IOW Opportunity Society Ltd.) Meetings have taken place between Portsmouth City Council and alternative lottery providers. These are:

- Gatherwell (the ELM for Aylesbury)
- IOW lottery (not an ELM, but a society lottery)
- Verbal conversation only with Hampshire Credit Union

Operating details of all schemes have been reviewed and considered when making these recommendations.

- 5.2 In order for PCC to run a lottery there are four management options.
- (1) deliver in house
 - (2) through an External Lottery Manager (ELM) or

- (3) through an small society lottery provider
- (4) through a society lottery holder

- **Option 1 - In-house**

In order to operate a lottery in-house it would be necessary to create dedicated licensed, lottery posts. We would also need a dedicated IT system and infallible systems to run it. Whilst we have not, at this stage costed this approach it would involve a whole new software system and a licensed manager to run the lottery. Aylesbury Vale - who provided this information, costed this to be between £80 - £100K. We would need to build an appropriate website and have full responsibility for marketing and managing the lottery.

- **Option 2 - External Lottery Manager (ELM)**

This option enables PCC to partner with an established and experienced provider in this field. An ELM has the responsibility of all day to day operations of the lottery - the city council's role would be minimal but would retain full control, oversight and governance. Our role would be to allocate the funding to good causes, and support the lotto with periodic press, PR and marketing to ensure continued support.

- **Option 3 - Through an 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.

- **Option 4 - A society lottery provider**

The Hampshire & IOW Opportunity Society Ltd. Run and operate the IOW lottery, as a society lottery. Their primary objective is to create funding for start-up business and awarding small grants to SMEs. They have also been asked to manage the SoLotto on behalf of Southampton City Council, on the same basis. Like an ELM they can provide advice, daily management and operational benefits. The % given back to good causes is lower than Gatherwell's and PCC will be required to create their own website and a good proportion of marketing collateral. There are further considerations with this provider and these are noted below.

5.3 Delivery timetable

- If PCC partners with an ELM (Gatherwell) it is anticipated that the Portsmouth Lottery could be live within 12 weeks. This largely relies on the licences being granted by the Gambling commission and a suitable launch date event (celebrity, VIP support is paramount to increase awareness and this may affect suitability of dates).
- If PCC chooses an alternative provider, such as the IOW lottery company to manage our Lottery, there will be operational differences and costs. Where Gatherwell have an insurance policy to ensure every lottery win is and can be paid for, the IOW lottery module needs a minimum of 5000 players to subscribe until it can start to operate. In Southampton's case the Hampshire & IOW Opportunity Society Ltd anticipate that this will take a minimum of six months to achieve. In terms of risk to the authority and reputational damage in the event that insufficient

cash funds have been generated it is noted that the Hampshire & IOW Opportunity Society Ltd has no insurance policy to protect the cash prizes.

- Hampshire Credit Union approached PCC after hearing the city council's announcement that it intended to operate a lottery. Hampshire Credit Union has subsequently withdrawn their interest in managing our lottery. Preferring to initiate their own amongst family, friends and members.

6. Benefits to good causes

- 6.1 Importantly, the purpose for introducing a local lottery is to provide much missed grants and cash funding to local good cause, charities and voluntary organisations. The maximum return on each ticket is therefore very important. The table below demonstrates the percentage return that would be available to give back to good causes.

| Where is each pound spent? | | | | | |
|----------------------------|-------------|--|-----------------|--|------------------------|
| IOW lottery | | | | | |
| % to Good Causes | % to Prizes | Lottery operator fees (inc. VAT) | Maximum prize £ | Comments | Set up costs |
| 40% | 30% | 30% (15% administration & 15% marketing) | £50,000 | No insurance policy exists to secure this prize money. This is a potential concern and risk. | £500 Licence fee |
| ELM - Gatherwell | | | | | |
| % to Good Causes | % to Prizes | Lottery operator fees (inc. VAT) | Maximum prize £ | Comments | Set up costs |
| 60% | 20% | 20% | £20,000 | Gatherwell will secure the prize money with an insurance policy. This means that the lottery can launch as soon as the licence is approved by the Gambling Commission. | £3500 inc. licence fee |

7. Specific good causes

- 7.1 We investigated, met and talked with three different types of lottery operating companies. Each operating differently and for different reasons:

1) Hampshire & IOW Opportunity Society Ltd operating the Isle of Wight Lottery is the first lottery in England to be developed specifically to create employment opportunities. The Lottery is promoted by The Hampshire and Isle of Wight Opportunity Society Limited, which is operated on a strictly "non-profit" basis. The percentage allocated for good causes is used to provide interest free loans to both start-up and expanding Island businesses, thereby enabling them to create new jobs. Since its inception, the IOW

Lottery has loaned to over 68 companies and created thousands of jobs. It is understood that SoLotto will follow this same operation and use funds to support start-ups and interest-free loans.

2) The Vale Lottery is a weekly lottery that directly supports good causes which benefit the Aylesbury Vale community. 60% of the ticket price and the money raised goes to good causes that benefit the local community.

When a player buys a ticket at £1 they can either choose for the 'good cause' element to go to a central pot - which is 60% of the value of the ticket' or they can specify a good cause that they want the money to go to (from a pick list on the website). Where purchasers specify the good cause, 50% goes to the good cause and 10% goes to the central pot.

The Gatherwell model offers a further incentive for good causes by enabling organisation to raise income for themselves through the website. The organisation sends their supporters to a bespoke Vale Lottery page (created by Gatherwell) and can collect 50% of all ticket sales made through this route. For the charity or community organisation there are no fees and no administration. All they need to do is promote the Vale Lottery to their supporters and community. By actively encouraging their members and family/friends to join and play, the lottery benefits from recommendations and a growing number of people playing the lotto regularly.

Gatherwell testimonial - As part of the research supporting these recommendations, we spoke at length to Aylesbury Vale District Council regarding their relationship with Gatherwell. Aylesbury could not be more pleased with the outcome of the lottery to date: (£53,000 raised for good causes via the central fund in the first three months. A further £17,500 raised for specific good causes over the same period). 115 good causes have signed up to support the lottery. Aylesbury stated that they cannot fault Gatherwell, their ethos or their management of the Vale Lottery. They called them intuitive and continually driven to improve and increase the outcomes of the lottery for the good of the local community.

8. Risk or failure

8.1 It is of course, based on the success of the Vale Lottery, anticipated that the Portsmouth Lottery will be as successful. However, should play of the lottery be suspended or fail entirely, Gatherwell's terms and conditions ensure that neither Gatherwell or PCC will be liable for any loss or failure. See Appendix 1 for details.

9. Equality impact assessment

9.1 A preliminary Equality Impact Assessment (EIA) is not required as no new services are being recommended and there will be no negative impact on the protected characteristic groups. There will continue to be work with the voluntary and community sector to achieve the aims set out within the report.

10. Legal implications

- 10.1 An Application is to be made to the Gambling Commission and appropriate authorities for a Lottery Operating Licence, and it is assumed a Remote Gambling Licence.
- 10.2 The Licence will be subject to conditions laid down by the Committee.
- 10.3 The Council must have regard to the Conditions and Codes of Practice which are published by the Commission.
- 10.4 The establishment and promotion of the lottery by the Council is an executive function. This function sits separate from the licencing authority which is undertaken by the Licencing Committee.

11. Director of Finance's comments

- 11.1 The use of an External Lottery Management company represents the most cost effective and efficient method for providing a Local Authority Lottery in Portsmouth. To produce and deliver a Lottery in-house would not be financially viable in the current economic climate. Alternative providers to an ELM would incur additional set up and operational costs, offer less prize money as well as providing a potential financial and reputation risk by providing a financial prize which is not underwritten or guaranteed from weekly ticket sales. The initial set up cost estimated at £3,500 plus the launch costs of an estimated £2,000 will be funded from the Resources portfolio reserve. Income generated from ticket sales will cover ongoing scheme costs and provide a new resource to support voluntary sector organisations.

.....
Signed by:
Director of Community & Communication

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

| Title of document | Location |
|---------------------------------|--|
| Terms & Conditions Vale Lottery | On request from Corporate Marketing and Business Development Manager |

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by Cabinet on

.....
Signed by: