

## Part A

**Report to:** Cabinet

**Date of meeting:** Monday, 16 January 2023

**Report author:** Strategic Initiatives Officer

**Title:** Local Lottery

### 1.0 Summary

- 1.1 In the current cost of living crisis, charities and community groups face additional struggles in order to access donations and funding. The council is faced with budget constraints and there is therefore a gap between the support needed and the support that the council can provide. The council is working to deliver upon the commitments in the Council Plan to bring together ambitious ways to help residents who might be struggling financially, to support improved health and well-being across the town, and to manage our budget in an effective way.
- 1.2 A lottery scheme can provide a low cost, potentially scalable funding stream to help meet this gap, whilst providing Watford's residents with an engaging, incentivised way to provide their support. A lottery raises funds for local community groups through ticket sales, with weekly draws offering cash prizes. Local lotteries operate on the principle of incentivised giving, raising money within the community in a time of increased need.
- 1.3 Local authorities may run a lottery themselves or appoint an External Lottery Manager (ELM) to run the lottery on their behalf. Both the local authority and the ELM require an operating licence from the Gambling Commission
- 1.4 At present there is no local lottery scheme in place for Watford as a whole. Neighbouring authorities Hertsmere and St Albans have launched similar initiatives and over 100 councils in the United Kingdom have a scheme in place.
- 1.5 Watford Borough Council have been approached by Gatherwell Ltd, who propose a centrally managed lottery, including website management, administration of ticket sales and payments, prize management and customer service. Platform access and marketing material would be provided to the council to promote the scheme and the council would have initial and ongoing responsibilities, as set out in this report. Gatherwell have launched over 100 similar schemes with local authorities in the United Kingdom and are the established market leader in the sector.

1.6 This report seeks a decision on whether to proceed with a local lottery scheme, with Gatherwell Ltd, and also seeks a decision regarding processes behind the lottery as set out in section 3.0.

## 2.0 Risks

### 2.1

| <b>Nature of risk</b>   | <b>Consequence</b>   | <b>Suggested Control Measures</b>   | <b>Response</b><br>(treat, tolerate, terminate or transfer) | <b>Risk Rating</b><br>(combination of severity and likelihood) |
|---|--|---|---|--|
| The scheme could be negatively perceived as a 'stealth tax' or replacement of funding streams     | Negative sentiment upon launch and low participation                       | Clear communication of the low cost and potential return of the scheme  | Treat   | 3x1 = 3  |
| It could be perceived as poor conduct to encourage participation during the cost of living crisis | Negative sentiment upon launch and low participation                       | Low ticket price and clear communication that funds stay local, benefiting local communities  | Treat   | 3x1 = 3  |
| The scheme could encourage gambling   | The scheme could exacerbate issues for those with gambling issues          | Limits built into the scheme (as set out in appendix 2) restricting ticket purchases and Gatherwell's proactive approach to those attempting to exceed limits                   | Treat   | 3x1 = 3  |
| The scheme is accessible via the internet only and phone line support                             | This could result in access being denied for those without internet access | ONS data in 2020 reported that 92% of the population had internet access. The internet can be accessed at public libraries, access could be granted at the town hall computers, | Treat   | 3x2 = 6  |

|  |   |   |          |         |
|--|---|---|----------|---------|
|  |   | and materials can be produced to educate on how to use the simple website. Phone line support allows individuals to set up their direct debit as an alternative to using the internet.  |          |         |
| The lottery may compete with other local charitable efforts      | Causing bad sentiment in the local voluntary sector                   | Work with the local community to encourage uptake of the scheme and work in partnership to support their fundraising efforts. Contact charitable organisations known to already have a lottery in place.  | Treat    | 2x2 = 4 |
| The lottery may be seen as inappropriate by certain faith groups | Causing some faith groups to be excluded from the funding opportunity | Tolerate – Excluding all faith groups could be perceived as discriminatory action. Leave open to decision at a group level  | Tolerate | 2x2=4   |
| The lottery could be misused by groups inappropriate for funding | Funding to be allocated outside of appropriate avenues                | Implement strict criteria for eligibility to take part, ensuring that only causes benefiting the borough can participate<br><br>State in governance documentation that any abuse or misuse of the funds would require any monies allocated to be repaid | Treat    | 2x2=4   |

### 3.0 Recommendations

- 3.1 That the council enters into a contract with Gatherwell Ltd, to deliver a local lottery scheme for Watford.

- 3.2 That an officer is allocated to manage the lottery and engagement with the voluntary sector to promote the scheme as a part of their full time role.
- 3.3 That a process is implemented to allocate funding from the local lottery's general fund. The recommendation is that a new approach is tested whereby a representative group of residents/community organisation representatives is established to review and support the decision making process, voting on options to allocate the funding. Appropriate governance should be implemented in order to monitor total monies raised on an ongoing basis. In addition to this, the council can ask funding beneficiaries to report back how the monies are spent, providing valuable insight into the tangible benefits of the scheme.
- 3.4 That a comprehensive engagement strategy is established for the lottery, to ensure both initial and ongoing momentum to sign up and engage community groups/charities to take part in the scheme and make it a successful, ongoing funding stream for their services.
- 3.5 That clear rules and eligibility criteria are established as part of the launch project, in order to mitigate risks around access to funding and problem gambling.

**Further information:**

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**Report approved by: Ishbel Morren, Executive Support Officer**

#### 4.0 Detailed proposal

4.1 Under Gatherwell's scheme, proceeds per ticket sale (£1 per ticket) would be allocated as follows:

- 60% to be distributed to local causes
- 20% to be awarded as cash prizes
- 20% used for administration, running costs of the scheme and VAT (3%, recoverable)

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.

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 general fund, to be distributed 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.

On the estimate of 0.5% of the local population purchasing tickets in year one, Gatherwell project that a scheme could potentially see a return of £35,110 for local causes. With low setup and ongoing costs, the scheme could deliver much needed funding in return for low expenditure, although resources would be required for launch and maintenance of the scheme. Launching a lottery with Gatherwell has a lead time of approximately 26 weeks, owing to the timeframe associated with licencing by the Gambling Commission.

Although there is no cost to participating local organisations, the success they achieve in generating ticket sales is entirely dependent on their efforts at promoting the lottery.

- 4.2 Investigations have not found competitors to the Gatherwell offering - there are companies providing lotteries on a national basis or providing schemes directly to independent charities, but not to local authorities.
- 4.3 The option to run a lottery in-house would require significant resource and budget, therefore it is recommended.
- 4.4 In order to launch the local lottery with Gatherwell, the council will need to enter into a contract. The costs for this are set out below.

| <b>Workstream</b>      | <b>Tasks</b>   | <b>Costs</b> |
|------------------------|--|--------------|
| Licencing              | Council officers would need to apply for and hold a licence with the Gambling Commission as administrators of the lottery  | £796 pa      |
|                        | Lotteries Council membership (required)  | £385 pa      |
| Policies and Processes | Quarterly forms (supported by Gatherwell) would need to be submitted to the Lotteries Council                              | N/A          |
|                        | A process and board would be established in order to distribute monies from the central fund and ensure ongoing governance | N/A          |
| Launch                 | Technical setup and production of materials by Gatherwell  | £5000 + VAT  |

|         |   |     |
|---------|---|-----|
|         | A campaign to excite and engage the voluntary sector, signing up local causes to participate in the lottery | TBC |
|         | A campaign to launch the lottery to ticket purchasers   | TBC |
| Ongoing | Regular marketing to ensure momentum for the lottery both in terms of local cause signups and ticket sales  | TBC |
|         | Administration of the policies, processes and governance listed above                                       | N/A |

4.5 The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme:

- Licencing – Two officers will be required to apply for and maintain a licence with the Gambling Commission
- Governance – A policy will need to be drawn up regarding the monies processed, and reporting to the Lotteries Council must take place on a quarterly basis.
- Resourcing – An officer will need to be available to manage the relationship with Gatherwell, signup process and approval of community groups applying to join the scheme, and ensure regular communication of the scheme to the public. This role sits in the community grants team at both Hertsmere and St Albans who have existing lottery schemes. A finance officer would also be required to support the signup process (validating that organisations are legitimate).
- Ongoing momentum – Without proactive, successful communication campaigns, the lottery will not become a strong funding stream

4.6 Gatherwell Ltd have offered to waive their one off set up fee (£5,000 + VAT) on the condition that the council's decision take place before the end of January (31/01/2023) and lottery launch takes place by 31/07/2023 with 50 good causes signed up.

## 5.0 **Implications**

### 5.1 **Financial**

5.1.1 The Shared Director of Finance comments that the costs will be met from within existing budgets.

### 5.2 **Legal Issues (Monitoring Officer)**

5.2.1 The Group Head of Democracy and Governance comments that lotteries are regulated by the Gambling Act 2005 and as stated in the report the council will be responsible for ensuring the provisions of the 2005 Act are complied with in the operation of the lottery and use of any funds raised.

### 5.3 **Equalities, Human Rights and Data Protection**

5.3.1 As this is a new service, an equalities impact analysis has been undertaken. The analysis is attached as Appendix 1 to this report. The main conclusions of that analysis are that the overall positive impacts of a local lottery outweigh the negative impacts, with the lottery bringing significant benefits both to the voluntary and community sector and directly to residents across the borough. This is on the basis that the negative impacts which have been identified, are addressed with the recommendations and measures set out in the EIA, ensuring that the council enters into this with full transparency and a responsible process in place to protect people in the groups or with the characteristics protected in the Equalities Act 2010.

5.3.2 Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

### 5.4 **Staffing**

5.4.1 A member of staff will be appointed to help administer the lottery and who will be required to be registered with the Gambling Commission.

### 5.5 **Accommodation**

5.5.1 There are no accommodation implications as a result of this report.

### 5.6 **Community Safety/Crime and Disorder**

5.6.1 According to the Gambling Commission, lotteries are a form of gambling and as such societies and local authorities are required to ensure that children and other vulnerable people are not exploited by their lottery. The council must, therefore, consider the risk whereby the lottery might cause or exacerbate problem gambling

for players. The recommendation to help mitigate this risk is to address it with the following measures:

1. The lottery will (and must) be registered with the Gambling Commission and, the council as operator must ensure it complies with the provisions of the Gambling Act 2005 and be compliant with their regulations designed to address social responsibility. These include minimum age to participate, rules on advertising and a maximum prize amount.
2. The lottery will have limits and rules in place to ensure vulnerable people are protected, including restrictions on the number of tickets that can be purchased in a timeframe

## **5.7 Sustainability**

5.7.1 There are no sustainability implications as a result of this report

## **Appendices**

Appendix 1 – Equalities Impact Assessment

### **Background papers**

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

Strategic Outline Case – Local Lottery