



Report to: Income Generation Sub-Committee, 15th January 2019

Report of: Head of Finance

Subject: WORCESTER COMMUNITY LOTTERY

1. Recommendation

1.1 That the Sub-Committee notes the progress made in setting up the Worcester Community Lottery and:

- (1) agrees an approach for allocating the proposed Community Fund; and**
- (2) approves the criteria for selecting subscribing organisations.**

2. Background

2.1 At its meeting of 10 July 2018 the Committee approved the establishment of a Worcester City Lottery and delegated authority to the Corporate Director Finance and Resources in consultation with the Chair and Vice Chair of the Committee to appoint an External Lottery Manager.

3. Information

3.1 Gatherwell Ltd. has been appointed as the External Lottery Manager for the Worcester City Lottery. Gatherwell already operate the lotteries for all the other councils that have introduced them in England including Aylesbury Vale, Portsmouth City Council, Melton Borough Council and Gloucester City Council. There are now around 100 councils who have such lotteries established in this way or plan to do so.

3.2 The first lottery was set up by Aylesbury in 2015 and is selling circa 170,000 tickets per annum. Since its inception it has generated over £130,000 for good causes in the local area.

3.3 Worcester City Council has obtained the required permit from the Gambling Commission and in doing so has registered Shane Flynn, Corporate Director Finance and Resources, and Mark Baldwin, Head of Finance, as holders of a Personal Management Licence (PML) to operate a lottery. The lottery has been registered as the 'Worcester Community Lottery' and an official logo has been registered, which is shown at **Appendix A**.

3.4 The lottery will be delivered through a dedicated website that will be specific to Worcester Community Lottery and will be operated by Gatherwell Ltd. This is currently under construction and will feature images of the city centre to emphasise its local credentials.

- 3.5 A launch event will be held on 13 February 2019 to explain how the lottery will work and the potential benefits. Local organisations that could benefit from the lottery include clubs, societies and charities e.g. Scouts, Guides, sports clubs, drama groups, arts groups and charities supporting the vulnerable members of society. All such organisations already known to the Council will be invited. There will also be coverage in the local press to reach a wider audience.
- 3.6 As indicated in previous reports, there will be two options for lottery subscribers when purchasing tickets for the weekly draw: to nominate a beneficiary or to contribute to a Community Fund.

Nominated beneficiary

- 3.7 Each individual player can nominate which organisation should benefit from their subscription. The nominated organisation will then receive 50% of the monthly subscription with a further 10% being added to the Community Fund (see below). There is, therefore, an incentive for the subscribing organisations to recommend it to their members and they will, consequently, be the key drivers to increasing the lottery's revenue. Subscribing organisations will be invited to apply to participate in the lottery during February 2019. Ticket sales will start on 26 March 2019 and the first draw date will be 27 April 2019.
- 3.8 Subscribing organisations will need to meet specified criteria. The proposed criteria are set out in **Appendix B**. All applications will be reviewed by the Corporate Director Finance and Resources and Head of Finance.

Community Fund

- 3.9 Alternatively, players can nominate the proceeds to go to a general pool which is distributed to organisations in accordance with criteria, agreed by the Council.
- 3.10 There are alternative options for how this fund will be distributed. It is proposed that the fund is retained for each financial year and then distributed annually so that the value of the fund will remain relatively low. Using examples drawn from existing lottery providers, the following are proposed for consideration:

Option 1: the Community Fund is distributed to existing subscribing organisations on the basis of the number of tickets sold during the year.

Option 2: the fund is distributed to organisations that have applied for and received funds during the year from the Small Grants Fund.

Option 3: a call for applications is made each year and these are considered using the same criteria as applicants to the Small Grants Fund and awarded using the same mechanism.

Option 4: a mixture of options 1 to 3 with, for example, 50% being allocated to subscribing organisations and 50% being distributed through the Small Grants Fund.

Option 5: specific beneficiaries are considered, such as the Mayor's charity for the year or organisations supporting the delivery of a specific City Plan theme. In this case the Income Generation Committee would choose the beneficiaries.

3.11 The approval and allocation of corporate grants is currently the subject of a Task and Finish group that was appointed by the Communities Committee on 25 July 2018 and a separate approach is being considered for one-off grant applications that the Council receives from time to time. These exercises may present further options for distribution of the Community Fund which can be considered once the work is completed. In order to meet the timetable for the lottery launch, however, a distribution method for the Community Fund needs to be agreed at this stage.

4. Preferred Option

4.1 That the Worcester Community Lottery community fund is distributed annually using a pre-existing methodology and/or mechanism for determining the distribution to each approved beneficiary.

5. Alternative Options Considered

5.1 These are set out in the report.

6. Implications

6.1 Financial and Budgetary Implications

An annual licence fee payable to the Gambling Commission for £692 and the annual Lotteries Council membership for £350 will both be required. This will enable officers to keep up to date on changes in legislation and to keep abreast of any developments in lottery management. There will also need to be marketing expense of c£2,000 per annum. These costs have been allowed for in the 2019/20 budget.

As reported previously, there is also a one off set up fee of £3,000 payable to Gatherwell Ltd. and set-up costs of £269 for the licence and membership noted above. All of these will be funded from existing revenue budgets.

Until the level of funds being raised is known it is difficult to anticipate how much may be generated. The Community Fund will be administered by the Council and will complement existing grant funding. All funds generated by the lottery will be distributed according to the following formula:

- 60% to good causes
- 20% to the prize fund
- 16% to Gatherwell for administration and management
- 4% VAT

6.2 Legal and Governance Implications

The Council must appoint a licenced operator for the lottery and maintain the operation of the lottery in accordance with standards set by the Gambling Commission. The Corporate Director Finance and Resources and the Head of Finance have undertaken all required action to obtain the licences and completed all required training.

6.3 Risk Implications

There is some potential reputational risk in supporting a scheme which has a gambling element. This is mitigated to a degree by the approval processes that are required and the extent to which, by using an external provider, there is a more direct relationship between the lottery subscribers and the charities or schemes for which the funds are provided. The social benefits potentially outweigh the perceived risks.

6.4 Corporate/Policy Implications

Depending on which option is taken, the proposal supports aspects of the City Plan by making available resources to support local schemes and will contribute to a number of City Plan outcomes, according to the schemes to which the funds are allocated.

The methodology for distribution of the Community Fund will be developed in line with other grants awarding policies and mechanisms which are in place and which are being reviewed through the work of the Communities Committee Grants Task & Finish Group.

6.5 Equality Implications

There are no direct implications arising from the report. However the lottery could broaden access to prizes or awards to a larger section of the community. The criteria for distribution of the Community Fund can be developed to ensure that targeted groups are supported through the scheme.

6.6 Human Resources Implications

Some additional work will be required at an early stage but once the initial round of applications from subscribing organisations is completed the maintenance of the lottery should be routine. A significant amount of the operational activity is managed by the external lottery managers, Gatherwell.

6.7 Health and Safety Implications

There are no health and safety implications arising from the report.

6.8 Social, Environmental and Economic Implications

Establishing a Community Lottery presents an opportunity for the Council to provide support to a wide range of community organisations which might otherwise not have access to funds. The self-selecting aspect of the lottery means that the resource is open to all groups in the community that satisfy the criteria, although the Council is able to target the allocations from the Community Fund to preferred groups.

There have been some concerns relating to lotteries as gaming and gambling activities.

Society lotteries differ from gaming lotteries in that the primary objective is charitable giving. Prizes are in the form of inducement and are deliberately of relatively low value.

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 format. The lottery scheme will help mitigate against many of the issues related to addictive gambling by:

- being only playable via pre-arranged sign up
- there is no 'instant' gratification or 'instant reward' to taking part
- there will be no 'high profile' activity surrounding the draw although there is the opportunity to publicise winners and thereby encourage other participants as well as publicising the proceeds to approved schemes
- the Lottery website will contain a section providing links to gambling support organisations.

Due to these factors the existing local authority participants in lotteries consider that it does not increase problem gambling, and the benefits to good causes in the City from the proceeds of the lottery can provide substantial support for a wide range of community benefits.

Ward(s): All wards
Contact Officer: Mark Baldwin Tel: 01905 722007,
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Background Papers: None

Worcester Community Lottery and Community Fund logos



Proposed selection criteria for organisations applying to the City Lottery for funding

Our aim is to enable as many organisations as possible to join the good causes lottery under the Worcester City Lottery. As the participating organisations will be joining under our overall gambling licence (Gambling Act 2005) we have to ensure that organisations meet certain criteria.

In order to be eligible as a Good Cause, each applying organisation must:

- Be a non-profit- making organisation, such as
 - Charities
 - Clubs
 - Societies
 - Associations
 - Community interest companies
 - Social enterprises
 - Schools
- Provide community activities or services to the benefit of Worcester residents
- Have a formal constitution or set of rules and be able to provide this if requested
- Have at least three unrelated people on the governing body or management committee
- Have a UK-based bank or building society account in the name of the organisation that requires at least two people (who are unrelated and do not live in the same address) as signatories
- Be able to provide a set of accounts, or the latest accounts and/or financial plans if it is a new organisation, if requested
- Be open to all and allow anyone to join, unless there is a good reason why this is not appropriate
- Have a safeguarding children policy (where required)

We will not permit applications from:

- Trading or profit-making companies
- Organisations with no established management committee/board of trustees unless registered as Community Interest Company (CIC)
- Organisations and groups promoting religious or political activities
- Organisations that do not work within the boundaries of Worcester

We will expect organisations with a membership to be open to all and allow anyone to join, unless there is a good reason why this is not appropriate.

There is no application fee proposed for organisations to become a good cause for the purpose of joining Worcester Community Lottery.

The Council will reserve its rights to not accept or cease to license any organisation with a minimum of 7 days' notice for any reason. If fraudulent or illegal activity is suspected cessation will be immediate.

The Council will reserve the right to reject any application to be a good cause. If the Council rejects an application to be recognised as a good cause and the organisation wishes to have this decision reviewed, the owners can write to the Chair of the Income Generation Committee who will review the decision.