

Cheltenham Lottery Draft Business Plan



CHELTENHAM
BOROUGH COUNCIL

Contents

Introduction & Background	3
Strategic Context	3
Purpose and rationale of the Cheltenham Lottery	4
Customer Insight	4
Form of the Cheltenham Lottery	5
Method of Delivery	6
Player Population & Financial Management & Modelling	7
Financial management	7
Financial Forecast	8
Future developments and marketing	8
Problem Gambling	8

Introduction & Background

Strategic Context

The Cheltenham place vision sets out a vision where Cheltenham is a place where all our people and the communities they live in thrive.

Given the continuing financial pressure that this council and its voluntary and community sector partners are under, there continues to be a need to explore new ways of generating income to support the delivery of this vision.

Existing methods that the council uses to generate additional income include:

- Applying for government funding;
- Applying for funding from public sector partners such as the Police and Crime Commissioner / Gloucestershire County Council / Clinical Commissioning Group;
- Applying for lottery funding;
- Selling space at community events to catering providers.

However, these methods do not create long-term funding and instead create a risk that projects become dependent on short-term funding.

Many councils (estimated to be in the region of 48) have set up local lotteries as a means of bringing in additional income to support local good causes.

This council now wishes to establish a Cheltenham Lottery to create a longer-term sustainable source of funds that will support our people and communities to thrive.

This business plan formulates how the lottery will operate including financial forecasts.

Purpose and rationale of the Cheltenham Lottery

The idea of a local community lottery seeks to promote inward investment to these groups and causes, with funds raised by the community for the local community.

The Council is very committed to supporting local voluntary and community sector organisations. It provides £30k per annum that is allocated via its community pride grants. It provides a range of rent support grants and subsidies that are estimated to be worth £270k to local organisations. The council also provides recurring grants to smaller cultural organisations such as the Holst Museum, the Festival of Performing Arts and Cheltenham Arts Council which are worth collectively a further £35K per annum.

A local community lottery will enable good causes to access this new funding stream for themselves.

Any organisation that meets the eligibility criteria will be able to apply to be part of the Cheltenham Lottery.

Customer Insight

In developing the Cheltenham Lottery we have explored the delivery of other schemes including the Vale Lottery run by Aylesbury Vale District Council. Their experience has demonstrated considerable support with over 200 good causes signed up to the scheme including schemes which are operated by the local authority itself

In turn this has informed the USP (unique selling point) for the lottery as being:

- **Delivering the proceeds locally** – Cheltenham Lottery would deliver benefits only to local causes, unlike any other provider (the National Lottery).
- **Delivering winners locally** – whilst anyone could play, it is likely that players will be locally based and hence it will be easier to maximise PR value from winners' stories and encourage more participation.
- **Facilitating a wider benefit** – the lottery will support our corporate priorities and the targeted actions for Cheltenham Borough Council in circumstances where the Council is not able to do so.
- **Helping to improve residents' perceptions** – that Cheltenham Borough Council has an enabling role in support of good causes.

This business plan recognises that players will fall into one of two camps - those who are attracted by the possible prizes and those who are more altruistically motivated. This lottery proposal focuses on the latter of these groups, but has elements that still should appeal to the more prized focused player.

Form of the Cheltenham Lottery

In supporting the outcomes of the lottery the focus is on providing a lottery scheme that delivers a high level of funds to the good causes as they are key to ensuring ongoing ticket sales in the long term. It is proposed that an External Lottery Management (ELM) operator, Gatherwell Ltd, is appointed. Their proposed approach delivers the following benefits:

- Reduced overhead costs - maximising benefits to the good causes.
- Is simple and easy to understand for the player.
- Is simple and easy to adopt for the good causes.
- Promotes repeated but controlled repurchasing - hence providing a steady funding stream for good causes.
- Emphasises the good cause element of the lottery overall.

The form of the Cheltenham Lottery therefore is:

- £1 ticket per week with a weekly draw.
- Only playable online.
- Funded only via Direct Debit, rolling monthly card payment, or block ticket purchase with single payment for 1, 3, 6 or 12 months.
- 6 number self-selected ticket.
- Delivered via an ELM - Gatherwell Ltd.

The prize structure and odds for the draws are set out in the table below:

Prize Structure		
	Winning Odds	£ Prize
6 numbers	1,000,000:1	£25,000
5 numbers	55,556:1	£2,000
4 numbers	5,556:1	£250
3 numbers	556:1	£25
2 numbers	56:1	3 free tickets

Distribution of proceeds from each ticket sold is shown below:

Proceeds Apportionment		
	% Allocation	£ Allocation per ticket
Good Causes	60	£0.60
Prizes	20	£0.20
ELM	17	£0.17
VAT	3	£0.03
Totals	100	£1.00

Method of Delivery

Whilst Cheltenham Borough Council is a licensing authority in its own right and hence well aware of the restrictions and technical aspects of lottery management, it doesn't have experience of running lotteries directly. As such it is proposed that this scheme will be delivered through the use of an External Lottery Manager (ELM) Gatherwell Ltd.

The relationship between Cheltenham Borough Council and Gatherwell is summarised as:

Cheltenham Borough Council

- Will be responsible for all license related, overall structure, form and control of the Cheltenham Lottery (note the Gambling Commission are the licensing authority for lotteries).
- Will manage the selection of good causes that will be assessed against the proposed eligibility criteria.
- Will appoint two members of staff who will be personally licensed to manage the lottery.

Gatherwell Limited

- Will be responsible for all development and day to day running of the Cheltenham Lottery on behalf of Cheltenham Borough Council
- This will include player management, financial management (including player funds & prizes and good cause funds), website management and ticket sales.

Gatherwell is licenced by the gambling commission as an external lottery manager running numerous society lotteries in the UK (Licence Number 000-036893-R-317859-004).

In summary, Cheltenham Borough Council sets the strategic approach, and exercises control of the license, and Gatherwell fulfils the day to day delivery of this.

The relationship between Cheltenham Borough Council and Gatherwell is subject to a contract for the delivery of these services. The one off payment for the Gatherwell platform to be bespoke to Cheltenham Lottery is £5k, and all costs then going forward are recovered via the players.

Player Population & Financial Management & Modelling

There are an estimated 96,000 possible players in the Borough (i.e. over 16 and resident). Technically the player population is much wider than this as there is no restriction on player location, however for simplicity this population is assumed to represent the vast majority of players.

Whilst it is difficult to assess the actual take up rates of players for the lottery, this will in part reflect the desire to play, the types and spread of the good causes involved, and the marketing and support given to promote the lottery. The table below sets out a breakdown of possible player levels and the resulting financial split that these would produce.

Year	Ticket Price £	% of CBC Player Pop.	Number of Players	Tickets bought per week	Number of weeks	Gross Return	CBC share (10%)	Good Causes (50%)	Prizes (20%)	ELM (17%)	VAT (3%)
1	1	1.00%	965	1	52	50180	5018	25090	10036	8531	1505
2	1	1.50%	1448	1	52	75270	7527	37635	15054	12796	2258
3	1	2.00%	1930	1	52	100360	10036	50180	20072	17061	3011
4	1	2.50%	2413	1	52	125450	12545	62725	25090	21327	3764
5	1	3.00%	2895	1	52	150540	15054	75270	30108	25592	4516

Financial management

Gatherwell Limited will deliver all financial management elements of the Cheltenham Borough lottery.

All funds are held by Gatherwell in a separate client deposit account.

Payments are collected monthly for direct debit and rolling card payments, or upfront in the case of block purchase of tickets (1, 3, 6 or 12 months) only. All funds will be in a financially cleared form prior to any prize draw.

Prize winners are notified by the ELM via email immediately after a draw if they have won. If prizes are not claimed, weekly reminders are sent to players.

The jackpot prize of £25,000 is an insured prize with Emirat (underwritten by Lloyds Banking Group). This avoids the need to accumulate this level of funding in advance. For initial draws prior to the prize pot being built, insurance will also be in place to ensure that any prize payment can be made.

Good Cause funds are held in a separate client deposit account. The good cause donations are distributed to the causes on a monthly basis direct to their bank accounts.

Any disputes will be managed through the Independent Betting Adjudication Service (IBAS).
Membership of the Lotteries Council will automatically give access to this service.

Financial Forecast

The following 5 year forecast illustrates the allocation of income and expenditure for the Lottery. All costs and income are contained with the project.

%age take up of possible Cheltenham Player population	Year 1	Year 2	Year 3	Year 4	Year 5	
	965	1448	1930	2413	2895	
INCOME						
Start up costs (includes platform costs to Gatherwell and licences/LC membership)	£5,350	£0	£0	£0	£0	
Annual Cheltenham support	£0	£1,150.00	£1,450.00	£1,750.00	£2,050.00	Licence, lotteries Council membership and marketing
Ticket Sales	£50,180	£75,270	£100,360	£125,450	£150,540	
Sub total	£55,530	£76,420	£101,810	£127,200	£152,590	
EXPENDITURE						
Prize fund	£10,036	£15,054	£20,072	£25,090	£30,108	
Initial Licence application fees	£1,000	£0	£0	£0	£0	
Annual licence fees	£0	£500	£500	£500	£500	
Lotteries Council Membership	£350	£350	£350	£350	£350	
External Lottery Manager	£8,531	£12,796	£17,061	£21,326	£25,592	
Initial Lottery Platform costs	£3,000	£0	£0	£0	£0	
Launch marketing costs	£1,000	£0	£0	£0	£0	Annual Marketing covered by ELM funds.
Annual Cheltenham funding distribution costs	£0	£300	£600	£900	£1,200	
VAT	£1,505	£2,258	£3,011	£3,764	£4,516	
Sub total	£25,422	£31,258	£41,594	£51,930	£62,266	
Expenditure - distribution to good causes						
60% to good causes Lottery pot	£30,108	£45,162	£60,216	£75,270	£90,324	
Sub total	£30,108	£45,162	£60,216	£75,270	£90,324	
Income less all expenditure	£0	£0	£0	£0	£0	

Future developments and marketing

The lottery has been developed to be flexible in form in order to offer 'bolt on' activities to the main lottery to raise player and good cause interest.

An example of this may be the run up period to the first draw, when players signing up to the lottery may be also entered into an additional prize draw to win an item prize such e.g. an iPad. This is to assist with the overall launch and marketing of the lottery.

Other marketing activity may include:

- Including reference on email sign off attachments to all council emails.
- Advertising on the side of council vehicles.
- Social Media channels and potential social media advertising.
- General promotion of prize winners and good cause benefactors.

(in all of the above the regulations around age related marketing and advertising will be adhered to).

Problem Gambling

As part of the Council's approach to the lottery we are of course aware of the issues around problem gambling. As set out in the policies submitted to the gambling commission we take this issue seriously, and will be making a donation to support organisations. We do not believe that the form of the Cheltenham Lottery is particularly attractive to those with a gambling addiction as :

- It is being marketed always with the promotion of good causes as its focus.
- It is delivered remotely, non-cash based, and takes effort to subscribe to.
- There is no instant gratification element.
- We provide the ability for players to self-exclude, and have the ability to place blocks or caps on players.