

Cheltenham Borough Council
Cabinet – 5 March 2019
Setting up a Cheltenham Lottery

Accountable member	Cllr. Flo Clucas, Cabinet Member Healthy Lifestyles
Accountable officer	Paul Jones, Executive Director Finance and Assets
Ward(s) affected	All
Key/Significant Decision	No
Executive summary	<p>The Cheltenham place vision sets out a vision where Cheltenham is a place where all our people and the communities they live in thrive.</p> <p>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.</p> <p>Existing methods that the council uses to generate additional income include:</p> <ul style="list-style-type: none"> • 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 national lottery funding; • Selling space at community events to catering providers. <p>However, these methods do not create long-term funding and instead create a risk that projects become dependent on short-term funding.</p> <p>There are now over 60 Councils operating or in the process of setting up a local Community Lottery as a means of accessing a new funding stream to support local good causes.</p> <p>This council now wishes to establish a Cheltenham Lottery to create a longer-term sustainable source of funds that will support our people, good causes and communities to thrive.</p>
Recommendations	<p>That Cabinet:</p> <p>a) Agree to establish a Cheltenham Lottery to create a longer-term sustainable source of funds that will support our people and communities to thrive.</p> <p>b) Agrees that the Council submits an application to the Gambling Commission to be the licence holder and that the Executive Director Finance and Assets and the Strategy and Engagement Manager are appointed to be responsible for holding the licence and submit the necessary application to the Gambling Commission.</p>

	<p>c) Agrees to the proposed allocation of proceeds as set out in paras 3.2 to 3.5 and that the beneficiary of the central fund is the No Child Left Behind year of action until at such point that Cabinet agrees a replacement good cause.</p> <p>d) Agrees the proposed eligibility criteria as set out in appendix 2.</p> <p>e) Agrees that the lottery is managed by an external lottery manager.</p> <p>f) Agrees that Gatherwell Ltd is appointed as the external lottery manager. This to be for a period of 3 years from 1 April 2019 to 31 March 2022.</p> <p>g) Agrees to a waiver to expedite this contract a set out in para 4.9.</p> <p>h) Delegates responsibility to the Strategy and Engagement Manager, in consultation with the Cabinet Member Healthy Lifestyles to agree the supporting policy framework prior to the submission of the application to the Gambling Commission.</p>
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<p>Financial implications</p>	<p>The set-up of the lottery requires an initial investment of circa £1,000 licensing costs, £5,000 for the Gatherwell operating platform and some marketing costs. This will be found within existing budgets.</p> <p>Ongoing costs to run the lottery would be the cost of the licence renewal and some level of marketing and promotions; estimated up to £3,000 per annum.</p> <p>The business case estimates a net return to good causes of £90,324 per annum if taken up by 3% of the player population of the borough.</p> <p>The lottery will then deliver an income stream direct to the good causes or to the council for distribution with grants, relative to the number of ticket sales.</p> <p>Contact officer: Paul.Jones@cheltenham.gov.uk, 01242 264365</p>
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<p>Legal implications</p>	<p>The power to set up a lottery is within the general power of competence conferred by Section 1 of the Localism Act 2011.</p> <p>The Gambling Act 2005 (the 'Act') creates eight categories of permitted lottery, one of which is a local authority lottery.</p> <p>The Act requires the Council to apply for an operating licence and it must comply with specific licence conditions and relevant codes of practice which are published by the Gambling Commission.</p> <p>The Council can appoint an External Lottery Manager (ELM) to run all or part of its lottery under S257 of the Act. However the Council would be responsible for ensuring the lottery operates lawfully if an ELM is appointed, and this report recommends the Executive Director Finance and Assets and the Strategy and Engagement Manager be appointed as responsible officers/licence holders for this purpose.</p> <p>Gatherwell Limited is the operator of nearly 60 established or planned local authority lotteries, and is the preferred partner for the CBC lottery scheme. Given the specialist nature of this scheme and that there is no satisfactory alternative, a waiver to Contract Rules should be agreed by the budget holder in consultation with the Section 151 Officer and the Council's solicitor and documented accordingly.</p> <p>Contact officer: Peter Lewis Borough Solicitor One Legal peter.lewis@tewkesbury.gov.uk 01684 272067</p>
<p>HR implications (including learning and organisational development)</p>	<p>The two licence holders will be required to undertake a rigorous application to the Gambling Commission and will receive training from the ELM.</p> <p>Staff and Members would all be eligible to play the lottery. The only exclusions recommended would be the two licence holders.</p> <p>Contact officer Carmel Togher HR Business Partner Business Support Services carmel.togher@publicagroup.uk 01242 264391</p>
<p>Key risks</p>	<p>If the council is seen as promoting gambling this could impact on the reputation of the council</p> <p>If the lottery is seen as promoting unhealthy gambling behaviour then this may impact on the reputation of the council</p> <p>If the lottery is not as popular as predicted, then there will be lower than predicted sums of funding being made available to support good causes or to cover the annual costs of running the lottery.</p> <p>If an organisation gets accepted as beneficiary and then uses the funds fraudulently.</p>

Corporate and community plan Implications	Financial sustainability is a key issue in the Council's Corporate Plan. Whilst the development of a Community Lottery is not specified, this project clearly supports the themes of People and Communities thrive and Culture and Creativity thrive.
Environmental and climate change implications	The delivery of the Community Lottery is an online activity hosted by and External Licensed Management company. There will be no impact on the Council's operating environment.
Property/Asset Implications	The Delivery of the Community Lottery will not impact on Property and the Council will not be developing any physical assets. Contact officer: Dominic.Stead@cheltenham.gov.uk

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1. Background

- 1.1 The Cheltenham Place Vision sets out a vision where Cheltenham is a place where all our people and the communities they live in thrive.
- 1.2 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.
- 1.3 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 national lottery funding;
 - Selling space at community events to catering providers.
- 1.4 However, these methods do not create long-term funding and instead create a risk that projects become dependent on short-term funding.
- 1.5 There are now over 60 Councils operating or in the process of setting up a local Community Lottery as a means of accessing a new funding stream to support local good causes.
- 1.6 This council now wishes to establish a Cheltenham Lottery to create a longer-term sustainable source of funds that will support our people, good causes and communities to thrive.

2. About lotteries

- 2.1 Lotteries have long been a way for smaller organisations to raise income. They are regulated by the Gambling Act 2005. There are different types of lotteries available; the proposal for a Cheltenham Lottery falls within the category of 'society lotteries'. Society lotteries are promoted for the benefit of a non-commercial society.
- 2.2 There are two variants of society lotteries, the main difference being who issues the licence – local authorities permit small lotteries and the Gambling Commission permits large lotteries. As the proposed Cheltenham Lottery has a potential top prize of £25,000 it would be considered as a large society lottery and hence an application would have to be made to the Gambling Commission.
- 2.3 The Council would be the overall licence holder with two responsible officers named to administer it. The licence is renewable annually and the licence holders will be required to provide monthly returns to the commission.
- 2.4 Gatherwell provide Legal Compliance training for the licence holders and will continue to act as consultant experts under their contract with CBC.

3. The allocation of proceeds

- 3.1 Whatever the type of lottery, they have to deliver a minimum of 20% of proceeds to good causes. It is proposed that 60% of the proceeds of the Cheltenham Lottery are allocated to good causes. This will be on the following model:

- 3.2** Specific Good Causes – It is proposed that 50% of the proceeds are allocated to groups that ‘sign-up’ to take part in the lottery for their good cause. By signing up they would have their own web page for the lottery helping them in engaging players and raising income. This option removes a number of hurdles for groups who might struggle to take part in their own lotteries (eg holding own license and setting up infrastructure to enable the lottery to run).
- 3.3** As the Licenced Operator the Council would manage the good causes joining the scheme to ensure that they comply with the specific eligibility criteria set out in appendix 2. Players buying tickets through specific web pages would know that the profits are for that specific good cause. This in turn motivates the group to gain more players to support their specific cause. This option in effect operates as an ‘umbrella’ scheme within the main Cheltenham Lottery.
- 3.4** Central Fund – It is proposed that 10% of the proceeds are held by the Borough Council and are applied to a chosen good cause. It is proposed that this good cause is the No Child Left Behind year of action. A motion for the Council to support the year of action gained unanimous political support at full council on 10 December. The lottery funds would be used to directly support projects that will benefit local children and will therefore be charitable in purpose. The funding will not be used to support the statutory spending by the council, nor any of the council’s running costs associated with the year of action.
- 3.5** In addition, if a player chooses not to name a specific good cause, 60% (50% + 10%) of their proceeds would go by default to the No Child Left Behind year of action.

4. Options for the management of the lottery

- 4.1** The options for delivery of a lottery are either in house or through an External Lottery Manager (ELM).
- 4.2** In-house - This option would see the setting up of the necessary posts and systems to run a lottery in-house. This has not been fully costed, but it is considered somewhere in the region of a £80-100k for set-up costs alone. This would include a lottery manager and the necessary development of software systems to enable the lottery to run.
- 4.3** External Lottery Manager (ELM)- This option would see a partnership with an existing deliverer of lotteries in the market place. This in effect means ‘buying in’ the skills and expertise of an existing provider and sharing the risk with them to deliver the lottery. The ELM will deliver all aspects of running the lottery, from ticket payments, prize management and licensing, and share with CBC and the good causes the role of marketing.
- 4.4** Balancing the set up costs, unknown player numbers and the skills base needed to run a lottery effectively the preferred option is to use an ELM.
- 4.5** In addition, the lottery will only be available online. All sales for the lottery would operate via a dedicated website (specific good causes would have their own landing pages), and be funded via an online direct debit or payment card for tickets. This minimises the costs of distribution and sales associated with over the counter methods.
- 4.6** Gatherwell Ltd. developed the proposed model in partnership with Aylesbury Vale District Council. It is a purely online scheme and Gatherwell provide the digital platform as well as manage the overall scheme providing the council with expert support and running day to day contact with both players and good cause.
- 4.7** It is currently the only online only model to operate such that the players choose the causes to support with comprehensive methods of payment.
- 4.8** The Council will hold a contract with Gatherwell and there is a one off set up fee of £5,000 to customise the platform to the Cheltenham brand. Ongoing costs are taken from ticket sales which

includes for them insuring the jackpot prize fund.

- 4.9** There are other ELMs in the market-place, but Gatherwell are the only ELM to provide specialist support for local councils with the ability for players to choose from a range of different good causes. It is therefore recommended that a contract waiver is entered into in-line with contract rule 6.1 that states that a waiver is possible where the goods, materials, works or services are of a unique or specialised nature or are identical or similar to or compatible with an existing provision so as to render only one or two sources of supply appropriate.

5. Gambling Responsibility

- 5.1** 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 Cheltenham Lottery will help mitigate against many of the issues related to addictive gambling by:

- The lottery only being only playable via direct debit and by 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
- It is possible to put a maximum cap on the number of tickets that an individual can purchase

- 5.2** In addition, the Cheltenham Lottery website will contain a section providing links to gambling support organisations.

- 5.3** In this way the Cheltenham Lottery will not significantly increase problem gambling; and the benefits to good causes in the Borough from the proceeds of the lottery balances against possible negative issues.

- 5.4** A number of supporting policy statements have been drafted to be included with the submission to the Gambling Commission:

- Children and vulnerable persons
- Proceeds of crime
- Fair and open gambling
- Social responsibility

- 5.5** This report requests delegated authority for the Strategy and Engagement Manager, in consultation with the Cabinet Member Healthy Lifestyles to agree these policies prior to the submission of the application to the Gambling Commission.

6. Reasons for recommendations

- 6.1** To enable Cheltenham Borough Council to bring the associated benefits of lottery funding to support local community groups with their fundraising challenges. The benefits of this approach are:

- 6.2** Delivering proceeds locally - a Cheltenham Lottery would deliver benefits only to local good causes, unlike any other model, players can be assured that the proceeds will stay in the Borough and go directly to their chosen cause.

- 6.3** Maximising benefits to the community – Lotteries have to deliver a minimum of 20 per cent of proceeds to good causes. The proposed Cheltenham Lottery would make 60 per cent of proceeds

available to local good causes with none of the proceeds generated being taken by Cheltenham Borough Council.

- 6.4 Minimising costs – through the appointment of a recognised ELM there are minimal set-up costs, meaning the lottery is largely self-financing meaning the lottery is, based on the business case, self-financing.
- 6.5 Delivering winners locally – whilst anyone can play, it is likely that players will be locally-based and hence it will be easier to maximise the value from winners' stories and encourage more participation.
- 6.6 Facilitating a wider benefit – the lottery will not only deliver specific financial benefits for local good causes, but by promoting their merits, the lottery will also enable them to develop new relationships with potential donors.

7. Alternative options considered

- 7.1 In essence the options for delivery of a lottery are either in house or through an External Lottery Manager (ELM).
- 7.2 Balancing the set up costs, unknown player numbers and the skills base needed to run a lottery effectively the preferred option is to use an ELM.

8. Performance management –monitoring and review

- 8.1 The Lottery platform will provide the Council with a transparent operator dashboard from which live operator reports can be generated at the touch of a button. This can be shared with members on a regular basis to inform them of the number of groups, how long they have been signed up and how many tickets sales are associated in support of them.
- 8.2 The licence holders are required to submit monthly gambling returns to the Gambling Commission which are prepared by the ELM.

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Appendices	1. Risk Assessment 2. Proposed Eligibility Criteria
Background information	

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	Reputational – If the council is seen as promoting gambling this could impact on the reputation of the council	Paul Jones	14.2.19	2	3	6	accept	The community lottery is a well-recognised model operating in over 60 local authority areas. The experience of other community lotteries shows that it appeals more to those who want to donate rather than gamble as 60p goes to good causes.	Ongoing	Richard Gibson	
	Reputational – if the lottery is seen as promoting unhealthy gambling behaviour then this may impact on the reputation of the council	Paul Jones	14.2.19	2	3	6	accept	<ul style="list-style-type: none"> • It will be marketed with the promotion of good causes as its focus appealing more to people who are motivated to donate rather than gamble • It is delivered remotely and requires people to go through the process of setting up an account. • There is no instant gratification element. • The top prize is capped at £25k and there are no roll overs, so the prizes are not life changing amounts. • CBC can limit the number of tickets people can buy • There is the ability for players to self-exclude, and have the ability to place blocks or caps on players • Because the lottery is run online CBC will be able to spot any unhealthy patterns. • As part of the Gambling Commission license application we will also produced a safeguarding policy to protect vulnerable people. 	Ongoing	Richard Gibson	

	Financial - If the lottery is not as popular as predicted, then there will be lower than predicted sums of funding being made available to support good causes		14.2.19	2	3	6	reduce	CBC Comms will be active in promoting the Cheltenham Lottery. In addition as good causes will benefit from an increased profile, they can be encouraged to use their own promotional activities to raise awareness of the lottery	Ongoing	Richard Gibson	
	Legal risks – if an organisation gets accepted as beneficiary and then uses the funds fraudulently.	Paul Jones	14.2.19	3	3	9	reduce	CBC will carefully scrutinise each application that wishes to be a registered good cause.	Ongoing	Richard Gibson	

Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

Likelihood – how likely is it that the risk will occur on a scale of 1-6

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close

Appendix 2 - Guidance for good causes wishing to join the Cheltenham Lottery (eligibility criteria)

We want to enable appropriate organisations to join the Cheltenham Lottery as good causes. As you will be joining under our overall gambling license (Gambling Act 2005) we have to ensure that member organisations meet certain criteria. There is no application fee.

Your organisation must:

- Provide community activities or services within Cheltenham Borough
- Be able to demonstrate that its activities contribute to Cheltenham's place vision. The vision is that Cheltenham is a place:
 - Where all our people and the communities they live in thrive;
 - Where culture and creativity thrives, celebrated and enjoyed throughout the year;
 - Where businesses and their workforces thrive; and
 - Where everyone thrives.
- Have a formal constitution or set of rules.
- Have a bank account requiring at least 2 unrelated signatories.
- Operate with no undue restrictions on membership.
- Have a detailed plan as to how the lottery will be promoted.

And be either:

- A constituted group with a volunteer management committee, with a minimum of three unrelated members, that meets on a regular basis (at least 3 times per year).
- A registered charity, with a board of trustees.

Or:

- A registered Community Interest Company, and provide copies of your Community Interest Statement, details of the Asset Lock included in your Memorandum and Articles of Association, and a copy of your latest annual community interest report.

We will not permit applications to join the Lottery:

- from groups promoting or lobbying for particular religious or political beliefs or campaigns.
- from organisations that do not do work within the boundaries of Cheltenham Borough.
- from individuals.
- from organisations which aim to distribute a profit.
- from organisations with no established management committee/board of trustees (unless a CIC).
- that are incomplete.

The Council reserves the right to reject any application for any reason.

The Council reserves the right to 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.