

**Wards:** All

**Portfolio:** Transformation

**Report Author(s):** Portfolio Holder for Transformation

**Meeting Date:** 11/07/16

**SUBJECT: Shape Mendip Lottery**

Internal Use Only: Please complete sign off boxes below prior to submission to Democratic Services			
	Seen by:	Name	Date
<b>Report Sign off</b>	Legal	Alex Kershaw-Moore	05/07/16
	Finance	Paul Deal	04/07/16
	Procurement	N/A	N/A
	Deputy Chief Executive	Donna Nolan	04/07/16
	Portfolio Holder	Cllr Philip Ham	06/07/16
	Ward Member(s)	N/A	N/A
	<b>Summary:</b>	<p>To gain agreement to launch an online and fully automated Shape Mendip Lottery that will help fund discretionary support to voluntary and community (VCS) organisations active in Mendip and to enable such organisations to raise funds directly for themselves.</p> <p>The proposal is for the Council to be an enabler and use the services of an External Lottery Manager (ELM) to run the lottery.</p>	
<b>Recommendation:</b>	<p>Cabinet is asked to consider the following:</p> <ol style="list-style-type: none"> <li><b>1. To agree the proposal that an online Shape Mendip Lottery be launched as detailed in the attached business case. This includes a financial contribution and in-kind support, subject to this being funded from existing resources.</b></li> <li><b>2. That subject to due diligence, the Council uses an external lottery manager (ELM) to run and operate the lottery and shares the risk of running it with them.</b></li> </ol>		

	<p><b>3. To delegate the final arrangements of launching the lottery and appointing an ELM, including the completion of due diligence, to the Deputy Chief Executive and the Portfolio Holder for Transformation, in consultation with the 151 Officer, Leader and Chief Executive. The arrangements will include a marketing plan to local voluntary and community organisations.</b></p> <p><b>4. To agree that an annual review of the Shape Mendip Lottery is reported to Cabinet on the anniversary of its launch.</b></p>
<p><b>Direct and/or indirect impact on service delivery to our customers and communities:</b></p>	<p>A Shape Mendip Lottery has the potential to help all the VCS sector operating within Mendip by helping address funding pressures they may be facing. This could benefit all people and communities in the district.</p>
<p><b>Legal Implications:</b></p>	<p>All local authority lotteries must be licensed by the Gambling Commission. All External Lottery Manager (ELMs) must hold a lottery managers operating licence. Both are regulated by the Gambling Act 2005.</p> <p>The Council would have to apply to the Gambling Commission for a licence to run the proposed lottery and be the overall license holder. There would need to be a contractual arrangement with an ELM to run and operate the lottery, although the Council would retain obligations to the Gambling Commission.</p> <p>The set-up of such a lottery is a services concession under the procurement rules. However, the Concession Contract Regulations 2016 specifically excludes lottery services from being bound by those rules.</p>
<p><b>Financial Implications:</b></p>	<p>The Council is proactively exploring new income streams to help address the financial challenges it faces in the coming years following the government’s decision to reduce the level of grants to local authorities. In the medium-term, there will inevitably be an impact on the funding available for VCS organisations.</p>

	<p>This proposal would help fund discretionary support to the VCS and enable such organisations raise funds directly for themselves.</p> <p>All funds raised through the lottery would be spent within the district and benefit local people and communities.</p> <p>The Council would not take any of the proceeds for itself.</p> <p>Apart from licensing costs, the lottery would be self-funding.</p> <p>The estimated costs to the council would be:</p> <ul style="list-style-type: none"> <li>• £1,000 annually for licensing and administration costs</li> <li>• £3,000 for marketing in the first year only</li> </ul> <p>Inevitably, some officer time would be required to establish the lottery and ensure its administration. This can be managed within existing resources.</p> <p>The jackpot is an insured prize. It is a guaranteed payout of £20,000 per winner (even if multiple people win the jackpot it is not shared or rolled over). This arrangement protects the lottery from financial difficulty.</p> <p>The Council will conduct due financial diligence on the External Lottery Manager (ELM).</p>
<p><b>Value for Money:</b></p>	<p>Value for money would be significant for a small investment. Set-up costs are minimal and the lottery is largely self-financing.</p>
<p><b>Equalities Implications:</b></p>	<p>The aim is to enable as many VCS organisations as possible to join the lottery (provided they meet the selection criteria) and this has the potential to provide a wide range of benefits, both small and large in nature, to people and communities across Mendip.</p> <p>Anyone 16+ can take part in the lottery by becoming a player.</p>
<p><b>Risk Assessment and Adverse Impact on Corporate Actions:</b></p>	<p>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.</p> <p>The Council would 'buy-in' the skills and expertise from the ELM</p>

	<p>and would share the risk with them in delivering the lottery.</p> <p>Licence holders and operators must comply with legislation and are regulated by the Gambling Commission. To minimise risks such as underage gambling, weak financial management and potential fraud, the proposed Shape Mendip Lottery operate within the law and follow the Gambling Commission’s operational guidelines.</p>
<p><b>Scrutiny Recommendation (if any)</b></p>	<p>Given the committee cycle, a report will also be taken to Scrutiny later in July 2016. The Chair of Scrutiny has been consulted and agrees with this approach.</p>

## INTRODUCTION

Cabinet is asked to consider the proposal to run a Shape Mendip Lottery, as detailed in the attached report.

The purpose of the lottery is to help fund discretionary support for local voluntary and community (VCS) organisations and enable such organisations to raise funds directly for themselves. The Council would not take any of the proceeds for itself. All funds raised would be spent within the district and benefit local people and communities.

## BACKGROUND

By agreeing the proposal, the council would adopt a proactive approach and be one of the first councils in the country to run a lottery – to date, two other councils have launched a lottery. The proposal is to use a model similar to that launched by Aylesbury Vale District Council (AVDC) in November 2015 and further information on this model is set out in the business case.

The proposed model is for the Council to seek a licence from the Gambling Commission and to ‘buy-in’ the skills and expertise of an External Lottery Manager (ELM) to run and market a Shape Mendip Lottery.

## SUPPORTING INFORMATION AND OPTIONS CONSIDERED

The business case is included at Appendix A.

## **FINANCIAL AND RESOURCE IMPLICATIONS**

Historically, the Council has provided substantial financial support for the VCS within the district, helping to deliver a number of corporate aims. Grants were issued, but the Council has had to reduce these in number and size as a result of pressure on budgets.

The Council still needs to generate significant income or make savings to offset the cuts that are due through to 2020. This places further budget pressures across all aspects of the council's work. In the medium-term, there will inevitably be an impact on the funding available for VCS organisations and with this in mind, the council has been investigating ways to continue to support VCS organisations.

The concept of the Council running a lottery has been in consideration for a while with attention focussed on how it might be delivered and how it could work with existing funding arrangements. The attached business case addresses these issues and provides a proven model for implementing a Shape Mendip Lottery that would enable the Council to continue to support locally active VCS organisations into the future.

Apart from licensing costs, the lottery would be self-funding.

The estimated costs to the council would be £1,000 annually for licensing and administration costs and, in the first year, £3,000 for marketing. Inevitably, some officer time would be required to establish the lottery and ensure its administration. This can be managed within existing resources.

The jackpot is an insured prize for a guaranteed pay out of £20,000 per winner (even if multiple people win, the jackpot it is not shared or rolled over). This arrangement protects the lottery from financial difficulty.

In developing their lottery, AVDC's contract with Gatherwell Ltd included a 1% return from the ELM's management element of the ticket sales from other lotteries which are set-up in the same way across the country. Thus in adopting the AVDC's adopted model, AVDC would benefit, however this 1% is a return on their time for jointly promoting the lottery product and credits the efforts in making it work for a local authority.

## RECOMMENDATIONS

Cabinet is asked to consider the following:

1. **To agree the proposal that an online Shape Mendip Lottery be launched as detailed in the attached business case. This includes a financial contribution and in-kind support, subject to this being funded from existing resources.**
2. **That subject to due diligence, the Council uses an external lottery manager (ELM) to run and operate the lottery and shares the risk of running it with them.**
3. **To delegate the final arrangements of launching the lottery and appointing an ELM, including the completion of due diligence, to the Deputy Chief Executive and the Portfolio Holder for Transformation, in consultation with the 151 Officer, Leader and Chief Executive. The arrangements will include a marketing plan to local voluntary and community organisations.**
4. **To agree that an annual review of the Shape Mendip Lottery is reported to Cabinet on the anniversary of its launch.**

## REASONS FOR RECOMMENDATIONS

- i. To create a new income stream for VCS organisations that helps them address funding pressures and provide benefits to people and communities in Mendip and reduces budget pressures to the Council.
- ii. To enable voluntary and community groups to 'self help' by gaining access to their own lottery within the Shape Mendip Lottery umbrella scheme.

Contact Officer: Jane Sharp  
Extension: 657  
e-mail: [jane.sharp@mendip.gov.uk](mailto:jane.sharp@mendip.gov.uk)

Background Document: Attached Business Case to Cabinet dated July 2016.