
REPORT FOR: CABINET

Date of Meeting:	15 November 2018
Subject:	Community Lottery
Key Decision:	Yes (affects all wards)
Responsible Officer:	Alex Dewsnap Divisional Director Strategic Commissioning
Portfolio Holder:	Councillor Sue Anderson Portfolio Holder for Community Engagement and Accessibility
Exempt:	Yes Appendix 1 is exempt from publication under Paragraph 3 of Schedule 12A to the Local Government Act 1972 Act because it contains information relating to the financial and business affairs of Gatherwell Limited and the Council
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 - Harrow Lottery Business plan and Financial Model (exempt information) Appendix 2 - Equality Impact Assessment

Section 1 – Summary and Recommendations

This report sets out plans to introduce a Community Lottery in Harrow to raise funds to support local good causes in the Borough.

Recommendations:

Cabinet is requested to:

- Approve the establishment of a Community Lottery in line with the plans set out in the report
- Approve the award (under waiver) of a contract to Gatherwell Limited for a period of 5 years for a total forecast value of £174,112 to run the lottery
- Approve the criteria for registering organisations as beneficiaries
- Delegate authority to the Corporate Director of Resources and Commercial, following consultation with the Portfolio Holder for Community Engagement and Accessibility, to agree the policies and procedures necessary and/or desirable to fulfil the conditions for obtaining a licence from the Gambling Commission
- To nominate two senior managers – Alex Dewsnap Divisional Director of Strategic Commissioning and Rachel Gapp, Head of Policy - to hold the Gambling Commission licence on behalf of the local authority

Reason: To fulfil our commitment to work with the Voluntary and Community Sector to support it to access alternative sources of funding.

Section 2 – Report

1. Introductory paragraph

- 1.1. The Council no longer has a grants programme or any Adult Services Service Level Agreements (SLAs) to support local voluntary and community organisations. When the decision was taken to cut the programmes in January 2017 a commitment was made to work with the sector to explore other opportunities for maximising external income into the borough.
- 1.2. The Harrow Ambition Plan states that ‘we want to develop a new relationship with our voluntary and community sector, so they are able to continue supporting our most vulnerable residents.’ A review into what that new relationship would look like, led by Rocket Science in 2017, recommended that the Council and the voluntary and community sector (VCS) develop a more co-ordinated approach to attracting external investment into the borough. We have therefore been researching the option of introducing a local community lottery. Currently just over 50 local authorities in the country have launched a community lottery as a way of providing unfettered income to local groups many of whom are currently struggling with core costs as a result of the deletion of Council grants.
- 1.3. A Community Lottery would support the delivery of the following flagship actions in the Harrow Ambition Plan:
 - Support a sustainable voluntary sector to deliver services in the borough
 - Promote and support greater community action
 - Generate new sources of income to pay for vital services

2. Options considered

2.1. We looked at three options:

- 1) Set up a Community Lottery using an External Lottery Manager (ELM)
 - The lottery presents us with a way to continue that support the local VCS at a significantly lower direct cost to the Council by enabling good causes who have lost out on grants from the Council, to access this new funding stream for themselves. The running of a lottery is expected to be cost neutral as all operating costs should be covered by ticket sales.
- 2) Set up a Community Lottery and manage it directly. This would require additional staffing and setting up and running software systems. There are considerable advantages to running the lottery through a ELM including keeping costs to a minimum through benefitting from their

economies of scale and expertise and the fact that they provide insurance to ensure that prize money is paid out.

3) Do Nothing

2.2 Our preferred option is therefore option 1 for the reasons set out above.

3. Background

- 3.1. Over the course of the last 4 years the Council's relationship with the VCS has changed significantly as a result of a reduction in funding available. In January 2017 the decision was taken to stop the Council's Community Grants programme and Adult Services SLAs from 1st April 2017. This covered the small grants programme with a budget of £75k that allocated grants of up to £4,000 to small voluntary and community groups and the Outcomes Based Grants programme which had a budget of £180k and awarded grants of up to £25k and Adult SLAs worth £420k/yr.
- 3.2. In its place, the Council committed to continue to fund an infrastructure organisation to support the VCS with capacity building and bid writing support to enable access to alternative sources of funding; devolved the administration of a tapered Preventative Fund to the VCS with a grant pot of £91.6k in 2017/18 and £50k in 2018/19; and set up a Top-Up Fund with a £25k pot to match-fund local Crowdfunding projects that have already raised 25% of their target.
- 3.3. We also launched a review into the relationship between the Council and the sector which will result in a new shared vision for how the two partners will work together going forwards by identifying shared objectives and ambitions in respect of social action, community resources, premises, service delivery, leadership and governance.
- 3.4. In-keeping with our role to work with the sector and support it to access alternative sources of funding, Harrow Council and Voluntary Action Harrow have been exploring the concept of a Community Lottery. Over 50 local authorities now have introduced a local lottery as an alternative way of raising money for local good causes. We have visited Aylesbury Vale twice to learn from them how to set up and run a lottery and have drawn on their expertise and experience to help us set up the Harrow Lottery. The Aylesbury Vale lottery website – Vale Lottery can be found here: <https://www.valelottery.co.uk/>
- 3.5. We have also sought the views of a sample of local VCS organisations about their views and interest in a local lottery. In a recent survey of local VCS organisations carried out by Voluntary Action Harrow, only 2 organisations or 5% said they would not participate in a lottery because the proceeds came from gambling, 48% said yes and 47% said they would like to know more.

3.6. We have also had discussions with both the Portfolio Holder and shadow portfolio holder and held a briefing for all Councillors in September, all of whom were supportive.

4. Implications of the Recommendation

4.1. Tickets for the local lottery would be £1 each and would be purchased online via direct debits, rolling monthly card payments or block ticket purchases with a single payment for either 3, 6 or 12 months. The draw would be weekly. Of each £1 ticket:

- 60p goes to local good causes (50p goes directly to local good causes and 10p goes to the Council's Top-up fund for match-funding local community projects)
- 20p goes to the external lottery managers for management costs and VAT
- 20p goes to the prize fund

4.2. This compares to the National Lottery where 23% of the ticket price goes to good causes, 57% goes on prizes and 20% goes on administration, duty, administration and profit.

4.3. The Council wishes to partner with Gatherwell, an external lottery management company who would run the lottery on the Council's behalf. Gatherwell specialises in providing dedicated platforms specifically tailored to provide community lotteries for Local Authorities and currently operate all 51 similar lotteries operated by other public bodies in the UK. They would set up and run the lottery website, have insurance that underwrites the prizes and so the financial risk sits with them, handle payments to good causes, prize winners and ticket sales. Their fee comes from the ticket price as detailed above. The Lottery is all administered online making it simple to manage and keeping management and running costs down, enabling more money to go to local good causes.

4.4. Harrow Council retains responsibility for the overall structure, form and control of the local lottery and two senior managers from the Council will need to be nominated to hold the license on behalf of the Authority. It is suggested that Alex Dewsnap, Divisional Director of Strategic Commissioning and Rachel Gapp, Head of Policy, hold the license.

4.5. Local organisations would have to register on the website to become approved beneficiaries of the lottery. A Council officer would administer this vetting process using criteria set out below based on what we used previously for our small grants programme:

4.6. Local lottery Good Cause Criteria:

Your organisation must:

- Provide community activities or services within the London Borough of Harrow, which support the ambitions and targeted actions of the Corporate Plan.
- Have a formal constitution or set of rules.
- Have a bank account requiring at least two 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 three 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.

The Council will not permit applications to join the lottery from:

- Groups promoting or lobbying for particular religious or political beliefs or campaigns.
- Organisations that do not do work within the boundaries of the London Borough of Harrow.
- Individuals.
- Organisations which aim to distribute a profit.
- Organisations with no established management committee/board of trustees (unless a CIC).

or:

- Those that are incomplete.

4.7. The Council would reserve the right to reject any application in line with the criteria above and to cease to licence any organisation with a minimum of seven days notice for any reason. If fraudulent or illegal activity is suspected, cessation would be immediate.

4.8. Once they are approved, players of the lottery can nominate a specific local organisation from the list to receive the 50p donation, or if no cause is chosen (in about 35% of cases) the money will go into a central pot which would have its own criteria for how it would be allocated out to local beneficiary organisations. This could either be via the Council's existing matched crowdfunding scheme #CrowdfundHarrow or via the VCS administered fund, Harrow Giving. Players would also have the choice to donate their prize winnings back to the good causes. Experience from other local lotteries suggests about 10% of low level winners choose this option.

4.9. The lottery in Aylesbury Vale was launched in December 2015, and by September 2017 they were raising £120k/yr through the lottery from which £63k/yr has been allocated to local good causes. Currently

about 2% of the population (the population of Aylesbury Vale is 174,137) is playing the lottery and their business plan projects this increasing up to 5%. 40 good causes signed up to be part of the lottery before the first tickets were sold, at the last count they now have 180 good causes signed up.

- 4.10. The organisations that are part of the lottery have found they are benefiting from a small, but regular and unfettered income stream. For example, Aylesbury Vale Homestart is receiving about £800/yr from the lottery and the local cricket club is receiving £2500-3000/yr.
- 4.11. In Harrow there are c. 197,000 possible players (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.
- 4.12. 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 by the VCS and the Council to promote the lottery. There is an onus on the local good causes to continuously promote the lottery to their networks to ensure their supporters chose them as the beneficiary organisation in addition to the marketing and communications support from the Council. The business plan at Appendix 1 is based on 1% of the player population, approx. 1,970 people, buying one lottery ticket, once a week, with this rising in five years to 3% of the player population playing. All costs are covered by the costs of the tickets, apart from the marketing and communications support from the Council's Communications Team and the annual license fee and Lotteries Council membership. A £5k budget would need to be created to fund these - see finance section of this report.
- 4.13. The Harrow Lottery is predicated on delivery in April 2019 subject to a successful Gambling Commission licensing application. Registration of good causes is scheduled to start in November, with player 'on boarding' commencing a month ahead of the first draw.

Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? No

The biggest risk associated with this is the perception that the Council is promoting gambling. Two local authorities have rejected introducing a lottery on this basis. However a community lottery is a well-recognised model operating in over 50 local authority areas and is more akin to a raffle, than a lottery with the experience of other community lotteries being that it appeals more to those who want to donate rather than gamble as 60p goes to good causes. There are various actions however, that can be taken to mitigate against unhealthy gambling behaviour:

- 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.
- You can limit the number of tickets people can buy (the average purchase from lotteries in existence is 1.8 tickets.)
- We provide the ability for players to self-exclude, and have the ability to place blocks or caps on players
- Because the lottery is run online you would be able to spot any unhealthy patterns.
- As part of the Gambling Commission license application we have also produced a safeguarding policy to protect vulnerable people.

Procurement Implications

It is recommended that the Council enter into a contract with specialist community lottery operator Gatherwell Limited. This would be through a direct award under waiver granted under the Council's Contract Procedure Rules.

The term of the contract would be five years and a forecast total contract value for this term is £174,112 which is under the financial threshold for services requiring competitive tender under public procurement regulations.

The reasons for the recommendation to make a direct award is that Gatherwell Limited are a specialist in providing a dedicated platform specifically tailored to provide community lotteries for Local Authorities and currently operates all 51 similar lotteries operated by other public bodies in the UK.

Gatherwell Limited will be:

- Responsible for the development and day to day running of the local lottery - on behalf of Harrow Council
- This includes player management, financial management (including player funds, prizes and good cause funds), website management and ticket sales
- Covered by insurance that underwrites the prizes and so the financial risk sits with them.

Legal Implications

The power to set up a lottery is within the general power of competence conferred by section 1 of the Localism Act 2011. The Gambling Act 2005 requires the local authority to be licensed.

The contract with Gatherwell Limited will need to be completed and must ensure compliance by both the Council and Gatherwell Limited with data protection laws and therefore Legal Services should be instructed to approve the contract before it is signed. This assumes that Gatherwell have a template contract document that they have used for other local authority lottery management contracts.

Financial Implications

The set up costs are one-off and amount to £10,000.

- Support from Aylesbury Vale to draft the business plan and complete the license application - £3500
- External Lottery Manager setting up the tailored platform - £3000
- Gambling Commission license fee - £1000
- Marketing and Communications - £2500

Funding has been secured to cover these costs.

Ongoing costs:

- The costs of the External Lottery Management Company, prize fund, awards to good causes and VAT are all covered by the cost of the tickets.
- An annual license fee, marketing and communications budget will need to be created in order to raise awareness of the lottery and keep it in people's minds so that we have a good and steadily increasing base of players as per the business plan. It is proposed that we allocate £5k/yr from the Council's Top-up fund (currently £25k), to cover these costs (approx. £4k communications) and the annual license (£650) and membership fees (£350). The additional lottery income would then make up for the £5k loss in order to maintain 60p in every £1 going direct to good causes.
- Officer capacity: The Council's on-going role once the lottery is set up would be to manage the requests from local good causes to become beneficiaries of the lottery, process payments for the Council allocated money to good causes and complete the annual licence return. The website can produce downloadable real time reports for internal reporting. Experience from Aylesbury Vale suggests that this averages out at about half an hour a day. Officer resource to manage the lottery would come from existing resource within the Corporate Policy Team. The business plan enables the council to take a very small management fee from ticket sales to cover these costs should we chose to do so (approx. £300 rising to £1200 depending on the size of the lottery.)

Equalities implications / Public Sector Equality Duty

The equalities impact assessment at Appendix 2 highlights a potential minor negative impact on people with disabilities, race/ethnicity and religion.

We know there is a section of the population who would oppose gambling on religious or ethical grounds or who may find accessing an online lottery difficult due to disability or language issues. We will discuss mitigations with the External Lottery Manager and also take steps to promote other ways in which people can donate to local good causes.

The criteria for organisations signing up to be a good cause would replicate our small grants/Crowdfund Harrow criteria which stipulate that organisations that promote the adoption of a particular faith or religion are not eligible. Religious organisations therefore tend to set up a separate charitable arm in order to meet the criteria, access a wider range of funds and overcome the issue of the grant monies coming from gambling.

We are therefore satisfied that whilst there is a minor negative equalities impact it can be mitigated.

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

The introduction of a Community Lottery meets the Council's priority to be more Business friendly and business-like as the initiative is self-funding. It also supports the priority to support the most vulnerable as it will raise much needed funding to support local charities and good causes in the borough, supporting a thriving and sustainable voluntary and community sector able to support those most in need.

Section 3 - Statutory Officer Clearance

Name: ...Sharon Daniels...	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: ...10 th October 2018.....		
Name: ...Caroline Eccles...	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: ...11 th October 2018.....		

Section 3 - Procurement Officer Clearance

Name:Nimesh Metha..... Head of Procurement

Date: 10th October 2018.....

Ward Councillors notified:	YES, as it impacts on all Wards
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EqIA carried out:	YES
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EqIA cleared by:	Alex Dewsnap
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Section 4 - Contact Details and Background Papers

Contact: Rachel Gapp, Head of Policy, Tel: 0208 416 8774,
Rachel.Gapp@harrow.gov.uk

Background Papers: None

Call-In Waived by the Chair of Overview and Scrutiny Committee	NO – CALL IN APPLIES
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