

**Forward Plan reference number:** Not applicable

<b>Report title:</b> Proposed changes to the Essex Lottery	
<b>Report to:</b> Councillor David Finch – Leader of the Council	
<b>Report author:</b> Mike Gogarty, Director Wellbeing, Public Health and Communities	
<b>Date:</b> 6 <sup>th</sup> May 2019	<b>For:</b> Decision
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<b>County Divisions affected:</b> All Essex	

## 1. Purpose of Report

1.1 To report on the progress of the Essex Lottery and approve changes to aspects of its administration, these being:

- The distribution of the Essex Lottery central fund, the 'Essex Lottery Community Fund' to good causes
- Changes to the structure of the Prize Fund.
- Establish a budget for communications and marketing activity.

## 2. Recommendations

- 2.1 Agree to distribute the Essex Lottery Community Fund to good causes via the Community Initiatives Fund.
- 2.2 Agree to change the current prize structure to that shown in paragraph 4.5 with effect from 1 July 2019.
- 2.3 Agree to spend £15,000 on marketing the Essex Lottery during 2019/20 to be funded by £7,500 from the Innovation Reserve with an additional £7,500 being made available through communications and marketing revenue budget.

## 3. Summary of issue

- 3.1 The Essex Lottery was launched in November 2017 and to date has raised a total of £111,000 for good causes in Essex.
- 3.2 This is an achievement in raising money for the public good, but it is considered that the Essex Lottery has the potential to achieve more. Revenue raised to date is below original expectations.
- 3.3 Brand development, promotional and marketing activity was undertaken as part of the initial launch of the lottery. However, post launch this activity has not

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been sustained to maintain brand awareness, which has contributed to the reduced generation of revenue.

- 3.4 Feed-back from some of the good causes has been that the current prize fund structure is not as attractive to some players as it could be which also could be contributing towards the reduction in ticket sales and the generation of revenue.
- 3.5 Essex County Council has been working with Gatherwell, the operator of the Essex Lottery operator to develop proposals to help build upon the achievements so far, with key areas being identified to support this being marketing resources, promotion and initiatives to help drive tickets sales.
- 3.6 At the moment it costs £1 to buy a ticket. Ticket sales are done online. The revenue generated from ticket sales is currently distributed as follows:
- Prize Fund 20%
  - Good causes 60% (50% for the nominated good cause and 10% for the Essex Lottery Community Fund)
  - Administration fee 20%
- 3.7 Sixty percent of the total revenue generated from ticket sales goes to good causes. When buying a ticket, the player chooses a good cause from a list. Fifty percent of the ticket price is paid to that cause. The Essex Lottery Community Fund can be selected by the player as a good cause – and this is the default good cause. In addition, 10% of all ticket sales is donated to the Essex Lottery Community Fund.
- 3.8 The fact that 60% is being generated for good causes is seen as the unique selling proposition of the scheme and is over double compared to other lotteries on a national scale, and comparative to other Local Authorities schemes.
- 3.9 Any good cause meeting certain criteria such as a charity or community organisation in Essex can apply to be on the list of nominated good causes. This provides community organisations with free access to a lottery which can raise them funds and which they can promote to their members. Some organisations have embraced this.

### **Performance of the Lottery to Date**

- 3.10 The Essex Lottery Community Fund, has accumulated approximately £51,000 of undistributed funds and it is highly desirable to now distribute this funding effectively and efficiently. This sum is available for ECC to distribute to good causes via a politically proportionate panel. However, the panel has not set up and no bids have been invited.
- 3.11 The table below shows the original potential lottery year 1 performance against current annualised performance over the period Jan-March 2019. The third column is a proposed target which we believe is achievable.

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	Original Plan	Current figures	Proposed Target
Total Income	£560,040	£124,596	£170,000
Total Good Cause Revenue (60%)	£336,024	£74,973	£102,000
Central Fund Total*	£56,000	£29, 863	£40,614
Weekly ticket sales	10,770	2403	3268

\*customers can choose the Essex Lottery Community Fund as their good cause, hence the central fund figure based on current values exceeds 10%

- 3.12 The proposed target is achievable should changes be adopted to the prize fund and marketing and communications activity to promote the activity is instigated. This would be an overall increase of 36% on current figures. It is anticipated that growth in the region of 5% per annum can be achieved from 2020/21 onwards.

### **Distribution of the Essex Lottery Community Fund**

- 3.13 The decision which authorised the creation of the lottery agreed to distribute the central fund to good causes by a politically proportional panel. This panel has yet to be established, with no methodology devised for the fund's administration, particularly application to the fund, criteria for acceptance and method of grant award and distribution.
- 3.14 Since the original Decision was taken, a review has been undertaken of other Essex County Council community grant funding programmes. This review has resulted with the combining of the original Community Initiatives Fund, the Local Connections Fund, the Local Services Fund and Cultural Development Grants into a single, revised Community Initiatives Fund. All funds were essentially supporting communities, but with varying alignment to Essex County Council strategic outcomes and fragmented administration.
- 3.15 There are several benefits for the combining of these community grant funding programmes these being:
- Reduced ambiguity and increased accessibility of funding to applicants.
  - Assurance that the combined fund is aligned to supporting projects and initiatives that strengthen, enhance and connect communities to achieve Essex County Council strategic outcomes and priorities.
  - Increased effectiveness and efficiency of fund administration.
  - Help to sustain the financial availability of community grant funding across the combined funding programmes.

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- Contribution to the Essex County Council strategic priority, of 'Transform the Council to Achieve More with Less'.
- 3.16 With the alignment of other community grant funding programmes it seems logical that the Essex Lottery Community Fund should be combined into the newly revised CIF, to attain the same benefits and adopt the already developed administration processes, allowing distribution of funding during the 2019/2020 and future financial years.
- 3.17 The CIF is a fund distributed by ECC for the last several years. It is already agreed that ECC will allocate a total of £650,000 over the financial years 2019/2020 and 2020/2021. The proposal is that rather than having a separate allocation process for the Essex Lottery Community Fund, we should allocate this money to the CIF.
- 3.18 The CIF runs two grant funding schemes. There is the main annual CIF award process where grants of up to £10,000 are awarded following an annual bidding process. The other scheme pays microgrants of up to £500 which are awarded twice a month. Both are accessed by making a grant application and available to Parish Councils, formally constituted groups, community groups and associations, charities and social enterprises. The CIF fund is administered on behalf of Essex County Council by the Essex Association of Local Councils.
- 3.19 The principal criteria of the main CIF is that projects need to align to the aspirations set out within the Essex Partnerships 'The Future of Essex' and the strategic aims and priorities with the 'Essex Organisational Strategy 2017-2021'. Projects should be for the purpose of:
- Create, procure or develop new community assets
  - Enhance existing community assets
  - Enhance or develop initiatives that strengthen a community, including cultural initiatives.
  - Develop local capability

Microgrants are for projects that have outcomes which reduce social isolation, improve wellbeing and support better connected communities.

- 3.20 Decision on the main CIF grants are made by a panel made up of: Chairman of the Essex Association of Local Councils, Essex County Council Cabinet Member for Communities, a Health Representative, District Member, Society of Local Council Clerks representative, Health Watch representative, Essex Community Foundation representative, Rural Community Council of Essex representative and Parish Council representatives. All applications are reviewed on their merits and attained outcomes. ECC would be able to veto any application if it felt it was inappropriate.
- 3.21 Microgrants are awarded twice a month at an Officer level at the Essex Association of Local Councils in consultation with their Chairman. ECC would be able to veto any application if it felt it was inappropriate.

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- 3.22 The proposal to pay the Essex Lottery Community Fund to the CIF is consistent with the current rules of the lottery and information given to player which states *'Proceeds generated go into a general good cause fund, administered by Essex County Council, which will be spent on providing vital support to a wide range of local organisations and community initiatives which have a beneficial impact on the local community'*. The principle of distributing funding to good causes does not change with the amalgamation of the central fund into the combined CIF.

### 4. Structure of the Prize Fund

- 4.1 The maximum prize in a single local authority lottery is capped by the Gambling Commission at £25,000 or 10% of the gross ticket sales, whichever is greater.
- 4.2 Gatherwell is responsible for underwriting the prizes. Statistically, prizes are calculated so that various prize levels can be delivered out of the 20% set aside for prizes. Gatherwell indemnify against the prize fund being insufficient to pay out.
- 4.3 The current prize structure is based upon a jackpot of £25,000 which is won if someone correctly guesses all numbers drawn. In addition, there are 9 guaranteed winners, selected randomly as a draw, with the prize based upon a percentage of weekly revenue as shown below. The value of these guaranteed tickets has reduced in line with falling revenues, meaning that if the jackpot is not won then the biggest prize is £232. The table below show current figures against what was in the original plan:

Prize Tier	Amount	Original Plan	Current Figures
JACKPOT	£25,000	£25,000	£25,000
1 (Guaranteed)	10% of ticket sales	£2,000	£232
8 (Guaranteed)	4% of ticket sales	£100	£11

- 4.4 Gatherwell who are contracted to operate the Essex Lottery have recommended, through their experience in running other Local Authority Lotteries that owing to the reduction in revenue, an odds-based prize structure should now be adopted for all prizes. Moving over to a new structure should help to generate more winners and increase the amounts available to win.
- 4.5 The odds-based prize structure, that The Essex Lottery can sustain as calculated by Gatherwell will deliver prizes as shown in the following table:

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Number of matches	Prize	Matching patterns	Odds
6	£25,000	✓✓✓✓✓✓	1,000,000:1
5	£2,000	✓✓✓✓✓ x✓✓✓✓✓	55,556:1
4	£250	✓✓✓x x x x ✓✓✓✓	5,556:1
3	£25	✓✓x x x x x x ✓✓✓	556:1
2	3 extra tickets	✓x x x x x x x x ✓✓	56:1

✓ is a match, x is not.  
So ✓✓✓✓✓✓ is 6 matches and x x x x x x is no matches

## 5 Communications and marketing activity.

- 5.1 The lack of continued marketing and promotional support, since launch is seen as a contributing factor in the declining ticket sales and subsequent loss of revenue. Resources need to be established to support this activity
- 5.2 Essex County Council Marketing and Communications have recently employed a Campaigns Advisor who will now support the Essex Lottery, amongst other campaigns in their portfolio. The Campaigns Advisor has been working with Gatherwell to develop marketing and promotional activity.
- 5.3 In order to support this activity a budget needs to be established. Gatherwell and Essex County Council marketing and communications have proposed a budget of £15,000. Options have been investigated to achieve this and these are given below.
- 5.4 Essex County Council Marketing and Communications have agreed to fund £7,500 through their revenue budget. It is proposed that the additional £7,500 comes from the Innovation Reserve.

## 6 Issues for consideration

### 6.1 Financial implications

- 6.1.1 Gatherwell are an external lottery manager who ECC have contracted with to manage the Essex Lottery. The income generated from the sale of lottery tickets is paid directly to Gatherwell who retain 20% as a fee for administering the fund, retain 20% to distribute to winning lottery ticket holders, issue 50% to the good causes as selected by the ticket purchaser (which could include the Essex Lottery Fund) and pay 10% to ECC for the Essex Lottery Community Fund.

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- 6.1.2 To date, from the commencement of the Essex Lottery in November 2017 £51,000 has accumulated in relation to the Essex Lottery Community Fund. This is currently being held by Gatherwell but will be transferred to ECC and any balance not awarded in year will be held in the Community Initiatives Fund Reserve and drawn down as and when successful grant applications are paid, together with any future accumulated Essex Lottery Community Fund income.
- 6.1.3 A one off revenue marketing budget of £15,000 is required in 2019/20 to promote the scheme, increase visibility and ultimately increase ticket sales. It is proposed that £7,500 is funded from within the existing Marketing and Communications service revenue budget and that £7,500 is drawn down from the Innovation Reserve. The Essex Lottery performance will be reviewed again after one year to determine if the marketing campaign has had the desired affect and if an ongoing marketing budget is required this will be considered as part of the Medium Term Resources Strategy (MTRS).
- 6.1.4 Gatherwell indemnify against the prize fund being insufficient to pay out and will continue to do so under the new prize structure, there is no risk to ECC for running the scheme and no cost to ECC as a result of the scheme.

## **6.2 Legal implications**

- 6.2.1 Essex County Council holds a Remote Operating Licence from the Gambling Commission number 000-049-258-R-327035-002.
- 6.2.2 There is a licence requirement to tell the Gambling Commission of the change in prize structure. The requirement is to inform them 28 days in advance of actually changing it.
- 6.2.3 All current supporters must also be contacted at least 28 days in advance of the change. This is done via email, or letter if no email is supplied. In addition, notifications will be placed on The Essex Lottery Website and via The Essex Lottery Social Media channels.
- 6.2.4 In accordance with the terms published on The Essex Lottery website, proceeds generated from the central fund go into a general good cause fund, administered by Essex County Council, which will be spent on providing vital support to a wide range of local organisations and community initiatives which have a beneficial impact on the local community.
- 6.2.5 The requirement is for 60% of all ticket sales to go towards supporting good causes. It is down to each individual council to decide how the central fund is distributed.

## 7 Equality and Diversity implications

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a characteristic.

## 8 List of appendices

- Equality Impact Assessment

## 9 List of Background papers

- Creation of an Essex Lottery - FP/758/02/17
- Proposed Essex Lottery – Approval of Details – FP/858/06/17

<b>I approve the above recommendations set out above for the reasons set out in the report.</b>	<b>Date</b>  17/06/19
<b>Councillor Susan Barker – Cabinet Member for Customer, Corporate, Culture and Communities</b>	

In consultation with:

<b>Role</b>	<b>Date</b>
<b>Executive Director for Place and Public Health</b>	7/5/2019



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<b>Mark Carroll</b>	
<b>Executive Director for Corporate and Customer Services (S151 Officer)</b> Nicole Wood (on behalf of) <b>Margaret Lee</b>	03/05/2019
<b>Director, Legal and Assurance (Monitoring Officer)</b>  <b>Paul Turner</b>	18/4/19