



South Hams District Council & West Devon Community Lottery Business Plan

Contents

Introduction & Background.....	3
Strategic Context.....	3
Purpose and Rationale of the South Hams and West Devon Lottery.....	3
Customer Insight.....	3
Form of the South Hams and West Devon Lottery	4
Method of Delivery	5
Player Population, Financial Management and Modelling	6
Financial management	7
Financial Forecast	7
Future developments and marketing	8
Problem Gambling	8
Delivery Timeline	8
Appendix A1 - Criteria for joining the South Hams and West Devon Lottery:.....	9

Introduction & Background

Strategic Context

South Hams District Council covers an area of 342 square miles on the south coast of Devon and includes the towns of Totnes, Dartmouth, Kingsbridge, Ivybridge and Salcombe. West Devon Borough Council covers the towns of Chagford, Okehampton, Hatherleigh, Yelverton and Tavistock. The population (aged over 16) for both areas totals 114,500, according to the 2011 census.

South Hams and West Devon respectively have a corporate 'Our Plan' - a strategic plan that sets out the vision, objectives and activities of the two Council's. The two have a close working arrangement and have recently, in conjunction with Plymouth, prepared a Joint Local Plan – a strategic plan for the combined area to 2034.

The Councils have a vision of supporting vibrant towns and villages and enhancing the quality of life for individuals and communities whilst conserving the natural environment. The two councils share a workforce and have a single marketing team.

Many of the Voluntary and Community Services (VCS) organisations and good causes supported by the Councils receive funding from both Councils, hence the proposal to form a single shared lottery. The development of a community lottery meets the objective of empowering residents to create strong communities.

In this respect, the development of a local authority lottery has recently been proven in a number of other councils, including neighbouring Torbay, and would be suited to the South Hams and West Devon area.

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

Purpose and Rationale of the South Hams and West Devon Lottery

Whilst there is continued pressure on local authority budgets, the implementation of a local lottery scheme can be seen to be helping communities to help themselves. A local lottery scheme has been implemented successfully by a number of local authorities and for a relatively low investment the scheme is proven to be raising significant sums per annum.

Under the scheme any voluntary or community sector (VCS) organisation, including existing council funding beneficiaries and other local groups will be able to apply to be part of the South Hams and West Devon Lottery, so long as they meet the eligibility criteria (See Appendix A1). This eligibility criteria reflects a broadened version of the grants criteria agreed by Members.

The Council will continue to award grant funding to local community groups and projects and it is proposed that this scheme will provide an additional income opportunity for VCS groups to access an unfettered funding source to support their activities.

Customer Insight

In developing the South Hams and West Devon Lottery proposal we have explored the delivery of other schemes, including the Vale Lottery run by Aylesbury Vale District Council (AVDC). This has provided secondary research into both players/supporters and good causes. Evidence demonstrates 172 causes signed up to the AVDC scheme raising a gross annual income last year of over £129,000.

In turn, this has informed the unique selling point for the proposed lottery as being:

- **Delivering the proceeds locally** – South Hams and West Devon lottery would deliver benefits only to local causes, unlike 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 the ambitions and the targeted actions for South Hams and West Devon in circumstances where the Council is not able to do so.
- **Helping to improve residents' perceptions** – that South Hams and West Devon have an enabling role in support of the local VCS.

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 could still appeal to a more prize-focused player.

Form of the South Hams and West Devon Lottery

In supporting the outcomes of the lottery, the focus is on providing a lottery scheme that delivers a high level of funds to VCS groups as they are key to ensuring ongoing ticket sales in the long term. An External Lottery Management (ELM) operator, Gatherwell Ltd, will be appointed and their platform delivers the following benefits:

- reduced overhead costs - maximising benefits to the VCS.
- simple and easy to understand for the player.
- simple and easy to adopt for the VCS groups.
- promotes repeated but controlled re-purchasing - hence providing a steady funding stream for VCS groups.

The proposed form of the South Hams and West Devon 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 3, 6 or 12 months.
- 6 number self-selected ticket.
- delivered via an ELM - Gatherwell Ltd.

The draw will be made on a weekly basis at 8pm on a Saturday evening, It uses a bona fide lottery draw; in this case the Australian Super 66T draw. The community lottery draw will be announced in tandem at 8pm on a Saturday night.

Players have to have purchased cleared tickets by a deadline of midnight on the Friday before in order to be counted in that week's draw. Direct debit sign ups carry a cool off period and that period must have passed in order to be included in the draw for that week. 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

NB: These odds are significantly more favourable than the National Lottery.

Distribution of proceeds from each ticket sold:

Proceeds Apportionment		
	% Allocation	£ Allocation per ticket
VCS groups	50	£0.50
South Hams District & West Devon Borough Council (split 50/50)	10	£0.10
Prizes	20	£0.20
ELM	17	£0.17
VAT	3	£0.03
Totals	100	£1.00

All prizes are the responsibility of the ELM through the fund. The ELM insures against prize fund risk. At no point is the Council liable for prize payouts. There is no roll over process if no jackpot winner is found. If 2 players win the jackpot, they both get the top payout - there is no sharing.

If a player chooses a specific cause when buying their ticket, then that cause / VCS gets 50% and the Council general pot receives 10% of every ticket. If the player doesn't choose a specific cause / VCS then 50% (plus the 10%) goes into the Council's general lottery pot.

The cost of running the lottery scheme is to be funded from the Council's general lottery pot. Any surplus funds will pay for the following year's lottery running costs and can be used to fund any Council grants / funding to VCS / good causes.

Any amount paid to a VCS from the ELM could be considered in subsequent years by the Council as good cause funding; therefore the Council could opt to reduce its direct funding to these VCS by the corresponding amount.

Method of Delivery

Whilst South Hams and West Devon 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 this scheme will be delivered through the use of an External Lottery Manager (ELM) Gatherwell Ltd.

The relationship between South Hams and West Devon and Gatherwell is summarised as:

South Hams and West Devon Council

- responsible for the overall structure, form and control of the South Hams and West Devon Lottery (note the Gambling Commission are the licensing authority for lotteries).
- including explicit agreement to any VCS membership, as well as the groups' plans to publicise the lottery.
- delivered via two licensed members of staff through Annex A of the licence application.

Gatherwell Limited

- responsible for all development and day to day running of the Lottery on behalf of South Hams District and West Devon Borough Council.
- this includes player management, financial management (including player funds and prizes and distribution to VCS), 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 South Hams District and West Devon Borough Council set the strategic approach, and will exercise control of the license, and Gatherwell fulfils the day to day delivery of this.

The relationship between South Hams and West Devon Council and Gatherwell will be subject to an initial one year contract for the delivery of these services. The councils will be able to extend this after the initial year, for no further initial / renewal cost. The one-off payment for the Gatherwell platform to be bespoke to the South Hams and West Devon Lottery is £3k and Gatherwell's costs going forward are to be recovered from their element of ticket sales (17%).

Player Population, Financial Management and Modelling

There are c.114,500 possible resident players in the District & Borough (i.e. over 16, based on the 2011 Census). 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 VCS groups 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 SHWD Player Pop.	Number of Players	Tickets bought per week	Number of weeks	Gross Return	SHWD share (10%)	Good Causes (50%)	Prizes (20%)	ELM (17%)	VAT (3%)	Overall sum raised for good causes
1	1	1.00%	1145	1	52	59540	5954	29770	11908	10122	1786.2	35724
2	1	1.50%	1718	1	52	89310	8931	44655	17862	15183	2679.3	53586
3	1	2.00%	2290	1	52	119080	11908	59540	23816	20244	3572.4	71448
4	1	2.50%	2863	1	52	148850	14885	74425	29770	25305	4465.5	89310
5	1	3.00%	3435	1	52	178620	17862	89310	35724	30365	5358.6	107172

NB: It is proposed that the SHWD share covers maintenance and running costs of the lottery scheme. Any surplus is to be used solely to fund VCS / good causes.

Financial management

Gatherwell Limited will deliver all financial management elements of the South Hams and West Devon 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 must 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, Gatherwell will also take out insurance to ensure that any prize payment can be made.

VCS group funds for distribution are similarly held in a separate client deposit account. The donations are distributed to the causes on a monthly basis direct to their bank accounts. The same process is applied to the £0.10 in every ticket to South Hams District and West Devon Borough Council.

All income accruing to the Council will be paid on a monthly basis by Gatherwell and will be held in separate budget codes within the Councils accounting system for distribution towards lottery running costs and VCS / partnership grants only, therefore maintaining a completely open and transparent process.

Any lottery 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 within the project.

%age take up of possible South Hams and West Devon Player population	Year 1	Year 2	Year 3	Year 4	Year 5	
INCOME						
Start up costs	£5,350	£0	£0	£0	£0	Licence, lotteries Council membership and marketing
Annual South Hams and West Devon Council support	£0	£1,150.00	£1,449.60	£1,750.00	£2,050.40	Licence, lotteries Council membership and marketing
Ticket Sales	£59,540	£89,310	£119,080	£148,850	£178,620	
Sub total	£64,890	£90,460	£120,530	£150,600	£180,670	
EXPENDITURE						
Prize fund	£11,908	£17,862	£23,816	£29,770	£35,724	
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	£10,122	£15,183	£20,244	£25,304	£30,365	
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 South Hams and West Devon funding distribution costs	£0	£300	£600	£900	£1,200	
VAT	£1,786	£2,679	£3,572	£4,466	£5,359	
Sub total	£29,166	£36,874	£49,082	£61,290	£73,498	
Expenditure - distribution to good causes						
60% to good causes Lottery pot	£35,724	£53,586	£71,448	£89,310	£107,172	
Sub total	£35,724	£53,586	£71,448	£89,310	£107,172	
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 e.g. an iPad. This is to assist with the overall launch and marketing of the lottery.

Other marketing activity (which may incur additional costs) may include:

- Periodic 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.

South Hams and West Devon Council will produce a Lottery marketing plan, both for launch and ongoing activities.

Problem Gambling

One of the concerns raised as part of implementation of the AVDC and other councils' lottery schemes is that of encouraging people to gamble. It is considered that the form of the South Hams and West Devon Lottery is not particularly attractive to those with a gambling addiction as it:

- 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
- it provides the ability for players to self-exclude, and have the ability to place blocks or caps on players

To help offset any concerns the council will make a contribution to national gambling support groups via a one-off contribution to the Gambling Commission. This is done through the annual membership to the Lotteries Council.

Whilst marketing will be directed widely, the experience of AVDC is that most of the players come from Acorn demographic groups B (Executive Wealth) and C (Mature Money), which those in more vulnerable groups partaking in much lower numbers.

Delivery Timeline

The South Hams and West Devon Lottery is predicated on delivery in late spring/early summer 2018 subject to a successful licensing application.

VCS 'on boarding' would be scheduled to start in the new year, with player 'on boarding' commencing a month ahead of the first draw.

All of the above is subject to Gambling Commission licensing process; at the time of preparation of this business case the lead in time for a new license to be approved is 16 weeks.

Appendix A1 - Criteria for joining the South Hams and West Devon Lottery:

The licence under the Gambling Act 2005 will need to set out eligibility criteria for those groups wanting to take part.

An organisation must:

- Provide community activities or services within the District & Borough Council boundaries.
- 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 (if so, the charity must provide details of charitable status including registered number where appropriate), with a board of trustees

Or :

- A registered Community Interest Company, (if so, they must provide copies of their Community Interest Statement, details of the Asset Lock included in their Memorandum and Articles of Association, and a copy of their latest annual community interest report).

The following groups are not eligible:

- Organisations that do not do work within the boundaries of South Hams and West Devon Council.
- Individuals.
- Organisations which aim to distribute a profit to shareholders and/or investors.
- Organisations with no established management committee/board of trustees (unless a CIC).

All applications will be reviewed on their own merits. The Council reserves the right to accept or reject any application for any reason.

The Council reserves the right to remove any organisation from participating in the lottery with a minimum of 7 days' notice for any reason.

If fraudulent or illegal activity is suspected, this removal will be immediate.