

REDDITCH BOROUGH COUNCIL



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Redditch Borough Council Community Lottery Business Plan

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Introduction & Background

Strategic Context

Redditch Borough Council is located within the County of Worcestershire and borders Warwickshire County to the east and southeast, Bromsgrove District to the west and north, Stratford-upon-Avon District to the east and southeast and Wychavon District to the southwest. The Borough lies 15 miles south of the Birmingham conurbation and consists of the main town of Redditch, the villages of Astwood Bank and Feckenham and several other hamlets. It covers an area of 5,435 hectares (13,430 acres) with a population of 84,214 (2011 Census).

The Redditch Borough Council, Council Plan 2017- 2020, focusses on the following six strategic purposes:

- Keep my place safe & looking good
- Help me run a successful business
- Help me to be financially independent (including education & skills)
- Help me to live my life independently (including health & activity)
- Provide good things for me to see, do & visit
- Help me find somewhere to live in my locality
- Help me run a successful business

In this respect, the development of a local authority lottery aligns with several of our strategic purposes through our ongoing support and commitment to the Voluntary and Community Sector and our wider local communities and has recently been proven in a number of other councils and would be suited to the Redditch area.

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

Purpose & Rationale of the Redditch Community Lottery

The concept of a Community Lottery has been identified as a proven business model delivered in many other councils to raise funds for local good causes whilst addressing some of the Council's financial challenges.

Redditch Borough Council currently makes an annual allocation of its revenue budgets to allow for grants to be awarded to local good causes and not for profit organisations. This includes an amount to be awarded by way of cash grants, in kind support and discretionary rent relief.

Applying the already successful lottery model has the potential to keep the benefits enjoyed from this system of discretionary funding and will reduce the council's costs to provide them. With continued reductions and budget pressures, a Community Lottery for Redditch Borough Council will contribute to meeting pressures on discretionary funding to local good causes. For example: by providing this opportunity to local good causes it will enable them to bring in additional funding and at the same time, the additional funds raised by the lottery itself will be used by the council to support the wider Grants Programme and its support for the voluntary and community sector.

A Redditch Borough Community Lottery could help move the organisation from providers to facilitators.

Any group or organisations matching the agreed criteria including existing Council funding beneficiaries and local groups will be able to apply to be part of the Redditch Community

Lottery. The proposed eligibility criteria for good causes to join the lottery are set out in Appendix 1.

Customer Insight

In developing the Redditch Community Lottery we have explored the delivery of other schemes including the 'Vale Lottery' run by Aylesbury Vale District Council. Their experience has demonstrated considerable support with over 180 good causes signed up to the scheme including schemes which are operated by the local authority itself.

In turn this has informed the USP (unique selling point) for the lottery as being:

- **Delivering the proceeds locally** – Redditch Community Lottery would deliver benefits only to local causes, unlike any other providers (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 Redditch in circumstances where the Council is not able to do so.
- **Helping to improve residents' perceptions** – that Redditch Borough Council holds an enabling role in support of good causes.

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 still should appeal to the more prize focused player.

Form of the Redditch Community Lottery

In supporting the outcomes of the lottery, the focus is on providing a lottery scheme that delivers a high level of funds to the good causes as they are key to ensuring ongoing ticket sales in the long term. An External Lottery Management (ELM) operator will be appointed through a procurement exercise. The intention is that the ELM's platform will deliver the following benefits:

- Reduced overhead costs by utilising a well-established lottery platform thereby maximising benefits to the good causes
- Is simple and easy to understand for the player
- Is simple and easy to adopt for the good causes
- Promotes repeated but controlled repurchasing - hence providing a steady funding stream for good causes
- Emphasises the good cause element of the lottery overall.

The form of the Redditch Community 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.

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

Distribution of proceeds from each ticket sold is shown below:

Proceeds Apportionment		
	% Allocation	£ Allocation per ticket
Good Causes	50	£0.50
Prizes	20	£0.20
The Council	10	£0.10
ELM	17	£0.17
VAT	3	£0.03
Totals	100	£1.00

Method of Delivery

Whilst Redditch Borough Council is a licensing authority in its own right this does not include the licensing for lotteries, and it does not have experience of running lotteries directly. As such this scheme will be delivered through the use of an External Lottery Manager (ELM).

The relationship between the Redditch Borough Council and the ELM is summarised as:

Redditch Borough Council:

- responsible for all license related, overall structure, form and control of the Redditch Community Lottery (note the Gambling Commission are the licensing authority for lotteries)
- including explicit agreement to any good cause membership, judged against the Corporate Plan ambitions & targeted actions, as well as the good causes' plans to publicise the lottery
- delivered via two personally licensed members of staff at Head of Service level.

External Lottery Manager (ELM)

- responsible for all development and day to day running of the Redditch Community Lottery on behalf of Redditch Borough Council. This includes player

management, financial management (including player funds & prizes and good cause funds), website management and ticket sales.

The External Lottery Manager (ELM) will be licensed by the gambling commission as an external lottery manager running numerous society lotteries in the UK.

In summary Redditch Borough Council set the strategic approach, and exercises control of the license and the ELM fulfils the day to day delivery of this.

The relationship between Redditch Borough Council and the ELM will be formalised by a contract for the delivery of these services. The one off payment for the ELM platform to be bespoke to Redditch Community Lottery is £3k, and all costs then going forward are recovered via the players.

Player Population & Financial Management & Modelling

There are 68,185 possible players in the district/borough (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.

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 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 RBC Player Pop.	Number of Players	Tickets bought per week	Number of weeks	Gross Return	RBC share (10%)	Good Causes (50%)	Prizes (20%)	ELM (17%)	VAT (3%)
1	1	1.00%	682	1	52	35456	3546	17728	7091	6028	1064
2	1	1.50%	1023	1	52	53184	5318	26592	10637	9041	1596
3	1	2.00%	1364	1	52	70912	7091	35456	14182	12055	2127
4	1	2.50%	1705	1	52	88641	8864	44320	17728	15069	2659
5	1	3.00%	2046	1	52	106369	10637	53184	21274	18083	3191

Financial management

The External Lottery Manager (ELM) will deliver all financial management elements of the Redditch Community Lottery.

All funds are held by the ELM 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 (3, 6 or 12 months) only. All funds will 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 (arranged as part of the ELM contract). This avoids the need to accumulate this level of funding in advance. For initial draws prior to the prize pot being built, insurance will also be in place to ensure that any prize payment can be made.

Good Cause funds are held in a separate client deposit account. The good cause donations are distributed to the causes on a monthly basis direct to their bank accounts.

Any 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 table below illustrates the following 5 year forecast illustrates the allocation of income and expenditure for the Lottery. All costs and income are contained with the project:

	Year 1	Year 2	Year 3	Year 4	Year 5
INCOME					
Potential ticket sales	35,456	53,184	70,912	88,641	106,369
INCOME TOTAL	35,456	53,184	70,912	88,641	106,369
EXPENDITURE					
* Annual Licence Fee (approx. £650)					
* Annual Lotteries Council Membership (Approx. £350)					
External Lottery Manager	6,028	9,041	12,055	15,069	18,083
Prize Fund	7,091	10,637	14,182	17,728	21,274
Good Causes (50%)	17,728	26,592	35,456	44,320	53,184
Council (10%) (* will cover Licence Fee and Lotteries Membership. Remaining funds will contribute to wider VCS grants programme.	3,546	5,318	7,091	8,864	10,637
VAT	1,064	1,596	2,127	2,659	3,191
EXPENDITURE TOTAL	35,457	53,184	70,911	88,640	106,369
INCOME LESS EXPENDITURE	-1	0	1	1	0

Future developments & 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 such e.g. an iPad. This is to assist with the overall launch and marketing of the lottery.

Other marketing activity 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.

In all of the above, the regulations around age related marketing and advertising will be adhered to.

Problem Gambling

As part of the Councils approach to the lottery, it is of course aware of the issues around problem gambling. As set out in the policies submitted to the Gambling Commission, Redditch Borough Council takes this issue seriously, and will be making a donation to support organisations. We do not believe that the form of the Redditch Community Lottery is particularly attractive to those with a gambling addiction as:

- It is being marketed 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.
- We provide the ability for players to self-exclude, and have the ability to place blocks or caps on players.

Delivery Timeline

The Redditch Community Lottery is focused on delivery from July 2019. The table below illustrates each phase necessary to develop and implement the lottery and estimated timeframe:

February 2019	Phase 1	RBC - Project final approval
February – May 2019	Phase 2	Legal Requirements including Gambling Commission License Application; setting terms and conditions for 'Good Causes'; Terms and Conditions / Game Rules / Data policy etc for Lottery Players; Lotteries Council Application Design of product including full build of lottery platform/framework/website; social media; accounting system including direct debit accounts and payment processing accounts etc (ELM).
May 2019	Phase 3	Marketing
May – June 2019	Phase 4	'Good Causes' on board including launch event
June – July 2019	Phase 5	'Players' on board
July 2019	Phase 6	GO LIVE

All of the above is subject to Gambling Commission licensing process and a successful licensing application.

Appendix 1 - Criteria for joining the Redditch Community Lottery – Good Causes Lottery:

We want to enable appropriate organisations to join the Redditch Community 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:

- Be a non-statutory organisation operating in the not-for-profit sector and have a formal constitution or set of rules in place.
- Have a bank account requiring at least 2 unrelated signatories.
- Provide community activities or services within Redditch, which support the ambitions and targeted actions of the Council Plan and its strategic purposes.
- 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, providing copies of your Community Interest Statement, 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.
- Organisations that do not do work within the boundaries of Redditch.
- Individuals.
- Organisations which aim to distribute a profit.
- Organisations with no established management committee/board of trustees (unless a CIC).

- We will also not permit applications from groups which 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.