

States of Guernsey
States' Trading Supervisory Board
Channel Islands Lottery, Guernsey

Report and Accounts

For the year ended 31 December 2020

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

**STATES' TRADING SUPERVISORY BOARD MEMBERS, PRINCIPAL OFFICERS AND
PROFESSIONAL ADVISERS 3**

CHAIRMAN'S REPORT 5

LOTTERY MANAGER'S REPORT 8

CORPORATE GOVERNANCE11

OPERATING ACCOUNT ANALYSIS13

APPROPRIATION ACCOUNT.....14

NOTES TO THE CHANNEL ISLANDS LOTTERY, GUERNSEY ACCOUNTS15

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers

States' Trading Supervisory Board Members

Deputy P. Roffey	President	elected 21 October 2020
Deputy C. Parkinson		elected 21 October 2020
Deputy N. Moakes		elected 21 October 2020
Mr S. Falla MBE		
Mr J. Hollis		
Deputy P. Ferbrache	President	term ended 15 October 2020
Deputy J. Smithies		term ended 15 October 2020
Deputy J. Kuttelwascher		deceased 23 January 2020
Deputy P. Roffey	elected 26 February 2020	term ended 15 October 2020

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and up to two members who shall be members of the States and up to two members who shall not be members of the States. If and when the STSB is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers to the States' Trading Supervisory Board

- Mr S. Elliott, Managing Director, States Trading Group
- Mr S. Gardiner, Finance Business Partner, States Trading Group
- Mr A. Ford, Head of Shareholder Executive, States Trading Group
- Mr R. Evans, Deputy Managing Director, States Trading Group resigned 1 November 2020

The Organisation of States' Affairs (Transfer of Functions) Ordinance 2016 directs that the Gambling (Channel Islands Lottery) (Bailiwick of Guernsey) Ordinance, 1975 is transferred from the Culture and Leisure Department to the STSB. Specifically, the STSB has responsibilities and oversight of the delivery of the administration and promotion of the Channel Islands Lottery, Guernsey ("CILG").

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers – continued

Channel Islands Lottery, Guernsey Sub-Committee Members

Deputy C. Parkinson	Chairman	elected 21 October 2020
Deputy N. Moakes		elected 21 October 2020
Deputy J. Smithies	Chairman	term ended 15 October 2020
Deputy P. Ferbrache		term ended 15 October 2020
Mr R. Evans	non-voting adviser	resigned 1 November 2020
Mr S. Gardiner	non-voting adviser	
Mr J. Taylor	non-voting adviser	

The constitution of the Channel Islands Lottery, Guernsey Sub-Committee ("CILG Sub-Committee") as agreed by STSB at its meeting of 15 February 2018.

Further information on the role of the CILG Sub-Committee is provided in the Corporate Governance section.

Principal Officers to the CILG Sub-Committee

- Mr R. Evans, Deputy Managing Director, States Trading Group resigned 1 November 2020
- Mr S. Gardiner, Finance Business Partner, States Trading Group
- Mrs C. Edwards, Senior Finance Manager, States Trading Group
- Mr J. Taylor, Lottery Manager, States Trading Group

In these Financial Statements any reference to "President" refers to the President of the STSB and any reference to "Chairman" refers to the Chairman of the CILG Sub-Committee.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Chairman's Report

Overview

The STSB's mandate is the oversight of the administration and promotion of the Channel Islands Lottery, Guernsey (CILG). Its vision for the CILG is to ensure all CILG games continue to be a positive experience for participants, providing the best return to the charity sector and other notable good causes, whilst carrying out operations in a responsible manner.

In 2020, the CILG was impacted by the Covid-19 lockdown, which had a detrimental effect on sales during April, May and June. However, by the last quarter of the year sales were back to the same level as 2019.

May 2020 saw the start of a five-year contract with Guernsey Post Limited (GPL) as the new ticket main distributor. In addition to these new arrangements made for ticket distribution, the States of Deliberation made some changes to the manner in which proceeds were provided to good causes through the establishment of a new Social Investment Fund (SIF). The funds generated from the Lottery are distributed, at the discretion of the Policy & Resources Committee, for the following;

- Funding initiatives designed to help and support individuals experiencing gambling problems locally,
- Providing a ring-fenced annual grant to the Committee *for* Education, Sport & Culture specifically for funding Beau Sejour Leisure Centre, and
- Transferring to the Social Investment Fund.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Chairman's Report – continued

Business performance

Despite a difficult year, which saw the majority of resellers closed for several weeks during the Covid-19 lockdown, in 2020 overall sales in Guernsey were only down by 4.5% compared to 2019. This decline was similar to trends in other markets across Europe and North America. The price point which suffered most was the £2 category, which saw an overall decline of 32%; while the £10 price point had the biggest overall increase of 14%.

The number of tickets sold in Guernsey for the Christmas Lottery increased by 41% in 2020 compared to 2019, but revenues were down 6% compared to 2019, following a reduction in the ticket price from £3 to £2.

Our community

The STSB is committed to contribute to the Policy & Resource Plan's vision that: “We will be among the happiest and healthiest places in the world, where everyone has equal opportunity to achieve their potential. We will be a safe and inclusive community, which nurtures its unique heritage and environment and is underpinned by a diverse and successful economy.”

The CILG generates much needed funds for charities and good causes throughout the Bailiwick of Guernsey.

Our team

The CILG operations are administered by the Lottery Manager with support from a small team. I would like to thank the team for all their hard work and commitment throughout the year.

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Chairman's Report – continued

Our business strategy and future

The CILG continues to work closely with the Government of Jersey to improve efficiencies across the islands with the aim of maximising contributions to good causes while maintaining the Channel Islands Lottery's reputation.

The CILG plans to continue the work enhancing its reputation and building interest in the good causes that the lottery supports throughout Guernsey. This will be achieved by collaborating with SIFto promote positive stories about how the Lottery benefits the local community. In addition, new ticket dispensers and point of sale materials highlighting the beneficiaries will be distributed through the reseller network.

The CILG will continue to work on improving efficiencies whilst working collaboratively with Scientific Games Limited and Guernsey Post Limited.

John Moore University was appointed by Guernsey's Public Health Services to carry out research into problem gambling and a comprehensive report is due for release in the third quarter of 2021. This initiative, funded from the Lottery Appropriation Account, recognises that while most people who gamble do so responsibly most of the time, problem gambling can be harmful for some. This includes binge gambling, excessive gambling, periods of loss of control and a more serious gambling addiction. This impacts not only on the gambler, but also on families, friends, communities and employers. It is therefore important that the prevalence of the problem is understood, and any areas of concern identified, so services can be developed to address these.

CILG will continue to collaborate with the addiction service providers on island and through the responsible gambling authority GamCare in the UK. The CILG will continue to provide awareness of helplines on the reverse of tickets and in any promotional materials and will also work to develop a player protection scheme.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Lottery Manager's Report

The STSB presents the report for CILG for the year ended 31 December 2020. These comprise the Operating Account Analysis, Appropriation Account and accompanying notes.

Principal activities

The STSB operates the lottery in Guernsey but it is effectively a joint operation between the States of Guernsey and the Government of Jersey. Its foundation is enshrined in legislation and States of Guernsey Resolutions. It is the oldest Lottery in the British Isles and was established between the Islands in 1975. In its infancy, Jersey and Guernsey used the revenues to help fund the operations of their respective leisure centres at Fort Regent and Beau Sejour. By 1980 a charity Christmas draw was introduced and remains popular today, albeit with declining sales in recent years.

The Channel Islands Lottery at present has two component formats: firstly, there are the regular instant-win games and secondly the Channel Islands Christmas Lottery which has a drawn top prize, secondary drawn prizes and an instant element.

Our customers

During 2020, the CILG changed its distribution arrangements. Previously, there were three main agents appointed to sell Lottery tickets within Guernsey. Now there is one main distributor appointed in Guernsey as well as the individual agents in Alderney and Sark.

Guernsey Post will operate as the main distributor for a five-year term, starting in May 2020.

The main distributor and agents purchase tickets from the States of Guernsey and ensure that the tickets are on sale as widely as possible.

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Lottery Manager's Report - continued

Financial performance

	Actual 2020 £'000	Actual 2019 £'000
Revenue	12,920	13,637
Bailiwick surplus for the financial year	1,376	1,455
Distributions to Sark and Alderney	5	6
Guernsey Surplus for the financial year	1,371	1,449
Transfer to Beau Sejour Centre	1,045	605
Contribution to Island Games	275	125
Health Impact Assessment on Gambling Addiction	-	25
Donation to Association of Guernsey Charities	-	184
Donation to SIF (surplus for Christmas draw and scratch cards)	326	-
Donation to SIF (Appropriation account balance)	2,167	-
Balance of Appropriation Account	-	2,442

Since 2013 £9.9m has been raised in Guernsey which has gone towards: local charities, funding Beau Sejour's operating deficit, or to good causes that benefit the Island's community, such as the Island Games.

£155k was raised through the Christmas Lottery revenues in 2020, a decline of £29k on 2019. Net proceeds from the annual CILG Christmas Draw are now distributed through SIF having previously been donated to the Association of Guernsey Charities ("AGC").

The annual net proceeds of the CILG Instant Games, continued to be transferred to the Beau Sejour Leisure Centre up to the level of the Centre's operating deficit with any additional surpluses being transferred to SIF.

In 2020, Beau Sejour's deficit was £1,195k (2019: £605k), with 2020 revenues being affected by the Covid-19 lockdown. The Policy & Resources Committee agreed that General Revenue (from the Budget Reserve) should contribute £150k, to recognise the value of the staff resources and facilities provided to support the response to the pandemic. The amount transferred from CILG was therefore £1,045k, with the remaining proceeds from the CILG Instant Games of £171k being transferred to SIF.

In addition, in 2020 £275k was transferred from the appropriation account to fund the Island Games and the balance on the appropriation account of £2,167k was transferred to SIF.

Operational performance

The appointment of Guernsey Post Limited as the main distributor followed an open tender process with interested parties, including existing agents, invited to present proposals for

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Lottery Manager's Report - continued

managing ticket distribution across the Bailiwick of Guernsey. GPL's proposal demonstrated the capability to manage the requirements in a responsible way and deliver best value.

- Ticket Sales:

Sales in 2020 were affected by the lockdown and for the first time since 2011 sales values were below the previous year.

A set percentage of the sales value of tickets in each game is assigned to prizes (72% is the highest on the £10 game, 60.5% is the average across the various price points). The biggest prize in the instant game portfolio is £100,000 on a £10 scratch card. The £5 tickets still contribute the most to sales, generating approximately 49% of total sales (£6.6m).

CILG scratch card sales in 2020 were £11.9m, a 4.4% decrease compared to 2019 but still an increase of £11.0m compared to 2011 sales of £0.9m.

- Channel Islands Christmas Lottery 2020:

As part of the continued efforts to maintain the Christmas draw's popularity, Island Global Research was commissioned to gather feedback from participants. The findings of this survey helped shape the 2020 Christmas game.

The ticket price was reduced from £3 to £2 and a new prize structure was introduced featuring a first prize that increased with ticket sales and which reached nearly £0.7m. In Guernsey 479,950 tickets were sold in 2020 contributing just under £1.0m to total sales, this represents a drop in revenues of 6% compared to 2019.

- CILG Profits Disbursed Towards Charity and Good Causes:

Over a period of eight years, a total of £9.9m has been raised for charity, Beau Sejour and good causes. Beau Sejour receives a significant amount which is utilised for the centre's operating deficit. In 2020 this equated to £1.0m (2019 £605k). The Island Games Association has received £600k over the last three years to be used for the operation of Guernsey's postponed 2021 Island Games; there is now no outstanding commitment to this event.

Prizes which are not claimed are forfeited after a given time, usually 12 months after the final issue of tickets for each game/draw. The total value of prizes unclaimed in the Bailiwick of Guernsey amounted to £36k in 2020 (2019: £139k). These forfeited prizes contribute to the proceeds available for good causes.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Corporate Governance

The purpose of the CILG sub-committee is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of the CILG.

The CILG sub-committee is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Policy & Resource Plan, the Medium Term Financial Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The CILG sub-committee membership is a minimum of two States' Trading Supervisory Board Members plus Deputy Managing Director States Trading Group, Finance Business Partner States Trading Group, and the Lottery Manager.

All members other than the Lottery Manager and the Finance Business Partner are appointed by the STSB.

The quorum is the two States' Trading Supervisory Board Members.

The CILG sub-committee does not hold a fiduciary responsibility.

The CILG sub-committee will take into account the States of Guernsey's political direction with regard to the operation of the CILG, as directed from time to time by the STSB. It must ensure that the CILG operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The CILG sub-committee may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the CILG sub-committee:

- To approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB;
- To approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB;
- To approve and issue annual reports; and
- To guide and steer the CILG.

In carrying out these responsibilities the CILG sub-committee is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation and Relevant legislation. The CILG sub-committee has the authority delegated by the STSB to direct the Lottery Manager in the day-to-day operation of the CILG in line with approved budget and business plans.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Corporate Governance – continued

The CILG acts as a political sub-committee of the STSB.

STSB can disband the CILG sub-committee at any time without notice or recourse to any other body.

In the event due process has not been followed, the CILG sub-committee must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Operating Account Analysis

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue			
Sale of tickets	2	12,884	13,498
Forfeited prizes		36	139
		<u>12,920</u>	<u>13,637</u>
Expenses			
Contribution to prize fund		(8,987)	(9,388)
Distribution and handling costs		(1,604)	(1,855)
Game agents commission		(733)	(742)
Other operating and administrative expenses		(220)	(197)
		<u>(11,544)</u>	<u>(12,182)</u>
Bailiwick surplus			
States of Alderney	1	(2)	(2)
Chief Pleas of Sark	1	(3)	(4)
		<u>1,376</u>	<u>1,455</u>
Guernsey surplus for the year			
		<u><u>1,371</u></u>	<u><u>1,449</u></u>

States' Trading Supervisory Board Channel Islands Lottery, Guernsey

Appropriation Account

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Balance as at 1 January	4 & 5	2,442	1,932
Net surplus transferred from Operating Account		1,371	1,449
Contribution towards Island games		(275)	(125)
Donation to Association of Guernsey Charities		-	(184)
Donation to SIF: Christmas Lottery Surplus		(155)	-
Transfer to Beau Sejour Centre		(1,045)	(605)
Donation to SIF: 2020 Scratch Cards surplus		(171)	-
Transfer to the Committee <i>for</i> Health and Social Care for Problem Gambling Review		-	(25)
Donation to SIF: appropriation account balance		(2,167)	-
Balance at 31 December		-	2,442

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Notes to the Channel Islands Lottery, Guernsey Accounts

1. Bailiwick Share of Lottery Proceeds

The promotion of the CIL in the Bailiwick of Guernsey generated proceeds of £1.4m in 2020 (2019: £1.5m) (scratch cards and Christmas Draw combined), which was shared within the Bailiwick in proportion to the number of tickets sold on each Island as follows:

	2020	2019
	£'000	£'000
States of Guernsey	1,371	1,449
States of Alderney	2	2
Chief Pleas - Sark	3	4
	<hr/>	<hr/>
Totals	1,376	1,455
	<hr/>	<hr/>

2. Analysis of ticket revenues

Ticket revenues since 2007 has been as follows:

Year	Scratch Card Revenue:		Christmas Draw Revenue	
	Bailiwick of Guernsey £'000	Jersey £'000	Bailiwick of Guernsey £'000	Jersey £'000
2007	822	1,144	600	900
2008	756	956	598	1,100
2009	686	864	760	1,240
2010	640	796	880	1,420
2011	891	795	927	1,380
2012	2,815	1,934	815	1,308
2013	4,199	2,014	1,177	1,785
2014	6,789	3,423	1,226	2,260
2015	7,726	4,518	1,232	2,199
2016	8,603	5,837	1,200	2,122
2017	9,648	7,949	1,077	1,954
2018	11,815	7,102	1,185	1,998
2019	12,478	7,050	1,020	1,684
2020	11,924	7,942	960	1,269

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Notes to the Channel Islands Lottery, Guernsey Accounts – continued

3. Financial commitments

There are no outstanding commitments on the Lottery appropriation account.

4. Appropriation account

In the Billet D'Etat VII, 2020 the States of Deliberation agreed the establishment of the Social Investment Fund (SIF). A separately constituted body, acting as a States of Guernsey partner, it uses public and some private funds from a variety of sources to invest in the Bailiwick's charitable and community sector organisations. In the same Billet, it was also agreed to rescind existing resolutions relating to the distribution of CILG proceeds and replace them with a direction that any CILG proceeds are to be retained in the CILG Appropriation Account and to delegate authority to the Policy & Resources Committee to approve their use for the following:

- i) Funding initiatives designed to help and support individuals experiencing gambling problems locally;
- ii) Providing a ring-fenced annual grant to the Committee *for* Education, Sport & Culture specifically for funding Beau Sejour Leisure Centre; and
- iii) Transferring to the Social Investment Fund.

Furthermore, they agreed;

- iv) That a ring-fenced annual grant of a maximum of £700,000 per annum for the three years 2021 - 2023 be provided from the Channel Islands Lottery (Guernsey) Fund Appropriation Account to the Committee *for* Education, Sport & Culture specifically for funding Beau Sejour Leisure Centre (to be reviewed no later than December 2022);
- v) To approve the transfer of the uncommitted balance of the Channel Islands Lottery (Guernsey) Fund Appropriation Account as at 31 December 2019 to the Social Investment Fund, and
- vi) To agree that any balance of the Channel Islands Lottery (Guernsey) Fund Appropriation Account from 2020 onwards be transferred to the Social Investment Fund.

For the CILG this means that, effective from 2020, any Guernsey surpluses generated (after appropriations to Alderney and Sark) will be retained in the appropriation account for Policy & Resources Committee to appropriate as referred to above. CILG will no longer distribute the net proceeds of the Christmas Lottery to the Association of Guernsey Charities.

States' Trading Supervisory Board

Channel Islands Lottery, Guernsey

Notes to the Channel Islands Lottery, Guernsey Accounts – continued

5. Distributions from the Appropriation Account

Summary of all amounts distributed or retained since 2013, all retentions are accumulated within the Appropriation Account:

	AGC	Beau Sejour	Island Games	Liberation Day	Health Impact assessment on Gambling Addiction	Transfer to SIF	Retained
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Brought forward							242
2013	209	550					73
2014	389	550					132
2015	220	672		50			176
2016	213	651					298
2017	190	493	100				538
2018	218	616	100				473
2019	184	605	125		25		510
2020	-	1,045	275			2,493	(2,442)
	1,623	5,182	600	50	25	2,493	-