

Report of Director of City Development and Assistant Chief Executive (Citizens and Communities)

Report to Executive Board

Date: 4th September 2013

Subject: Establishment of a Social Inclusion Fund

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): All	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. In May 2013, following a competitive process the council utilised its powers to grant a large casino licence to Global Gaming Ventures (GGV). In granting a licence, the council secured an up-front financial payment of £1m and commitments for annual payments of either the greater sum of £450,000 or 4% of net gaming revenue (annual payments made from the first anniversary of the casino opening).
2. In the Leeds bid to Government that resulted in the city being provided with powers to grant a licence and the council's *Gambling Policy* approved by Council, it is detailed how financial returns accrued by the successful applicants would be used to finance a 'Social Inclusion Fund' ('SIF').
3. This report seeks Executive Board approval to establish the SIF and sets out the principles for the management of the SIF. It is proposed that the SIF be administered by the Citizens and Communities directorate and utilised to support activities proposed as part of the city's anti-poverty initiatives in order to help support economic and social inclusion.
4. Should Executive Board agree the principles for the establishment of the SIF set out in this report, work will take place following further engagement with elected members to determine the specific activities that will be funded by the SIF and how the funds will be allocated. These detailed matters will be subject of a future Executive Board report.

Recommendations

5. Executive Board is requested to authorise

- i) The establishment of the Social Inclusion Fund utilising moneys accrued by the council granting a large casino licence.
- ii) That the money received as the 'up-front payment' is invested in initiatives that support the city's anti-poverty priorities over the three year period prior to the opening of the casino and that annual payments be used to fund projects that both mitigate potential harmful social effects of the large casino and more general social inclusion priorities across the city.
- iii) That the Social Inclusion Fund is retained as a revenue reserve.
- iv) That the Licensing Committee receive an annual report on the nature of projects being supported by the Social Inclusion Fund.
- v) That the Assistant Chief Executive (Citizens and Communities) administers and oversees fund allocation and, following further engagement with elected members and city partners, presents a report to Executive Board setting out recommendations for specific activities that will be funded by the SIF and how the fund will link into other schemes and initiatives within the city.

1 Purpose of this report

- 1.1 This report seeks Executive Board approval to establish a Social Inclusion Fund using funds generated by the city granting a 'large' casino licence and seeks approval to the principles of the management and administration of the fund.

2 Background information

- 2.1 Following a competitive process led by the Department of Culture Media and Sport, Leeds was one of only eight authorities to be provided powers to grant a large casino licence, under the 2005 Gambling Act.

- 2.2 The application process for granting a licence was complex and was underpinned by legally required evaluation 'principles' which set out how the licence would be granted and these principles were the basis of a comprehensive evaluation methodology and criteria that were used to evaluate casino applications.

- 2.3 The evaluation principles, as set out in the Council's *Gambling Policy* that Leeds adopted, were subject to public consultation, two Executive Board reports, one Scrutiny Board and then Full Council approval whilst the Licensing Committee approved the evaluation criteria for Stage 2 applications within the *Large Casino Application Pack* following a period of public consultation. The three main principles that were agreed by Executive Board and Council were:

§ **Financial.** To seek to maximise the financial return to the council.

§ **Social.** To use any financial return accrued to facilitate the delivery of programmes and projects that support the Council's social and economic inclusion agenda, for the benefit of the Leeds metropolitan area.

§ **Economic** To secure a positive and significant economic impact for the local economy through the provision of a Large Casino in Leeds.

- 2.4 The Gambling Policy further states that that any financial sums accrued through the competition will be used to fund a Social Inclusion Fund (SIF).

- 2.5 Using the approved evaluation methodology and scoring criteria, the Licensing Committee awarded a large casino licence to Global Gaming Ventures (GGV) in May 2013.

- 2.6 All benefits secured for the city were committed to by GGV in a legal agreement entitled 'the Schedule 9' agreement. A wide range of benefits were secured including: the development of a new casino at the Victoria Gate scheme; 205 new jobs (of which 90% will be for Leeds City Region residents); 10 apprentices and interviewing 100 NEETs.

- 2.7 The council has also secured the following financial benefits.

§ An upfront payment of £1m (already received).

§ An annual payment paid from the anniversary of the casino opening of the greater sum of £450,000 or 4% of net gaming revenue.

2.8 The annual payment will be paid for the duration the licence is in existence from the year it is first made to the council. The guaranteed element of £450,000 will rise with inflation linked to the Retail Price Index. If the 4% of net gaming revenue exceeds £450,000 a year, the council will generate more income for the SIF.

3 Main issues

3.1 The Scope and Remit of the SIF: the allocation of funds

3.2 The council's Gambling Policy determines that the council will *"use any financial return accrued [by the large casino licence] to facilitate the delivery of programmes and projects that support the council's social and economic inclusion agenda"*.

3.3 Further, in the submission that resulted in Leeds being awarded powers to grant a large casino licence, Leeds outlined how it would establish a Social Inclusion Fund *"to tackle city-specific issues, and [...] to minimise the negative social impact of a casino."* The submission also outlined how the council would undertake monitoring to ensure that any social impacts could be understood and mitigated against.

3.4 In gaining Executive Board approval to progress the project it was reported that social programmes linked to the mitigation of potential harm arising due to the operation of the casino would be delivered by the council directly using financial proceeds generated by the licence.

3.5 There is some flexibility for the SIF to finance a range of priorities linked to social and economic inclusion whilst there is also a specific remit on the SIF to fund initiatives that mitigate against the harmful effects of gambling.

3.6 In this context, it is therefore proposed that the following principles are agreed for the allocation of funds:

§ **The available up-front payment** will fund projects and initiatives over a three year period prior to the casino opening that support the city's anti-poverty agenda. This agenda is closely aligned to a range of activities that will proactively support financial and economic inclusion.

§ **The future annual payments of no less than £450,000** will fund projects that mitigate potential harmful social effects of the gambling and will also fund initiatives that achieve social, financial and economic inclusion priorities at that given time. The annual payment will also be utilised to fund any city centre management activities within the vicinity of the venue that may require additional resources owing to any casino related matters.

3.7 Allocating funds to anti-poverty initiatives provides a timely boost to the city's anti-poverty agenda at a time when ongoing and unprecedented funding cuts, the economic downturn and substantial reform to the welfare system are contributing to growing concerns about the social and economic exclusion of vulnerable citizens within the city. The establishment of the SIF will allow focussed investment on a range of potential initiatives to tackle such issues in the city.

- 3.8 Allocating future SIF moneys for mitigation measures, including to manage any issues within the vicinity of the casino, will help ensure that there is accessible funding to identify, understand, mitigate and eliminate any negative impacts that may arise from the operation of a large casino.
- 3.9 Executive Board is advised that the SIF will only be one way in which mitigation activities will be managed within the city. The evaluation process saw significant dialogue between GGV, officers from Public Health and a representative from the Financial Inclusion Steering Group. Commitments secured on social matters include:
- § The casino operator helping to put into place and funding a Leeds Responsible Gambling Forum.
 - § Establishing an Impact Committee to monitor the impacts arising from the large casino operations.
 - § A binding agreement that the casino will not deliver marketing campaigns that target the most deprived parts and residents of the city.
 - § The casino providing ongoing funding that will allow the council to deliver a robust and independent system of monitoring of the social impacts of the casino operations.
- 3.10 In addition, the operator is required to hold an operators licence from the Gambling Commission and this licence includes stringent measures to ensure any visitors gamble responsibly. This requires casinos to adhere to wide ranging measures that keep crime out of gambling; ensure gambling is conducted fairly and openly and protects children and vulnerable people from being harmed or exploited by gambling.
- 3.11 **Management of the Fund**
- 3.12 It is proposed that the day to day management of the Fund is undertaken by the Citizens and Communities directorate, as the directorate leads on both licensing and anti-poverty matters.
- 3.13 On a day to day basis, it is proposed that:
- § **A SIF administrator**, resourced from the Citizens and Communities directorate, administers the SIF and be a point of contact for stakeholders. This role would be required to oversee the process which will assess, allocate and contract manage funds provided to external organisations, monitor and report on outcomes achieved and produce an annual report. The administrator will also facilitate consultation with internal and external stakeholders so that priorities can be set and impacts of the casino operation are best understood.
 - § **An annual 'SIF' statement** is published and reported to Licensing Committee detailing how the SIF has been allocated, which projects received awards and how it achieved its objectives and created benefit for the Leeds Metropolitan area.

3.14 Officers from Citizens and Communities will work closely with the Leader, relevant Executive Members, area Lead Members and partners from across the city who have a close understanding of social and economic inclusion (in particular, health organisations and members of the Financial Inclusion Steering Group), in managing the fund and determining the priorities to be funded by the SIF.

3.15 **Availability of Funds**

3.16 It is proposed that external organisations will be able to apply for funds from the SIF. On mitigation activities, for example, it is highly likely that many activities may be better delivered by third sector organisations than the council, whilst there may be activities not delivered by the council that could significantly contribute to the achievement of economic and social inclusion.

3.17 It is, therefore, proposed that a transparent process for funding allocation is established. The criteria for funding will vary from year to year and will be linked to the initiative or priority the council is seeking to implement at that given time. However, any criteria must relate to the overarching principle of the fund being utilised for social and economic inclusion, and the criteria for the allocation of the annual payment should relate to mitigation activities.

3.18 In the context of continued budget cuts, it is not intended to create a complex and expensive layer of governance for fund allocation or to create a new function where effective arrangements already exist in the city. It would be the intention to utilise existing mechanisms to grant funds as deemed appropriate. This could involve third sector organisations allocating funds or LCC services granting funds. Which LCC services or organisations provide funding will be determined by the type of action or activity that the SIF intends to fund at a given time and will be explored in greater detail should Executive Board agree to this principle.

3.19 **Next Steps**

3.20 Should Executive Board agree to the principles set out above, it is proposed that the Assistant Chief Executive (Citizens and Communities) will, working with elected members and city partners, establish the SIF and collate recommendations for Executive Board on the specific initiatives that will be funded using the funds currently available. Activity will also take place to establish any processes for the granting of SIF moneys to external organisations and how the SIF will link into existing initiatives (such as those managed by the third sector).

3.21 In the medium term and prior to the casino opening, arrangements will be put into place by the Citizens and Communities directorate to monitor the impacts of the casino operation so that future funding priorities can be established.

4 **Corporate Considerations**

4.1 **Consultation and Engagement**

4.1.1 The proposal to utilise moneys to establish a SIF was included in the city's submission to government. The contents of the submission were shaped following wide ranging consultation with city partners in 2006. This consultation was

overseen by a Leeds Initiative Casino Task Group (whose members comprised the Chamber of Commerce, faith groups, the universities and Elected Members) and the submission to government received cross party support.

4.1.2 In 2011, the proposal to establish a SIF to support social and economic inclusion utilising finances generated by the licence was subject to a comprehensive three month public consultation exercise, as part of the wider Gambling Policy. Responsible authorities, organisations concerned with the social impact of gambling, MPs, parish councils, faith groups, the general public and all elected members were all invited to participate in the consultation. There were no objections to the funding received from the casino operator being used to fund a SIF.

4.1.3 There has been ongoing engagement with the Financial Inclusion Steering Group with regards to the casino process. The principles considered within this report have been shared with the Group (whose members include CAB, faith group representatives, health organisations and debt advice services). More detailed consultation will take place with this Group and the public as and when priorities are set for the allocation of SIF funding, particularly once the casino is operational in order to best understand any mitigation priorities which may require investment from the SIF.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An Equality and Diversity/ Cohesion and Integration screening has been completed on the proposals to form the SIF and is attached as an appendix. This highlights that the formation of the SIF can have positive impacts on local communities, particularly for socially and economically excluded citizens in the city. Citizens who may benefit positively from the SIF include low income households, whilst research has shown that lone parents (particularly female) and citizens with mental health problems are more likely to encounter financial exclusion.

4.3 Council policies and City Priorities

4.3.1 Establishment of a SIF will contribute positively to the city priority plan. It can contribute to 'all Leeds communities being successful' as the Fund will target social and economic exclusion within communities. It will also support aims of being the best city for health and wellbeing owing to the types of initiatives that will be funded by the SIF.

4.4 Resources and value for money

4.4.1 The SIF will be a fund in its own right within the council's budget. Finance officers have advised that under accountancy regulations no part of the payment will be classified as a capital receipt, as the council is not selling an asset. Rather, the council is receiving financial payments for granting a licence it has the powers to grant.

4.4.2 It is proposed that the SIF be treated as a revenue fund as an earmarked revenue reserve. Funding can then be drawn down as and when required. Budgeting in

this way will also ensure that funding is ringfenced for SIF activities. Funds from the SIF will be allocated and approvals sought for investments of SIF resources, in accordance with Financial Procedure Rules.

- 4.4.3 The Fund will attract an appropriate rate of interest, as determined by the Director of Resources, that is consistent with the Council's treasury management strategy. Allowing the fund to acquire interest will enable unspent moneys to grow accordingly.
- 4.4.4 In terms of staffing, the administration of the SIF will be undertaken by existing resources in the Citizens and Communities directorate and any administrative costs will be paid for from within the SIF.
- 4.4.5 In 2010, it was reported how the council's costs for running the casino competition process would be funded from any financial income received from the casino process. In light of this, the costs over the last three years of £200,000 will be funded from the up-front payment.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The casino operator is legally required under the terms of a 'Schedule 9' legal agreement attached to their licence to make financial payments to the council. There is no legal requirement, however, for the council to consult or seek approval from the casino operator on how or where the funds are allocated.
- 4.5.2 The proposals contained within this report are in accordance with the principles outlined in the Council approved *Gambling Policy*.

4.6 Risk Management

- 4.6.1 Executive Board is advised that there is a risk that should the casino operator not open a casino for whatever reason the annual payments may not be received. There will be some financial payments made to the council for non-delivery of benefits in order to mitigate this risk, whilst the up-front payment of £1m, is a non-refundable payment that will not be returned to the casino operator if the casino is not developed and/or operated.
- 4.6.2 With regards to the risk of legal challenges to the award of the licence from unsuccessful applicants, there were no challenges within the three month judicial review period following the grant of the licence.

5 Conclusions

- 5.1 The council has secured significant financial sums in granting a large casino licence. It has long been the intention to utilise the finances to establish a Social Inclusion Fund using these resources. In agreeing to establish a SIF and utilising it to finance anti-poverty initiatives will allow investment in activities that can help eliminate social and economic exclusion with the city. The fund being used to finance activities that mitigate against any harm of a large casino will also ensure that the city can take a proactive approach in ensuring social issues do not arise as a consequence of a new large casino operation.

6 Recommendations

6.1 Executive Board is requested to authorise:

- i) The establishment of the Social Inclusion Fund utilising moneys accrued by the council granting a large casino licence.
- ii) That the money received as the 'up-front payment' is invested in initiatives that support the city's anti-poverty priorities over the three year period prior to the opening of the casino and that annual payments be used to fund projects that both mitigate potential harmful social effects of the large casino and more general social inclusion priorities across the city.
- iii) That the Social Inclusion Fund is retained as a revenue reserve.
- iv) That the Licensing Committee receive an annual report on the nature of projects being supported by the Social Inclusion Fund.
- v) That the Assistant Chief Executive (Citizens and Communities) administers and oversees fund allocation and, following further engagement with elected members and city partners, presents a report to Executive Board setting out recommendations for specific activities that will be funded by the SIF and how the fund will link into other schemes and initiatives within the city.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.