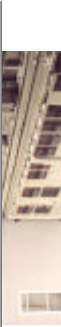
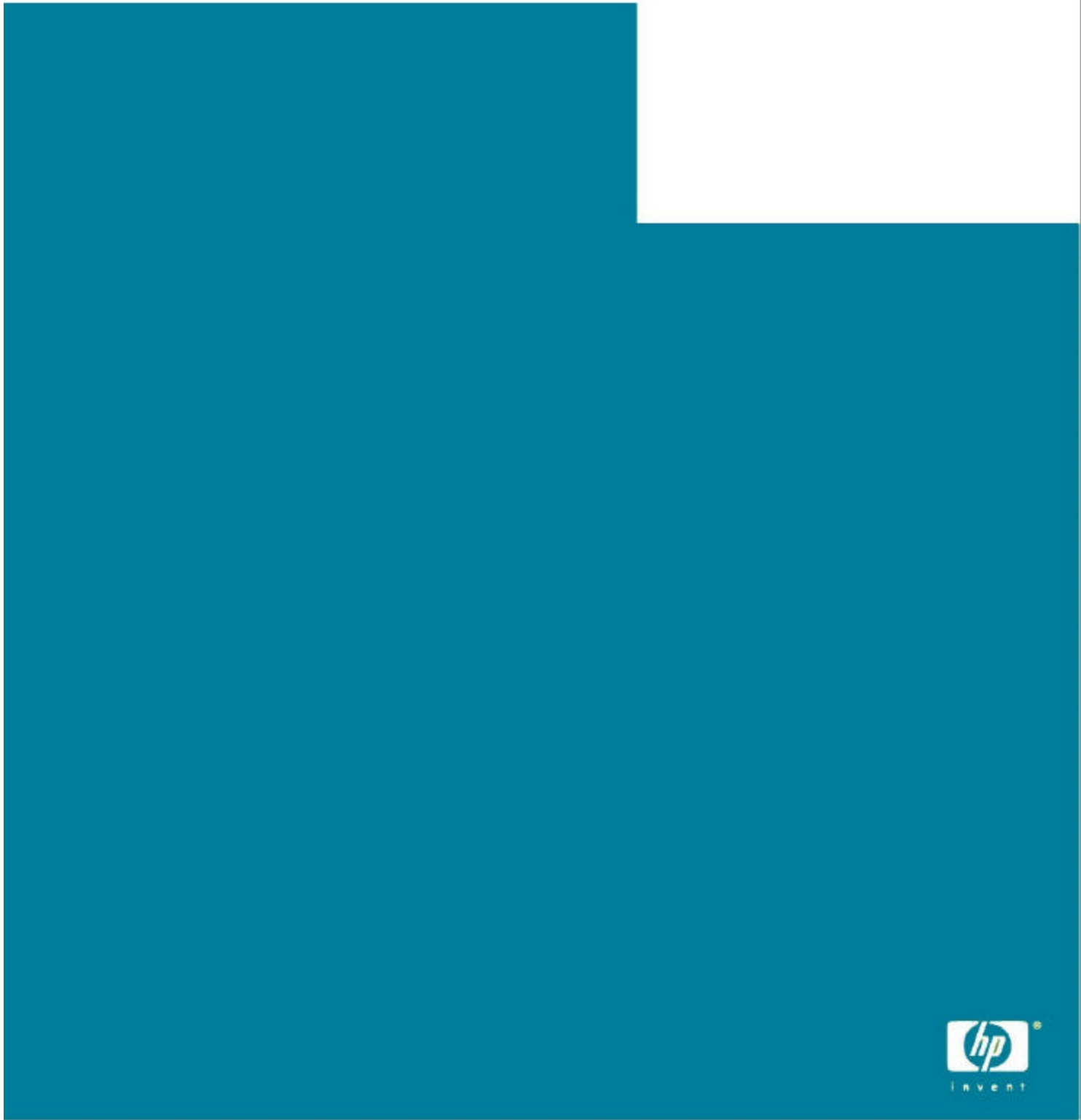




Gambling Commission



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Executive Summary

This report is intended to inform the Gambling Commission (the Commission) on key elements of the computation of the Problem Gambling Levy and the services the Ministry of Health (the Ministry) proposes to purchase to alleviate the impact of problem gambling at a population and individual level. It also supports the Commission's consultation process and the development of recommendations to Ministers.

Within this report we have analysed both the original Preventing and Minimising Gambling Harm 2007-2010 consultation document prepared by the Ministry and amendments to it notified by the Ministry to the Commission on 26 October 2006. We have based our recommendations on the Ministry's revised costings and forecasts.

The focus of the report has been on providing comment on the appropriateness and robustness of Component B – Client Presentations, Component C – service costings including the treatment of the under collection of the previous periods levy, and weightings W1 and W2. To provide a more rounded analysis we have also briefly commented on Component D.

The paragraphs below summarise our conclusions and recommendations on each of these Components.

Component B

The current presentation data is a simplistic proxy for the underlying harm of problem gambling. However the current data represents the best data available at this point. We suggest that further analysis is undertaken to demonstrate the relationship between gambling mode, number of presentations, elapsed time and duration of effort as a proxy for gambling harm. This will give a better understanding of whether the current use of presentation data misrepresents the underlying harm caused by each sector.

Based on the current data collection issues we concur that using only the face-to-face presentation data is the best currently available source of data for the Ministry to use to calculate Component B.

Using data for the period 1 July 2005 to 30 June 2006 poses some risks that the attribution to each gambling sector may not reflect the presentations that will actually occur in the period 2007 to 2010. As the formula for setting the levy has been prescribed in legislation there appears to be little scope to change this.

Moving forward we recommend that consideration should be given to:

- Standardising reporting methods and guidelines between data sources as this would better position the Ministry to consider widening the Component B data set in the future.
- Gathering additional data for website services given the significant increase in its usage to assist with the future analysis of the services effectiveness.
- The Ministry tracking and reporting presentation data to the sector on a more regular basis formula calculates.

Component C

From our analysis of Component C we believe the Ministry has determined the 2007-2010 costings based on:

- Knowledge of costings from actual costs within the 2004-2007 period.
- The assumption that services will continue to be delivered primarily as a stand-alone service but that consideration will also be given to integrating with other addiction services and primary health services where this provides a cost effective means of delivering intervention services.

- A strong public health focus that is aimed at decreasing the risk of problem gambling occurring and increasing the number of presentations amongst people who have problems with gambling.
- A purchasing model for intervention services that is largely input cost based but will over time be flexed to take more account more account of outputs.

The approach is largely consistent with the funding approach taken within the 2004-2007 period but there appears to have been a greater level of integration at the planning stage between public health and intervention services.

Based on our analysis we believe the current funding levels are based on providing a specified level of coverage that has been translated into input costs. There is not a clear link between need and the level of service being proposed and then the setting of appropriate funding levels. While we consider this a necessary approach given the current supplier structure and information available, we suggest investigating moving to a more output or outcome based purchasing approach that links more clearly to needs.

We also understand that there is an inherent difficulty in ring fencing problem gambling funding due to the co-morbidities that many gamblers suffer from. On balance we believe this is likely to favour the problem gambling funding position as these people are accessing other services such as mental health and drug and alcohol in resolving their problems. However as problem gambling services are provided on a stand-alone basis it is expected that significantly more administration and co-ordination costs are incurred than if a combined approach was undertaken. A more integrated purchasing approach across addiction services or primary health services would also assist in allowing the move to an output or outcome costing approach whilst ensuring sustainability and coverage.

Based on our analysis of the Ministry's propose funding for specific line items we conclude that:

- The amount allocated to the social marketing campaign seems high given the size of the population group being targeted. While we can not comment on whether the spend is cost competitive for the proposed approach, we do challenge the value that would be derived for the proposed \$4.2m expenditure on social marketing over the three year period. Consideration could perhaps be given to running a 'full' social marketing campaign in the first year and then a more scaled and targeted campaign in the following two years.
- An ambitious target of 17% has been set for reducing psychosocial intervention services. While in principle we believe this should be achievable the Ministry will need to begin detailed planning work immediately if it is to achieve these savings in full in the 2007 to 2010 period.
- The level of administration and development expenditure is high in relation to the total funding amount. The proportion is 10% of all funding for the three year period.
- The proposed level of expenditure on research is high given the number of people accessing the service and based on previous expenditure.

We also do not consider it appropriate to build in a contingency amount as there is not strong evidence to support the assumption that demand for services will grow substantially. Some growth should be able to be accommodated within current funding levels. Under a worst case scenario if growth was unexpectedly high any overrun in costs could be recovered in the subsequent levy period.

Further to the comments made above on specific line items of expenditure, we would make the observation that the total expenditure allocated to problem gambling appears high when compared to other health services. The Ministry should be encouraged to explore all avenues to deliver on the service plan within the funding level set even if demand increases. We believe that these should in fact be opportunities to reduce the 30% of costs not allocated to direct service delivery activities, particularly if the problem gambling service is run on a more integrated basis.

Component D

We undertook limited analysis of Component D as we were not privy to all supporting information and do not consider ourselves experts at forecasting gambling expenditure. However, based on our analysis we consider that it is critical to understand expenditure trends and to incorporate industry feedback on anticipated industry growth. This is particularly important given the differences between the last levy's forecast and actual figures in the 2004 to 2007 period. These differences are predominantly the cause of the current under-collection. To avoid a similar under (or over) collection occurring in next three years this data needs to be as accurate as possible.

Based on our limited analysis we recommend:

- More recent data is added to the analysis to give a better understanding of the trend in gambling expenditure. It is important to understand both the current downward trend seen in gaming machines (both casino and non-casino) and the expected growth in Lottery Commission expenditure due to the introduction of Big Wednesday.
- That DIA should consider incorporating a peer review process around its future work on forecasting gambling expenditure.
- That on an annual basis, DIA compares actual versus forecast expenditure by gambling sector and reports this to key stakeholders.
- The Commission advises Ministers that the rate of collection of the levy should be monitored and potentially adjusted during the three year term if the current negative growth is found to be a long-term shift rather than a short-term anomaly caused by the changes in legislation and has a significant impact on expenditure levels

Under collection of levy in previous period

Due to an anticipated under spend of budgeted costs (\$1.45 million) and a lower than forecast, actual gambling expenditure, there will be a total under collection of \$9.045 million that needs to be incorporated into the 2007-2010 levy.

The current proposition for allocating this under-collection is to add the under-collection to Component C. This is then allocated to each sector based on presentations, expenditure and the proposed weights as determined by the 2007-2010 components. This is consistent with what is prescribed in the legislation.

The Department of Internal Affairs (DIA) has also provided a separate analysis of what the "actual" proportions of this under-collection are, based on the actual and intended contributions for each sector in the 2004 to 2007 period. While this approach may directly attribute the over or under collected amount to the relevant sectors, the intended contribution calculation may inappropriately allocate costs between modes and is potentially counter to the underlying aim of the levy formula.

We recommend that either:

- Wash-up is calculated based on actual figures for all components and that this figure is used within the revised formula proposed by DIA. This will only be possible if it is legally possible to adjust the levy in this way; or
- The under-allocation is added directly to Component C as the Ministry has currently done in its consultation document. This approach also aligns with the current Gambling Act 2003.

Weights W1 and W2

The Ministry has proposed that the respective weightings should continue in the forthcoming levy period as W1 (expenditure) at 10% and W2 (presentations) at 90% thus providing a significant weighting towards presentations in setting the levy rate for each sector to reflect a focus on managing harm.

Based on our analysis of the levy calculation we agree that it is appropriate to skew the weighting towards presentations, however, we consider a 10:90 split to be too extreme given



the comparatively simplistic measure of presentation data currently being used and the considerable emphasis being placed by the Ministry on public health initiatives that are targeted at all gambling activities.

We support the Commission's previous recommendation of increasing the weight placed on expenditure. While there is no scientific basis available for calculating the weights, we propose at a minimum moving to a 20:80 split but that consideration should be given to changing the distribution to a 30:70 split.

1. Background

1.1 Basis for this Review

The Gambling Commission (the Commission) has requested the development of this report. It is intended to inform the Commission on key elements of the computation of the Problem Gambling Levy and the services the Ministry of Health (the Ministry) proposes to purchase to alleviate the impact of problem gambling at a population and individual level. It also supports the Commission's consultation process and the development of recommendations to Ministers.

Within this report we have analysed both the original Preventing and Minimising Gambling Harm 2007-2010 consultation document prepared by the Ministry and amendments to it notified by the Ministry to the Commission on 26 October 2006. We have based our recommendations on the Ministry's revised costings and forecasts. However, where appropriate we have referenced the original document to ensure consistency and to highlight changes. We have also taken into account the submissions received by the Ministry on the consultation document and the viewpoints discussed at the Commission's consultation meeting on the 17th November.

1.2 Limitations

This document has been developed to give the Commission an expert opinion on the Ministry's Problem Gambling Consultation document. The review was completed in a limited time period during which the Ministry was reviewing submissions and revising its Consultation document and the Department of Internal Affairs (DIA) was completing further gambling expenditure analysis. As a consequence, this document focuses on the most recently available information to provide sufficiently robust comment to the Commission.

This review is predicated on the accuracy of the information provided to the Commission from the Ministry and other sources. No independent assessment of accuracy of base data has been made. In particular, in reviewing the Ministry's proposed expenditure on problem gambling we have not been supplied with detailed analyses supporting the Ministry's calculations, for each item of expenditure but rather have focused our discussions on the principles underpinning the calculations.

It should also be noted that in developing our findings the focus has been on comparing trends between the 2004 to 2007 period and the 2007 to 2010 period. This is due primarily to the comparatively unique situation where a ring fenced level of funding is raised by the industry for a third party to purchase an agreed mix and level of services for a comparatively small group of people within the population.

The funding and provision of services are not directly linked and there are limited reporting obligations on the purchaser within the three year funding period. This makes it difficult to make comparisons between expenditure on reducing the harm arising from problem gambling with other addiction services or health services on anything more than a generic basis.

1.3 Report Structure

A calculation basis has been set for the problem gambling levy incorporating weighted factors for the level of gambling expenditure in the four gambling sectors and the number of presentations to problem gambling services. The levy calculation is specified in Section 320 of the Gambling Act 2003 as:

$$\text{Levy Rate} = \frac{((A \times W1) + (B \times W2)) \times C}{D}$$

Where:

- A Is the estimated current player expenditure in a sector divided by overall current player expenditure. These figures are computed by the IRD.
- B Is the customer presentations to problem gambling services that can be attributed to gambling in a sector divided by total customer presentations to problem gambling services.
- C Is the funding requirement for the period. This reflects a Ministry estimate of costs to the Government of implementing its strategy for the 2007-2010 period. This also includes the under-collection of monies for the 2004-2007 period.
- D Is the forecast player expenditure in a given sector for the 2007 – 2010 period. The Ministry has taken the advice of the DIA on these figures.
- W1 and W2 Weights, the sum of which is 1. The Ministry recommends that W1 should be 0.1 and W2 should be 0.9 i.e. the weighting is biased towards presentations in setting the levy rate for each sector to reflect the focus on managing harm.

This report provides an objective assessment of the data and information supporting the Ministry figures for each component.

The focus of the report is on determining for:

- Component B, whether the customer presentation figures, and the method for attributing presentations to particular sectors are reasonable.
- Component C, whether the projected requirements and the costing of the proposed programmes are reasonable.
- The weightings W1 and W2, whether the weightings are appropriate given forecast expenditure and underlying drivers of harm.

The report provides more limited information and comment on Components A and D as limited information is publicly available due to Inland Revenue privacy requirements.

The Commission's role is to advise Ministers on the total amount and rate of the levy for a three year period. The Commission does not have an ongoing role in reviewing the funding of services for the treatment and control of problem gambling but must form a preliminary view in advising on the total amount of the levy. The Ministry does not have reporting obligations to the Commission but it is recommended that it should provide ongoing updates (possibly on a six monthly basis) in order for the Commission to be better informed about issues that are being debated in the sector about aspects of the levy.

1.4 Report Status

Progress updates have been made to the Executive Director throughout the project and key findings have been discussed. This report brings together the findings from our work to date and is being tabled as a Final Report for review by the Commission. It should be noted that this report presents findings that, while informed by analysis and discussion with the Ministry, DIA and the Commission, are the views of Hewlett-Packard New Zealand.

2. Customer Presentations to Problem Gambling Services (Component B)

2.1 Component B Presentation Data

In calculating Component B of the Problem Gambling levy, the Ministry has used face-to-face presentations for the period 1 July 2005 to 30 June 2006. A summary of the data is presented below.

All clients primary mode used in 2007-2010 levy calculation

| Gambling mode | Primary Mode (All clients) | Client Split (%) | Levy Split (%) |
|----------------------------|-------------------------------|---------------------|-------------------|
| Non casino gaming machines | 2,418 | 70% | 74% |
| Casino | 589 | 17% | 18% |
| NZ Racing Board | 214 | 6% | 7% |
| Lotto/Keno/Scratchies | 52 | 2% | 2% |
| Housie / Other | 164 | 5% | |
| Total * | 3,437 | 100% | 100% |

*Note: Totals may not add due to rounding

These statistics are based on the number of problem gamblers presenting for intervention services. Each problem gambler receiving services counts as one presentation, regardless of whether they attend services once or multiple times. The primary mode classification has been taken from the earliest recorded episode of treatment for each problem gambler in 2005/06

This data has been extracted from the CLIC database using the following parameters:

- All agencies (inpatient and outpatient).
- All client types (gamblers and significant others).
- Total clients (new and existing etc).
- All clients including clients who initially present for a brief and early intervention but subsequently supply information required in the CLIC database.
- All records even if they lack date of birth, territorial locality code etc.

In determining Component B the Ministry has excluded around 5% of presentations where the primary gambling mode was housie or other.

The key questions addressed in considering this data have been:

- Should data other than face-to-face presentation data be included in calculating Component B?
- Will presentation trends impact the robustness of Component B sector proportions?
- How well does the presentation data represent harm in the sector?
- Is the methodology for allocating presentations to sectors robust?

Each of these areas is discussed further below. It should be noted that in its 2004 Report, the Commission raised a number of methodological issues in relation to Component B, including whether and the extent to which additional modes should be taken into account, and further assessment of what should comprise a presentation. While it would appear that data collection methods have improved over the current levy period, with more rigorous reporting requirements imposed on treatment providers, many of the issues relating to the use of presentation data for attributing utilisation of gambling services have not been addressed as outlined below.

2.2 Potential Component B Data

In considering what data could potentially be included in the Component B analysis the key source of information was the Problem Gambling Intervention Services Report which presents national statistics for the 2005 calendar year and previous years where the data is available. The publication is the second set of results published by the Public Health Intelligence Unit, since the Ministry took responsibility for the prevention and minimisation of gambling harm on 1 July 2004. Data for the previous seven years was collected by the Problem Gambling Committee (PGC), which was established in 1996. The information presented in this report represents the most up to date and comprehensive source of consistent time series data that is available.

The data has been collected from all problem gambling service providers. This includes the two national providers (the Problem Gambling Foundation of New Zealand and the Salvation Army's Oasis Centre for Problem Gambling), and regional and local providers. Regional and local providers include providers that specifically support Maori and Pacific peoples. Specific Asian services are provided solely through the Problem Gambling Foundation of New Zealand.

The data collected covers:

- Face-to-face interactions – this includes clients that attended a face-to-face appointment and assessment. It excludes people that contacted face-to-face problem gambling services on a one-off basis for information and advice. It also excludes statistics on the brief and early intervention services introduced in 2005; these statistics are expected to be included within 2006 results.
- Helpline statistics – this excludes the Asian Gambling Hotline as it is a separately operated service and currently does not have a computer database that can be analysed in detail. Dedicated services for the other ethnicities are included under the umbrella of the Gambling Helpline Ltd.
- Website statistics – this is limited and does not give information on mode, severity or type of client (e.g. gambler or significant other).

Although we consider the data collected from the Ministry to fairly represent the number of people attending problem gambling services within New Zealand it potentially excludes a number of people who either do not seek formal help or receive help that address their problem gambling via services for other addictions.

2.2.1 Face-to-Face Service Data

Face to face service data is the most comprehensive data collected. It is based on a wide range of questions allowing a greater depth of analysis in areas such as historical spending patterns prior to seeking counselling and subsequent improvements. The process is managed using a tool known as the South Oaks Gambling Screen adapted to the specific needs of problem gamblers. We have not sighted or evaluated this tool. Each service provider is supplied with computer software with which to manage the client interviews and capture the necessary data into the CLIC database. As previously noted this data is not subject to audit verification.

Data is collected using criteria that includes client details for:

- Age
- Gender
- Ethnicity
- Address
- Their primary mode of problem gambling
- Any additional problem gambling modes

The data shows a steady increase from 1999 until a peak in 2004 as shown in the table below. In 2005 there was a significant decrease in new presentations which has continued into the first half of 2006.

Face-to-Face intervention services: primary mode of problem gambling for gamblers, all clients

| Percentage by gambling mode | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|
| Total – All Clients | 1,272 | 1,688 | 2,045 | 2,546 | 2,989 | 3,268 | 2,818 |
| Non-Casino gaming machines | 60% | 66% | 70% | 74% | 76% | 78% | 74% |
| Casino gaming machines | 16% | 13% | 13% | 12% | 11% | 9% | 9% |
| Casino tables | 7% | 6% | 5% | 5% | 4% | 5% | 6% |
| Track betting | 15% | 12% | 9% | 8% | 5% | 5% | 5% |
| Sports betting | 1% | 1% | 0% | 1% | 1% | 1% | 1% |
| Lotto / Keno / Scratchies | 0% | 1% | 0% | 1% | 1% | 1% | 2% |
| Housie | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Total * | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

*Note: Totals may not add due to rounding

The proportion of presentation attributable to each gambling mode has been slowly changing over the period, but the ranking of gambling modes has remained consistent since 2003 with Non-Casino Gaming Machines being the most common primary mode reported.

2.2.2 Problem Gambling Helpline Data

Data for the Gambling Helpline services is not captured to the same level of detail as the face-to-face counselling presentations and hence more limited analysis of it can be undertaken.

From 1999 to 2002 the number of people contacting the helpline increased, but subsequently there has been a decline each year in the number of helpline calls.

Helpline intervention services: primary mode of problem gambling for gamblers, new clients¹

| Percentage by gambling mode | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------------------|------|------|------|------|------|------|------|
| Total – New Clients | 1921 | 1896 | 2017 | 2258 | 2187 | 1878 | 1264 |
| Non-Casino gaming machines | 65% | 73% | 82% | 81% | 84% | 83% | 79% |
| Casino gaming machines | 13% | 13% | 8% | 10% | 8% | 7% | 9% |
| Casino tables | 4% | 4% | 3% | 3% | 2% | 4% | 4% |
| Track betting | 13% | 8% | 6% | 4% | 4% | 4% | 5% |
| Sports betting | 1% | 0% | 0% | 1% | 1% | 0% | 1% |
| Lotto / Keno / Scratchies | 1% | 0% | 1% | 0% | 1% | 0% | 1% |
| Housie | 1% | 0% | 0% | 0% | 0% | 0% | 0% |
| Internet | 0% | 0% | 0% | 0% | 0% | 1% | 0% |
| Cards | 1% | 0% | 0% | 0% | 0% | 0% | 0% |
| Other and multiple | 1% | 0% | 0% | 1% | 0% | 1% | 1% |
| Total* | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

*Note: Totals may not add due to rounding

This Helpline data has not been included in Component B but we do not believe this to be an issue as a comparison of the Helpline and face-to-face figures suggests that there is a comparable makeup of gamblers accessing both services. Therefore excluding the Helpline figures should not significantly affect the proportion (i.e. percentage) of gamblers attributable to each problem gambling mode.

Further it is estimated that around 20% of callers subsequently access a face-to-face service so there may in fact be some double counting data issues to resolve if this additional data was included.

¹ New clients has been used as information on all clients is not readily available.

2.2.3 Problem Gambling Website Data

The Gambling Helpline figures also include details on website statistics which have been steadily increasing since its inception in 2004. The website includes a recently installed discussion board which may partly explain the drop in information packs distributed to clients and potentially the number of calls to the Helpline.

Website statistics

| Website statistics | 2004 | 2005 | % Increase |
|---|--------|---------|------------|
| Visits per visitor | 2.98 | 2.62 | -12% |
| Visitors per day | 55 | 106.1 | 93% |
| Visits per day | 164.1 | 277.5 | 69% |
| Talking Point Postings (discussion board) | | 2,171 | |
| Visits to home page | 6,095 | 10,849 | 78% |
| Visitor email addresses | 20,132 | 38,726 | 92% |
| Total visits | 60,777 | 101,290 | 67% |

This data is also excluded from the Component B calculation. It is not possible to incorporate it at this stage as no information about the individual is collected which means no analysis by gambling mode can be undertaken. Given the growth in use of the website, it would be useful to gather additional information to help with the analysis of service, utilisation and effectiveness.

Based on the current data collections issues we concur that using only the face-to-face presentation data is the best currently available source of data for the Ministry to use to calculate Component B.

Moving forward we recommend that consideration should be given to:

- Standardising reporting methods and guidelines between data sources as this would better position the Ministry to consider widening the Component B data set in the future
- Gathering additional data for website services given the significant increase in its usage to assist with the future analysis of the services effectiveness

2.3 Presentation Trends

Over the past levy period there has been a considerable change in gambling behaviour brought about by legislative measures such as the smoke free changes, gaming machine requirements and addition of new products such as Big Wednesday in October 2005. It is likely that the decreases in gambling expenditure and problem gambling presentations in the non-casino casino gaming machines and casinos are driven by these changes. However, it is not clear if this is a sustainable or just a short-term change.

Information from the Lotteries Commission Annual report suggest a significant increase in lottery expenditure (20%), due to a number of jackpots and the introduction of Big Wednesday in October 2005. However it is unclear how this will translate into presentations to problem gambling services.

The marked decrease in face-to-face presentations that has occurred in the last 18 months is one of the significant changes that has occurred over the last three years, that was not predicted at the time of preparing the Commission's previous recommendations.

Analysis of the most recently available data from the Ministry shows that there has been around a 20% decline in face-to-face presentations between the first half of the year in 2005 and in 2006.

Face-to-face presentation for all clients 2005 to 2006

| Description | 1st half 2005 | 1st half 2006 | % change |
|-----------------------------------|---------------|---------------|----------|
| Total Clients (all Service users) | 2,566 | 2,076 | -19% |
| Total Clients (Gamblers only) | 1,948 | 1,584 | -19% |
| New clients | 1,449 | 1,104 | -24% |
| New Gambler Clients | 1,010 | 794 | -21% |

The most significant drop has been in the use of non casino gaming machines as outlined below. Note that the table below shows only clients who have recorded a primary gambling mode, and consequently does not total to the total number of service users above which includes all clients regardless of whether or not they cited a primary gambling mode.

Face-to-face presentation for all clients citing a primary gambling mode

| | Number of clients | | | Proportion | |
|------------------------------|-------------------|---------------|----------|---------------|---------------|
| | 1st half 2005 | 1st half 2006 | % change | 1st half 2005 | 1st half 2006 |
| Non-Casino Gaming Machines | 1,470 | 1,149 | -22% | 74.9% | 68.1% |
| Casino Gaming Machines | 170 | 251 | 48% | 8.7% | 14.9% |
| Casino | 115 | 113 | -2% | 5.9% | 6.7% |
| Track (TAB) | 102 | 76 | -25% | 5.2% | 4.5% |
| Other gambling e.g. Internet | 48 | 49 | 2% | 2.4% | 2.9% |
| Sports Betting | 29 | 24 | -17% | 1.5% | 1.4% |
| Lotto Products | 22 | 20 | -9% | 1.2% | 1.2% |
| Housie | 7 | 4 | -43% | 0.4% | 0.2% |
| | 1,963 | 1,686 | -14% | 100.2% | 100.0% |

As a consequence, while non casino gaming machines remains the primary problem gambling mode, casino gambling now accounts for over 20% of face-to-face presentations. If presentations figures continue with such a trend where some sectors have increasing presentations while others are decreasing, figures used in Component B may not accurately reflect the proportion of harm attributable to each sector. This may lead to an inappropriate allocation of costs to each sector.

This is an issue where the levy rate is set for the period 1 July 2007 to 30 June 2010, based on presentation data for a 12-month period from 1 July 2005 to 30 June 2006. Given the need to consult with the sector in advance of the levy being set, this is an issue that is hard to avoid. It reinforces the importance of using the most recently available presentation data and reviewing presentation data during the three year levy period.

The significant drop in face-to-face presentations and the uncertainty about whether this trend will continue, stabilise or reverse, reinforces the need to use the most recently available presentation data in the calculation of Component B.

Using data for the period 1 July 2005 to 30 June 2006 poses some risks that the attribution to each gambling sector may not reflect the presentations that will actually occur in the period 2007 to 2010. As the formula for setting the levy has been prescribed in legislation there appears to be little scope for changing this.

We recommend that the Ministry continues to track and report presentation data to the sector and that the Ministry uses the most recently available information in all levy formula calculations.

2.4 Measurement of Underlying Harm

The face-to-face presentation data shows the number of problem gamblers accessing problem gambling services.

The table below shows major differences in gambling losses between ethnicities. Of particular note is the large proportion of total losses (35%) attributed to Asian peoples relative to the comparatively low proportion of clients (6%). This data suggests that different ethnicities may present with different issues and that way services are delivered may need to recognise these differences.

Gambling losses by ethnicity

| Ethnicity | Mean | Median | Std Deviation | Total Lost | Number of Clients | % of clients | % of losses |
|----------------------|----------|---------|---------------|-------------|-------------------|--------------|-------------|
| NZ European / Pakeha | \$1,949 | \$900 | \$4,416 | \$1,446,063 | 742 | 52% | 37% |
| Maori | \$1,429 | \$700 | \$3,099 | \$573,125 | 401 | 28% | 15% |
| Pacific peoples | \$1,358 | \$600 | \$2,044 | \$119,479 | 88 | 6% | 3% |
| Asian peoples | \$15,930 | \$4,050 | \$37,828 | \$1,369,983 | 86 | 6% | 35% |
| Other | \$3,654 | \$1,460 | \$7,095 | \$365,360 | 100 | 7% | 9% |

The data also shows a large variation in amount lost for different gambling modes. However it is unclear how “amount lost” inter-relates to harm and amount of harm incurred or services required.

Gambling losses by gambling mode

| Gambling mode | Mean | Median | Std Deviation | Total Lost | Number of Clients | % of clients | % of losses |
|----------------------------|----------|---------|---------------|-------------|-------------------|--------------|-------------|
| Non-casino gaming machines | \$1,778 | \$868 | \$4,204 | \$1,874,139 | 1,054 | 74% | 48% |
| Casino gaming machines | \$4,684 | \$1,545 | \$11,518 | \$627,621 | 134 | 9% | 16% |
| Casino tables | \$12,451 | \$3,300 | \$33,604 | \$1,282,450 | 103 | 7% | 33% |
| Track | \$1,196 | \$560 | \$1,484 | \$94,451 | 79 | 6% | 2% |
| Sports betting | \$1,953 | \$550 | \$3,621 | \$33,205 | 17 | 1% | 1% |
| Lotto/Keno/scratchies | \$502 | \$70 | \$1,538 | \$9,543 | 19 | 1% | 0% |
| Housie | \$191 | \$90 | \$181 | \$574 | 3 | 0% | 0% |
| Other gambling | \$961 | \$400 | \$1,464 | \$21,145 | 22 | 2% | 1% |

While amount lost may contribute to the magnitude of harm, without additional information it is difficult to understand what the relationship between amount lost and harm is. Therefore we do not see how, at this stage, this data could be used to supplement the presentation data used to calculate Component B.

2.5 Allocation of Presentations to Sectors

The key issues that we see arising with the current allocation method include:

- The allocation excludes gambling modes not included within the legislation.
- The allocation combines commercial and non-commercial non-casino gaming machines that may not have a consistent pattern of presentations
- The allocation is based solely on face-to-face interventions. Data from the helpline and website are excluded.
- The allocation does not consider secondary gambling modes.
- The allocation does not consider differential use of face-to-face services.

Each of these issues is discussed in turn below.

2.5.1 Exclusion of Some Gambling Modes

The legislation does not provide for "Housie" and "Other" categories to be subject to the levy and so the computation of the levy is based on the remaining categories, comprising around 95-97% of the total, depending on the time period being analysed. Given the comparatively small amount of presentations excluded we consider the current allocation process to be appropriate.

2.5.2 Blending of Commercial and Non-Commercial Non-Casino Gaming Machines

The submission from Clubs New Zealand Limited ("Clubs") suggests that their members who operate non-commercial non-casino gaming machines should be separated from commercial non-casino gaming machine operates within the levy calculation. They propose the separation based on evidence, although reasonably limited, that suggests that expenditure and presentations from the clubs sector are less than that for the commercial gaming operators. In particular it relies on an October 2006 report prepared by Problem Gambling Foundation for Clubs, which concludes first, that although clubs own 20.7% of NCGM, club patrons account for only 13% of gambling expenditure, and secondly, that presentations identified from clubs are significantly less than from commercial NCGM venues. The data collected relates to a limited sample, but nevertheless supports the arguments made by Clubs.

We recommend that in the 2007 – 2010 period additional data is collected to determine whether there is value in identifying clubs as a separate gambling sector in the following levy period. It is our understanding that this change can be accommodated within the Act although it should be noted that this may create a precedent that other organisations may try to follow. Some changes would also be required to current data collection processes to ensure that Clubs data is identifiable and accurately captured. Our understanding is that this can be achieved without requiring any major IT changes.

2.5.3 Exclusion of Helpline and Website Data

The Component B calculator data is based on face-to-face interventions only, meaning data for contacts made via the website and Helpline are excluded. We are unable to do detailed analysis on the website contacts but have analysed the impact of including the number of new clients through the Helpline channel. The table below outlines the proportion differences and the overall impact on the levy.

Face-to-face and Helpline presentations

| | Face-to-face presentations (Figures used within levy calculations) | Sector Share | Helpline presentations (2005 new clients) | Sector share |
|----------------------|---|--------------|--|--------------|
| NCGM | 2,418 | 73.9% | 994 | 79.4% |
| Casinos | 589 | 18.0% | 170 | 13.6% |
| NZ Racing Board | 214 | 6.5% | 80 | 6.4% |
| Lotteries Commission | 52 | 1.6% | 8 | 0.6% |
| | 3,273 | 100.0% | 1,252 | 100.0% |

The percentages between the data from the Helpline and the face-to-face services suggest that the presentation patterns of the two sources are consistent.

This combined with the fact that a proportion of gamblers who contact the Helpline are also included within the face-to-face service statistics suggests that inclusion of Helpline figures in the presentation statistics would not increase the accuracy of the levy calculation. In fact the duplication of gamblers between the two datasets would require careful analysis to ensure that double counting of clients was avoided.

We therefore agree that the Ministry's approach of using face-to-face presentations only is acceptable given the limitations with other datasets is appropriate.

2.5.4 Exclusion of Secondary Gambling Modes

The data for additional mode is limited with only one in five clients identifying an additional mode. The data for 2005 is consistent with that of previous years with casino gaming machines the most frequently cited additional mode (31.8%) followed by Lotto / Keno / Scratchies (21.4%) and non-casino gaming machines (13.7%). It is unclear how secondary gambling modes increase harm or impact the support required. It is also unclear how other gambling modes have impacted on the client's need to seek help. For example a client may have been drawn to gambling via track betting, but only established a problem when they began gambling at the casino.

We agree with DIA and the previous Medilink report that due to the small sample of clients providing additional mode information it would be difficult to accurately incorporate into the levy calculation. Furthermore, before a secondary mode was incorporated into the formula, it would be important to establish a causal link so that appropriate weightings could be applied to the primary and secondary modes.

We therefore suggest that the Ministry should consider gathering information on additional modes in the future so that this can be further analysed to determine whether there is value in incorporating secondary mode data in future levy calculations.

2.5.5 Exclusion of Differential Service Utilisation

The face-to-face presentation data that is used in calculating the levy is a count of problem gamblers and significant others who access Psychosocial services. Each problem gambler receiving services counts as one presentation regardless of whether they attend services once or multiple times.

In trying to assess the level of harm incurred it may be useful to have a better understanding of, the number of times a client attends, the duration of treatment sessions and the elapsed time over which services are provided. While care clearly needs to be applied in establishing whether there is a robust link between use and number of gamblers seeking help, we recommend that the Ministry begins to analyse this utilisation data for possible inclusion in future levy calculations.

We recommend that the Ministry begins to analyse a broader range of data elements that one linked to face-to-face presentations to determine whether in future data elements such as number of sessions attended, time per client should in anyway be incorporated into the calculation of Component B.

3. Calculation of the Funding Requirement (Component C)

3.1 Approach for Setting Funding Level

In reviewing the Ministry's proposed expenditure on problem gambling we have not been supplied with detailed analyses supporting the Ministry's calculations but have met with officials to discuss the overall approach adopted and the assumptions underpinning the key line items of expenditure. Their overall approach to funding has been very much a "top down" approach to estimating costs informed in part by the existing figures for contracts and experience gained during the 2004-2007 period.

In summary we understand the approach to be based on:

- Knowledge of costings from actual costs within the 2004-2007 period.
- The assumption that services will continue to be delivered primarily as a stand-alone service but that consideration will also be given to integrating with other addiction services where this provides a cost effective means of delivering intervention services.
- A strong public health focus that is aimed at decreasing the risk of problem gambling occurring and increasing the number of presentations amongst people who have problems with gambling.
- A purchasing model for intervention services that is largely input cost based but will over time be flexed to take more account more account of outputs.

The approach is largely consistent with the funding approach taken within the 2004-2007 period but there appears to have been a greater level of integration at the planning stage between public health and intervention services.

3.2 Overview of Funding

Initial high level analyses of costs show some significant shifts between the current funding period and the 2007-2010 period in terms of:

- The proportion of costs falling into public health, intervention and administration services.
- The overall level of proposed expenditure.

3.2.1 Funding Proportions

The Ministry allocates its costs into three broad categories, Public Health costs, Intervention Services costs and Research costs. Within each of these categories however there is a mix of:

- Direct delivery costs.
- Marketing costs.
- Research costs.
- Programme evaluation costs.
- Co-ordination, administration and operating costs.

In order to better understand the overall level of costs going into 'service delivery' and 'overheads' we have categorised the Ministry's costs over the two, three time periods into these five cost categories. Appendix A outlines how these costs have been established.

Analysis of expenditure of category

| | 2003/04 - 2006/07 | | 2007/08 – 2009/10 | |
|---|------------------------------|---------------------|------------------------------|---------------------|
| | Total costs (\$000) Excl GST | Proportion of costs | Total costs (\$000) Excl GST | Proportion of costs |
| Direct delivery costs | 37,443 | 79.7% | 41,023 | 70.5% |
| Marketing costs | 2,490 | 5.3% | 4,779 | 8.2% |
| Research costs | 2,493 | 5.3% | 5,884 | 10.1% |
| Programme evaluation | 178 | 0.4% | 1,050 | 1.8% |
| Co-ordination, Administration and Operating Costs | 4,398 | 9.4% | 5,631 | 9.3% |
| Total* | 47,002 | 100% | 58,167 | 100% |

Note: Total may not add due to rounding

The table shows that Ministry is proposing to allocate only 70% of its costs in the future to direct delivery costs as compared to 80% in the previous period. Coordination, administration and operating costs as a proportion of total costs is projected to stay comparatively constant with the key increases being in marketing costs, research costs, and programme evaluations.

The lower proportion of costs being allocated to direct service delivery costs is of concern as we concur with the previous Medilink report that this is well below what is generally the case elsewhere in the sector. While we recognise that the Ministry is a comparatively new purchaser of problem gambling services we consider allocating 12% of expenditure to research and evaluation to be above what might reasonably be expected.

Benchmarking of costs is always problematic but where a narrow definition of administration is adopted, costs in the sector more typically run at between 3 - 5%, with a wider definition of overhead costs (which would include marketing, research, and programme evaluation) more typically taking this up to around 8-15%. While it would be challenging for these benchmarks to be met for problem gambling as it is a comparatively small service that is being operated on a stand alone basis, the difference from these benchmarks suggests that it is appropriate to challenge the level of spending in these areas.

It should also be noted that the costs identified above for marketing, research, evaluation and administration only reflect the costs that the Ministry is allocating to these services. Within each of the service provider contracts for direct service delivery there will be some additional costs of this nature. While this is to be expected, there is currently no way of identifying what proportion of costs in total are in effect overheads.

We therefore recommend that the Ministry should explore ways to reduce the proportion of costs allocated to research, evaluation, co-ordination, administration and operating costs. This would then leave the option of reducing the levy or purchasing additional direct delivery services.

3.2.2 Funding for Maori, Pacific, Asian and Mainstream

While the Ministry previously tracked expenditure on initiatives that were directly targeting Maori, Pacific Island peoples and Asians, it no longer formally tracks funding in this way. However, in response to a specific question for this information the following data was supplied.

Problem Gambling spend based on Maori, Pacific or Mainstream for Primary Prevention, Helpline and Psychosocial Interventions and Support services based on 2004/05 and 2005/06 actual expenditure

| Maori, Pacific or Mainstream | Actual | Percentage |
|------------------------------|------------|------------|
| Maori | 6,594,982 | 28.0 |
| Pacific | 1,727,793 | 7.3 |
| Mainstream | 15,190,671 | 64.6 |
| Total | 23,513,446 | 100.0 |

The Ministry considers that this information represents only a very broad indication of funding that is being directed to different groups as it has been derived by assuming that all funding under a contract with a Maori provider is for Maori and that all funding under a mainstream contact is for the mainstream population. Clearly this will not be the case as some Maori will attend mainstream providers and vice versa.

3.2.3 Funding Trends

The table below outlines the costs and trends for the high level categories of funding.

Proposed allocation of strategy expenditure

| | 2007/08 (\$000) Excl GST | 2008/09 (\$000) Excl GST | 2009/10 (\$000) Excl GST | Change between 06/07 and 07/08 | Increase 3 years 04/05-06/07 & 07/08-09/10 | Increase between 07/08 and 09/10 |
|------------------------------------|--------------------------------|--------------------------------|--------------------------------|---|--|---|
| Public health services | 5,653 | 5,810 | 6,270 | -0.67% | 40.5% | 10.9% |
| Intervention services | 10,184 | 10,480 | 10,634 | -9.5% | 4.9% | 4.4% |
| Research contracts | 2,200 | 2,200 | 1,400 | 22.7% | 137.5% | -36.4% |
| Public health operating | 475 | 689 | 504 | 32.9% | 55.6% | 6.1% |
| Intervention services operating | 475 | 689 | 504 | 39.5% | 63.3% | 6.1% |
| Total | 18,937 | 19,868 | 19,312 | -2.6% | 23.8% | 1.7% |

Note: Total may not add due to rounding

In reviewing trends within the costings we have analysed:

- Forecast actual costs for the 2004-2007 period and forecast costs for the 2007-2010 period to highlight total differences in costs for the two periods. It should be noted that the two periods are not directly comparable as services have been gearing up in the current period with the development of new providers and the purchasing of new services.
- 2006/07 forecast actual costs and 2007/08 forecast costs to show differences between actual and forecast costs from the last year in the current period to the first year in the new period. This should largely eliminate concerns about anomalies that could potentially be attributed to an establishment phase.
- Forecast costs for 2007/08 and 2009/10 to show the proposed trend within the levy period.

The most significant percentage change in costs have occurred within the Research area where funding is being included for a gaming survey and clinical trial. In addition the base research fund is being maintained at the 2006/07 level which had been built up in the previous two years.

Each of these areas of expenditure is discussed further below.

3.2.4 Public Health Services

In total the Ministry is proposing to spend \$19.4 million (excluding GST) over the period 2007/2010 which is a 43% increase over the previous levy period. The proposed allocation of costs is summarised below.

Proposed allocation of public health services expenditure

| | 2007/08 (\$000) Excl GST | 2008/09 (\$000) Excl GST | 2009/10 (\$000) Excl GST | Increase 2007/08 on 2006/07 | Increase 3 years 04/05- 06/07 & 07/08-09/10 | Increase 2009/10 on 2007/08 |
|---------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------------|--|-----------------------------------|
| Public Health | | | | | | |
| Generic services funding | 3,575 | 3,682 | 3,792 | 3.0% | 19.1% | 6.1% |
| Workforce training | 120 | 120 | 120 | -22.6% | 15.4% | 0.0% |
| Social marketing media campaign | 1,373 | 1,415 | 1,457 | -5.6% | 145.4% | 6.1% |
| Resources | 178 | 178 | 178 | -27.3% | -29.7% | 0.0% |
| Behaviour change indicators | 0 | 0 | 450 | -100.0% | 153.1% | |
| National co-ordination services | 230 | 237 | 244 | 7.0% | 114.7% | 6.10% |
| Conference Support | 27 | 28 | 29 | 3.8% | 64.7% | 7.4% |
| Evaluation | 150 | 150 | 0 | NEW | NEW | -100.0% |
| Sub total | 5,653 | 5,810 | 6,270 | -1.6% | 40.3% | 10.9% |
| Total operational budget | 475 | 689 | 504 | 32.9% | 55.6% | 6.1% |
| Total | 6,128 | 6,499 | 6,774 | 0.4% | 41.5% | 10.5% |

Note: Total may not add due to rounding

Public health services in total have decreased from 2006/07 to 2007/08 due primarily to decreases in workforce training, and resources and also because the behaviour change indicators survey that will be completed in 2005/06 will not be repeated until 2009/10.

On a straight line-by-line basis, the proposed expenditure increases relative to the previous period do not seem unreasonable changes for a number of public health items if you assume that whatever services are being provided in 2005/06 should continue. Where the line items are services that are directly resource related, the Ministry has applied Future Funding Track (FFT) pricing assumptions. Where it is more of a project type initiative, FFT has not been applied. (For example FFT is applied to the social marketing campaign but not workforce training or resources). Future Funding Track inflation is a 'standard' which the Ministry has applied in the sector as an agreed benchmark for inflating prices with providers.

We do however question for a number of line items whether a consistent public health expenditure profile is required. For example:

- We note that expenditure on workforce development has decreased between 2005/06 and 2006/07 but it then remains constant. Given that at that stage it will be the fifth year of the current purchasing model we are not sure that this level of investment is still required.
- We should make a similar observation for national co-ordination services which are targeted at improving communication and co-ordination among agencies involved in preventing and minimising gambling harm.

We also challenge whether it is appropriate to make such a significant investment in social marketing. The cost estimate has been derived from the recent "Like Minds, Like Mine" campaign and incorporates both development and "running" costs. The intention is to start with broad messages and then refine and refresh messages each year. While we can not comment

on whether the spend is cost competitive for the proposed approach, we do challenge the value that would be derived for the proposed \$4.2m expenditure on social marketing over the three year period. Consideration could perhaps be given to running a ‘full’ social marketing campaign in the first year and then a more scaled and targeted campaign in the following two years.

We also note that although the expenditure will not occur until 2009/10, the cost of delivering the behaviour change indicators work has also been increased in the Ministry’s revised figures to better reflect the current costs of the survey work being undertaken this year. The costs are higher as both the questions included in the survey and the size of the sample has been increased to improve the statistical significance of the survey results. While this may be appropriate we feel that a second iteration of this work should be significantly less than the baseline due to efficiencies and re-use of work and knowledge. At this stage, there may also be an opportunity to narrow the focus of the work to questions which are material.

Significant increases have also been incorporated into the public health operating costs. While some of this can be explained by the inclusion of an audit in 2008/09, it is unclear if these costs are a duplicate of costs already included within the operating costs funding. The notes to the funding revisions outline that the increases “allow for more resourcing for contract management and monitoring, data analysis and aligning the problem gambling information system with Ministry databases”.

In discussions with the Ministry, they indicated that the Ministry had been under resourced during the current levy period and as a consequence had not completed all the work it had proposed to complete. While this may well be the case, given the already high proportion of overhead costs, we recommend that the Ministry explores other ways of delivering on its work agenda within the current funding envelope.

3.2.5 Intervention Services

The Ministry is proposing to spend \$33.0 on intervention services in the 2007-2010 period which is a 4.5% increase over the current period.

Proposed allocation of intervention services expenditure

| | 2007/08 (\$000) Excl GST | 2008/09 (\$000) Excl GST | 2009/10 (\$000) Excl GST | Increase 2007/08 on 2006/07 | Increase 3 years 2003-2006 on 2007- 20010 | Increase 2009/10 on 2007/08 |
|---|--------------------------------|--------------------------------|--------------------------------|-----------------------------------|---|-----------------------------------|
| Help line | 1,465 | 1,509 | 1,554 | 3.0% | 10.7% | 6.1% |
| Psychosocial interventions and support | 7,484 | 7,709 | 7,940 | -17.2% | -3.9% | 6.1% |
| Contingency | 748 | 771 | 794 | NEW | NEW | 6.1% |
| PG information system | 137 | 141 | 146 | 3.3% | 44.9% | 6.5% |
| Workforce development | 200 | 200 | 200 | -69.7% | -56.2% | 0.0% |
| Evaluation | 150 | 150 | 0 | NEW | NEW | -100.0% |
| Sub total | 10,184 | 10,480 | 10,634 | -9.5% | 4.9% | 4.4% |
| Total operational budget | 475 | 689 | 504 | 39.5% | 63.3% | 6.1% |
| Total | 10,659 | 11,169 | 11,138 | -8.0% | 6.9% | 4.4% |

The provision of intervention services in total does however decrease from 2006/07 to 2007/08 due to decreases in psychosocial interventions and support and workforce development.

As was the case with the public health services on a straight line by line basis the proposed expenditure increases relative to the previous period do not seem unreasonable changes for a number of Intervention Services if you assume that whatever services are being provided in 2005/06 should continue.

We question for a number of line items whether the funding levels are appropriate. For example:

- We note that expenditure on workforce development has decreased between 2005/06 and 2006/07 but it then remains constant. Given that at that stage it will be the fifth year of the current purchasing model we are not sure that this level of investment is still required.
- We should make a similar observation for PG information systems and evaluation.

The most significant line item of expenditure is psychosocial interventions. In the initial consultation paper, the Ministry proposed increasing funding for these services.

There has been a significant amount of public challenge which has called into question whether some providers are being over-funded relative the interventions they are providing.

Ministry estimates of service utilisation and cost per user

| | 2005/2006 Services Users | Intervention Services Funding 2005/2006 | Cost per user |
|-------------------------------------|--------------------------|---|---------------|
| Problem Gambling Foundation of NZ | 3,590 | 3,399,268 | 947 |
| The Salvation Army NZ Trust | 1,869 | 1,473,700 | 788 |
| Te Rangihaeata Oranga | 239 | 584,040 | 2,444 |
| Hauora Waikato Maori Mental Health | 293 | 435,488 | 1,486 |
| Te Kahui Hauora Trust | 70 | 357,412 | 5,106 |
| Woodlands Trust | 212 | 163,352 | 771 |
| He Oranga Pounamu Charitable Trust | 93 | 185,200 | 1,991 |
| Hapai Te Hauora Tapui | 7 | 17,220 | 2,460 |
| Odyssey House Trust | 54 | 158,952 | 2,944 |
| Te Whanau o Waipareira Trust | 13 | 186,976 | 14,383 |
| Pacific Peoples Addiction Service | 8 | 143,160 | 17,895 |
| Nga Manga Puriri Trust | 30 | 142,156 | 4,739 |
| Ngati Porou Hauora | 70 | 160,500 | 2,293 |
| Pacificare Trust | 18 | 99,700 | 5,539 |
| Te Runanga O Toa Rangatira | 23 | 126,100 | 5,483 |
| Best Care Whakapai Hauora | 75 | 96,100 | 1,281 |
| Tui Ora Trust | 12 | 96,112 | 8,009 |
| Waikato DHB | 51 | 301,356 | 5,909 |
| Raukura Hauora o Tainui Trust | 179 | 215,265 | 1,203 |
| Wairarapa Addiction Service Inc | 27 | 172,224 | 6,379 |
| Waitemata DHB (TUPU) | 13 | 172,200 | 13,246 |
| Te Rapuora Health Services | 6 | 86,124 | 14,354 |
| Te Kahui Hauora o Ngati Koata Trust | 15 | 86,124 | 5,742 |
| Total | 6,967 | 8,858,729 | 1,271 |
| Helpline Services | | | |
| Gambling Helpline | 18,372 calls | 1,357,120 | 74 |

Note: The count of service users in this table differs from the face-to-face presentation data presented earlier in the report. The face-to-face count, counted each gambler only once. The data presented in this table counts each different service the gambler uses and hence is higher than the face-to-face count. This data was supplied by the Ministry in response to a Parliamentary Question.

The data presented above excludes any additional public health services that these providers may be being funded for, but still need to be interpreted with care as the providers are not providing identical services. A detailed analysis of the reasons for these variations is currently being undertaken but the large variations in costs suggest that improvements in costs efficiency could be achieved by:

- Linking contracts more directly to the volume of services provided so that the Ministry is not locked into funding regardless of the volume of service delivered
- Exploring whether for some service providers who are providing low volumes of service it may be more cost effective to integrate the provision of problem gambling services more closely with other addiction services.

Both of these options are significant changes from the current purchasing model but we believe they should be explored further.

Based on the feedback from the submissions and access to more recent presentation data, the Ministry is now proposing to decrease expenditure on psychosocial expenditure by 17% in 2007/08 also to set aside a 10% contingency in case there is growth in demand for service. Overall this represents a 9% decrease in services.

We have two major key observations regarding this proposal:

- The proposed 17% decrease is substantial and is a significant change from the previous draft of the consultation paper. Based on discussions with the Ministry, we understand that they believe this can be achieved without compromising substantially on service delivery access or quality. The Ministry is proposing to achieve this by moving away from using stand alone service provider contracts and by linking contracts more closely to activity volumes. This will potential involve integrating the delivery of problem gambling services more closely with other addiction services or with PHO contracts. We believe there should be scope to make this reduction based on the fact that it should be possible to renegotiate current contracts given the 20% drop in volume that has occurred over the last 12 months. The Ministry will however need to begin planning work on this immediately if it is to achieve the full amount of savings.
- We do not believe it should be necessary to put a 10% contingency aside. At present the Ministry is purchasing these services on an input basis, not a cost per item basis. We believe it would require a very significant increase in volume (i.e. well above a 10% growth in volume) to require costs to increase by 10%. If this was the case we believe it would be prudent of the Ministry to consider ways of funding these additional services from within the overall budget that it has for problem gambling services. There is also no clear evidence pointing to a compelling case for service interventions to increase. Under a worst case scenario if additional service volumes need to be purchased and the Ministry overruns its budget there is provision for this to recovered in the subsequent funding period.

In addition, and similar to the public health services the operating costs have dramatically increased between the two levy periods. Again, given the comparative high expenditure on overheads, we would challenge the Ministry to explore ways of delivering on the work agenda without increasing overheads further.

3.2.6 Research Projects

Costs associated with research projects have significantly increased between 2006/07 and over the three year period. The amounts included within the research category include the ongoing general research programme and two specific research projects.

The amount allocated to ongoing general research seems high given the number of people estimated to have a current pathological gambling problem. This is currently estimated to be 1.3% of the population over 18. If we assume that approximately 3 million people are over 18 this equates to 39,000 people. This means that approximately \$30 a year is spent per potential problem gambler on ongoing research. If the other research projects are included this is \$56 per person. We recommend that this amount is decreased.

| | 2007/08 (\$000) Excl GST | 2008/09 (\$000) Excl GST | 2009/10 (\$000) Excl GST | Increase 2007/08 on 2006/07 | Increase 3 years 2003- 2006 on 2007-20010 | Increase 2009/10 on 2007/08 |
|----------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------------|--|-----------------------------------|
| Ongoing research programme | 1,200 | 1,200 | 1,200 | -33.1% | 47.4% | 0.0% |
| Gaming survey | 800 | 800 | 0 | NEW | NEW | -100.0% |
| Clinical trial | 200 | 200 | 200 | NEW | NEW | 0.0% |
| Total | 2,200 | 2,200 | 1,400 | 22.7% | 137.5% | -36.4% |

3.3 Recommendations

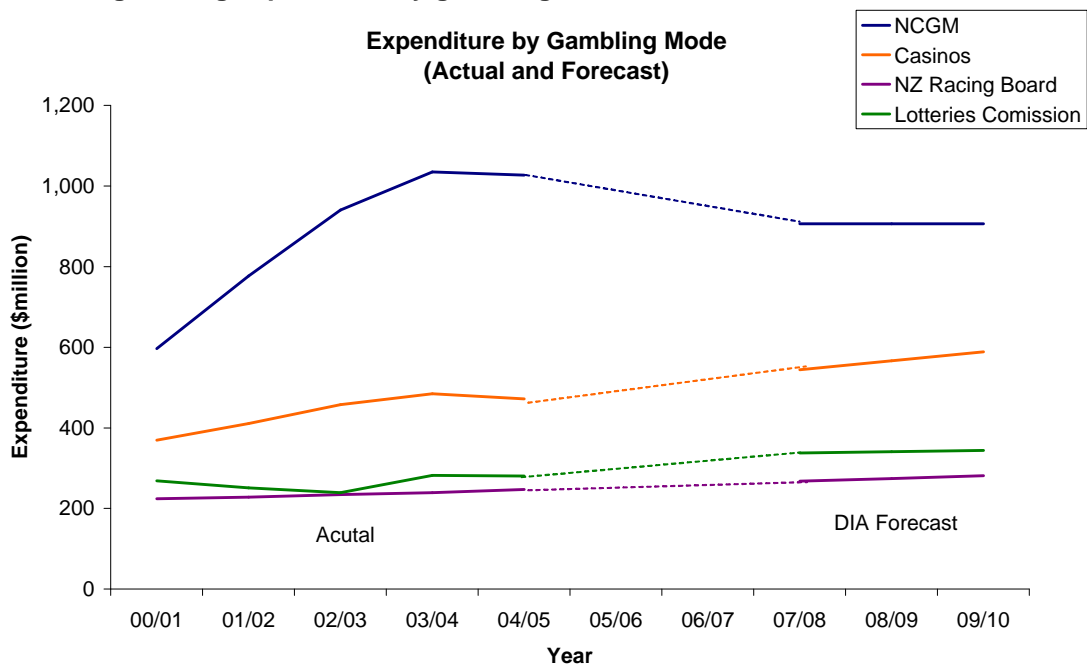
- The proposed funding levels have based largely on providing a specified level of coverage that has been translated into input costs. These levels have been calculated on a top down basis to fit a predetermined level of coverage rather than funding the programme on the basis of need to determine the level of service required and then establishing appropriate funding levels. While we consider this a necessary approach given the current supplier structure and information available, we suggest investigating moving to a more output or outcome based purchasing approach
- There is an inherent difficulty in ring fencing problem gambling funding due to the co-morbidities that many gamblers suffer from. On balance we believe this is likely to favour the problem gambling funding position as these people are accessing other services such as mental health and drug and alcohol in resolving their problems. However as problem gambling services are provided on a stand-alone basis it is expected that significantly more administration and co-ordination costs are incurred than if a combined approach was undertaken. A joint approach across addictions would also assist in allowing the move to an output or outcome costing approach whilst ensuring sustainability and coverage.
- The amount allocated to the social marketing campaign is high. Consideration should be given to the value that this will derive and whether an approach with an initial high intensity campaign followed by less intensive “reminder” campaigns could deliver similar value to the high intensity campaign for the entire three years.
- An ambitious target of 17% has been set for reducing psychosocial intervention services. While in principle we believe this should be achievable the Ministry will need to begin detailed delivery planning immediately if it is to achieve these savings in full in the 2007 – 2010 period.
- We do not consider it appropriate to build in a contingency amount as there is not strong evidence to support the assumption that demand for services will grow substantially. Some growth should be able to be accommodated within current funding levels. Under a worst case scenario if growth was unexpectedly high any overrun in costs could be recovered in the subsequent levy period.
- The level of administration and development expenditure is high in relation to the total funding amount.
- The proposed level of expenditure on research is high given the number of people accessing the service and based on previous expenditure.

4. Expenditure Projections (Factor D)

4.1 Discussion of issues

We have not been provided with detailed information regarding the expenditure projections as a consequence of the privacy requirements relating to the underlying Inland Revenue data. However we have been able to access some publicly available information on Gambling Expenditure Statistics from the DIA website. At present this information is available for the period 1997/98-2004/05. The graph below shows the actual expenditure and revised forecast expenditure used within the levy.

Forecast gambling expenditure by gambling mode



The expenditure projections have been developed by the DIA and use Inland Revenue expenditure data as the base to which sector-based growth factors are then applied.

The historical data shows decreases in all areas except NZ Racing, with the decrease in the Lotteries Commission expenditure being small compared to the other decreases. The biggest decrease is within the non-casino gaming machines area where the smoking ban has had a major impact. The decrease seen within the casino expenditure is also thought to be explained in part by this change. The smaller decrease is likely to be caused by the casinos being able to more quickly adjust to the impacts from the smoking ban. As the figures are for the 2004/05 period the impact of Big Wednesday and new advertising campaign from the Lotteries Commission are not evident. The Lotteries Commission Annual report for 2005/06 suggests that this has had a major impact on lottery expenditure.

Other changes that will impact in the 2007 / 2010 period include the:

- Introduction of EMS on all machines by March 2007.
- Introduction of “pop-ups” on all new machines with “pops-up” being mandatory for all machines in 2009.

The potential impact of these changes can not be predicted with accuracy but it is expected that they will increase the costs of operating gaming machines which in turn may decrease the number of machines available. The “pop-ups” will also impact on gambling behaviour but we expect that this impact will be smaller than the impact seen by the smoking ban.

While we are not expert advisers on gambling expenditure forecasting, based on the information provided we consider the revised figures for:

- Non-casino gaming machines to be a reasonable forecast. There is a lot of uncertainty around expenditure trends within the sector so we consider a flat trend to be appropriate.
- Casino forecast may be too high given the current downward trend.
- NZ Racing Board forecast is appropriate.
- Lotteries Commission forecast may be too low. The figures assume a mature lotteries market, however with the introduction of a new midweek game we expect there to be more than the minimal 1% assumed. Looking forward the Lotteries Commission may also introduce new products or strategies which in turn will increase revenue.

We note that most of the projections imply the current decreases in expenditure are only short-term. Using expenditure projections that anticipate growth will result in a lower levy rate than if the expenditure projections forecast level or negative growth. This may result in an under-collection of the projected levy amount over the three years if the factors affecting the current negative growth are long-term rather than short-term as assumed in the DIA expenditure forecasts.

Given the significant under collect in the current levy period and the divergent views on future expenditure trends, we recommend that in the future the DIA incorporates greater peer review into the process of developing the expenditure forecasts. Actual expenditure should also be tracked and compared with forecast expenditure for each gambling sector. We recommend that expenditure is reviewed at least annually within the three year period and that this information should then be formally reported to key stakeholders.

4.2 Conclusions and Recommendations

To avoid a similar under (or over) collection occurring in three years this data needs to be as accurate as possible. We believe it would be useful in the future to have the DIA forecasts undergo a more rigorous peer review process.

- We recommend more recent data is added to the analysis to give a better understanding of the trend in gambling expenditure. It is important to understand both the current downward trend seen in gaming machines (both casino and non-casino) and the expected growth in Lottery Commission expenditure due to the introduction of Big Wednesday.
- We recommend that DIA should consider incorporating a peer review process around its future work on forecasting gambling expenditure.
- We recommend that on an annual basis, DIA compares actual versus forecast expenditure by gambling sector and reports this to key stakeholders.
- We also recommend the Commission advises Ministers that the rate of collection of the levy should be monitored and potentially adjusted during the three year term if the current negative growth is found to be a long-term shift rather than a short-term anomaly caused by the changes in legislation and has a significant impact on expenditure levels.

5. Under Collection of Levy in Previous Period

For the period 2004/05 to 2006/07 the Ministry expects to spend \$1.45 million (GST exclusive) less than the budgeted costs used within the levy calculation for the same period. In addition the forecast gambling expenditure used within the levy formula over estimated the actual expenditure resulting in predicted under-collection of \$10.495 million (GST exclusive) for the three year period. This equates to a net under-collection of \$9.045 million which will need to be recouped within the three year period 2007/08 to 2009/10.

It is expected that the under (or over) collection of the levy will be an ongoing issue for the Ministry as the Ministry's costs and gambling sector revenues are both based on forecasts.

The current proposal is to collect the under collected amount from each sector based on the levy formula for the 2007-10 period. Thus no direct allocation of the under-collection is made to each sector. At present the under or over collection is calculated at each three year revision point.

5.1 Allocating the Under Collected Amount to Sector

Outlined below are three potential ways of allocating the under-collection:

- Add to Component C of the 2007-2010 levy.
- Calculate the difference between the intended contribution (based on forecast components for A, B and D, and actual figures for component C) and actual payments for each sector and add to each sector's levy rate.
- Calculate the difference between the intended contribution (based on actual figures for all components C) and actual payments for each sector and add to each sector's levy rate.

Each of these options is discussed below

5.1.1 Allocating via Component C

In the original and revised Ministry consultation documents the under collection of the levy in the previous period is added to Component C and thus allocated to the sectors based on the levy formula for the 2007-2010 period.

$$\text{Levy Rate} = \frac{((AxW1) + (BxW2)) \times (C + R)}{D}$$

Where R is the under-collected amount for the previous three year period.

This methodology is simple to calculate and assumes that any difference should be allocated based on future projections. It is also inline with the specifics of the Gambling Act 2003 which states that:

- 320 (3) (c) the proposed amount of C must take into account –
- 320 (3) (c) (iii) any under-recovery or over-recovery of levy in the previous period

5.1.2 Allocating Via DIA Proposed Method

The DIA has suggested an alternative allocation based on calculating the difference between actual and intended contributions for each sector and allocating this difference directly to each sector via the formula. This approach would require a variation to the levy formula in the Act as outlined below.

$$\text{Levy Rate} = \frac{((A \times W1) + (B \times W2)) \times C + R}{D}$$

Where R is the difference between the intended contribution (based on forecast components) – actual payments

The intended contribution used in this case is calculated as

$$\text{Intended contribution} = ((A_E \times W1) + (B_E \times W2)) \times C_A$$

Where:

| | |
|-------|---|
| A_E | The 2004/05 to 2006/07 levy calculation's estimated current player expenditure in a sector divided by overall current player expenditure. |
| B_E | The 2004/05 to 2006/07 levy calculation's customer presentations to problem gambling services that can be attributed to gambling in a sector divided by total customer presentations to problem gambling services. This is based on the figures from the Problem Gambling Purchasing Agency (PGPA) for the period October 2002 to September 2003. |
| C_A | The actual funding requirement for the period and reflects a Ministry estimate of costs to the government of implementing its strategy. |
| $W1$ | 0.1 |
| $W2$ | 0.9 |

While this approach may directly attribute the over or under collected amount to the relevant sectors, the intended contribution calculation may inappropriately allocate costs between modes. For example, the non-casino gaming machine sector underpaid its forecast levy contribution as the actual expenditure of the sector was lower than forecast. Conversely the Lotteries Commission overpaid against its forecast levy contribution as the actual expenditure of the sector was higher than forecast. While the relationship between gambling expenditure and problem gambling presentation is complex and non-linear, it is interesting to note that the number of new clients presenting with a primary mode of non-casino gaming machines dropped between 2004 and 2005, while new clients citing lotto/keno/scratchies increased between 2004 and 2005. This suggests that by using the above figures to directly attribute the over or under collection to a sector in fact favours sectors which exceed their revenue forecasts. This is counter to the underlying aim of the levy formula.

5.1.3 Allocating via a full Wash-up of Actuals

A more accurate allocation would potentially involve a methodology that uses a full wash-up using the formula below.

The levy formula then becomes

$$\text{Levy Rate} = \frac{((A \times W1) + (B \times W2)) \times C + W}{D}$$

Where W is the 2004 – 2006 Wash-up calculated above.

$$\text{2004-2006 Wash-up} = L_A - ((A_A \times W1) + (B_A \times W2)) \times C_A$$

Where:

| | |
|-------|---|
| L_A | The actual amount of levy paid |
| A_A | The actual current player expenditure in a sector divided by overall current player expenditure for the period. |
| B_E | The actual customer presentations to problem gambling services that can be attributed to gambling in a sector divided by total customer presentations to problem gambling services for the period. |
| C_A | The actual funding requirement for the period and reflects a Ministry estimate of costs to the government of implementing its strategy. |
| $W1$ | 0.1 |
| $W2$ | 0.9 |

Unfortunately we are unable to calculate the impact of using this methodology as we do not have access to the underlying data.

5.1.4 Recommendations

We recommend that the Commission advises that either:

- An actual wash-up is calculated based on actual figures for all components and that this figure is used within the revised formula proposed by DIA. This will only be possible if it is legally possible to adjust the levy in this way

$$\text{Problem Gambling Level} = \frac{((A \times W1) + (B \times W2)) \times C + W}{D}$$

Where W is the 2004 – 2006 Wash-up calculated above.

OR

- The under-allocation is added directly to Component C as the Ministry has currently done in its consultation document. This approach also aligns with the current Gambling Act.

6. Weightings W1 and W2

The Ministry has proposed that the respective weightings should continue in the forthcoming levy period as W1 (expenditure) at 10% and W2 (presentations) at 90% thus providing a significant weighting towards presentations in setting the levy rate for each sector to reflect a focus on managing harm.

Based on our analysis of the levy calculation we agree that it is appropriate to skew the weighting towards presentations, however, we consider a 10:90 split to be too extreme for the following reasons:

- As demonstrated in the current levy period, it is hard to predict with accuracy either the level or mix of presentations by using a one year data sample as a proxy for Component B. There was also considerable debate about whether the comparatively simplistic measure of presentation data currently used is in fact a fair and reasonable means of allocating Ministry costs to gambling sectors. Lessening the weight placed on presentations would lessen any distortions arising from these trends.
- There is considerable emphasis being placed by the Ministry on public health initiatives including social marketing campaigns that are targeted at all gambling activities and may therefore be more appropriately linked to expenditure than presentations

While the allocation of initiatives to intervention or expenditure based allocations is subjective, one potential scenario is outlined below.

| | Total 2007-2010 | Intervention based | Expenditure based | Excluded |
|--|-----------------|--------------------|-------------------|--------------|
| Public Health | | | | |
| Primary prevention | 11,049 | | 11,049 | |
| Workforce development | 360 | | 360 | |
| Social marketing media campaign | 4,245 | | 4,245 | |
| Resources | 534 | | 534 | |
| Behaviour change indicators | 450 | | 450 | |
| National co-ordination services | 711 | 711 | | |
| Conference Support | 84 | | 84 | |
| Evaluation | 300 | 300 | | |
| Total operational budget | 1,868 | | | 1868 |
| Intervention Services | | | | |
| Help line | 4,528 | 4,528 | | |
| Psychosocial interventions and support | 23,133 | 23,133 | | |
| Contingency | 2,313 | 2,313 | | |
| PG information system | 424 | 424 | | |
| Workforce development | 600 | 600 | | |
| Evaluation | 300 | 300 | | |
| Total operational budget | 1,668 | | | 1668 |
| Research | | | | |
| Ongoing research programme | 3,600 | | 3,600 | |
| Gaming survey | 1,600 | | 1,600 | |
| Clinical trial | 600 | 600 | | |
| Total | 58,367 | 32,909 | 21,922 | 3,536 |
| Percentage | | 60% | 40% | |

The operational budget costs have been excluded as it has been assumed that they would be pro-rated according to the split between intervention and expenditure weightings. Under this scenario the relative weights would be 60% to intervention (i.e. W2) and 40% to expenditure (i.e. W1).



This approach is somewhat simplistic as each line item of expenditure has been allocated in full to either intervention or expenditure based weightings and it also assumes that expenditure on an activity links to harm attribution. While these relationships are neither direct or linear, we believe that they add credence to the argument that a 10:90 split is no longer appropriate.

For these reasons we support the Commission's previous recommendation of increasing the weight placed on expenditure. While there is no scientific basis available for calculating the weights, we do not propose moving as far as the 40:60 split outlined above, but we recommend that consideration should be given to changing the distribution to a 30:70 split. At a minimum a move to a 20:80 split in weightings should be considered.

7. Effect of Costings and Weighting Assumptions on Levy Rates

The table below shows an analysis of the levy rates based on 20:80 weightings. Similar analysis has been undertaken for the 10:90 and 30:70 weightings and can be found in Appendix B. We have undertaken the analysis including and excluding the under-collection as we feel that although the including under-collection levy is what will ultimately be paid by each sector, any comparison to the 2004-07 levy period needs to exclude the under-collection to provide an accurate comparison.

Within the table we have also analysed the sensitivity of the costings on the levy rates by running scenarios including:

- Excluding the contingency costs
- Removing the contingency costs and an additional 10% of costs
- Removing the contingency costs and an additional 20% of costs

We have performed this analysis for each of the three weightings.

The analysis shows that the NZ Racing Board has the lowest change in levy rate from the current period to the 2007-2010 period and in fact has a lower rate within 2007-2010 than the current period when the under-collection is removed. The remaining sectors are impacted at a proportional rate.

| 20/80 weighting | NCGM | Casinos | NZ Racing Board | Lotteries Commission |
|---|-------|---------|-----------------|----------------------|
| Current Costs (excluding under collection) | 1.46% | 0.67% | 0.53% | 0.26% |
| Under collection | 0.23% | 0.10% | 0.08% | 0.04% |
| Current Costs (including under-collection) | 1.69% | 0.77% | 0.61% | 0.30% |
| | | | | |
| Costs excluding contingency | 1.63% | 0.74% | 0.59% | 0.29% |
| Costs excluding contingency and under-collection | 1.41% | 0.64% | 0.51% | 0.25% |
| Costs less 10% excluding contingency and under-collection | 1.27% | 0.58% | 0.46% | 0.23% |
| Costs less 20% excluding contingency and under-collection | 1.12% | 0.51% | 0.41% | 0.20% |

| | NCGM | Casinos | NZ Racing Board | Lotteries Commission |
|--------------|-------|---------|-----------------|----------------------|
| Current Levy | 1.11% | 0.51% | 0.57% | 0.14% |

Change from 04-07 levy rates

| | | | | |
|---|-----|-----|------|------|
| Current Costs (excluding under collection) | 32% | 31% | -7% | 86% |
| Current Costs (including under-collection) | 52% | 51% | 7% | 115% |
| Costs excluding contingency | 47% | 46% | 4% | 108% |
| Costs excluding contingency and under-collection | 27% | 26% | -11% | 79% |
| Costs less 10% excluding contingency and under-collection | 14% | 13% | -20% | 61% |
| Costs less 20% excluding contingency and under-collection | 1% | 0% | -29% | 43% |

The affect of these adjustments on the total amount paid by each sector, based on forecast expenditure levels is shown in the table below.

| | NCGM | Casinos | NZ Racing Board | Lotteries |
|--------------------------------|-------|---------|-----------------|-----------|
| Forecast contributions 2004-07 | 27.52 | 7.06 | 3.62 | 1.22 |

| | | | | |
|--|-------|-------|------|------|
| Current Costs (excluding under collection) | 39.81 | 11.33 | 4.36 | 2.66 |
| Under collection | 6.19 | 1.76 | 0.68 | 0.41 |
| Current Costs (including under-collection) | 46.00 | 13.10 | 5.04 | 3.08 |

| | | | | |
|---|-------|-------|------|------|
| Costs excluding contingency | 44.42 | 12.65 | 4.86 | 2.97 |
| Costs excluding contingency and under-collection | 38.23 | 10.88 | 4.19 | 2.56 |
| Costs less 10% excluding contingency and under-collection | 34.40 | 9.79 | 3.77 | 2.30 |
| Costs less 20% excluding contingency and under-collection | 30.58 | 8.71 | 3.35 | 2.05 |

Appendix A – Calculation of Funding Proportions

| | Total 2007-2010 | Direct delivery costs | Marketing costs | Research costs | Programme evaluation | Co-ordination, Administratio n and Operating Costs |
|---|-----------------------------|--------------------------------------|-----------------------------|-----------------------------|---------------------------------|---|
| | (\$000) Excl GST | (\$000) Excl GST | (\$000) Excl GST | (\$000) Excl GST | (\$000) Excl GST | (\$000) Excl GST |
| Public Health | | | | | | |
| Generic services funding | 11,049 | 11,049 | | | | |
| Māori services funding | 0 | | | | | |
| Pacific services funding | 0 | | | | | |
| Asian services funding | 0 | | | | | |
| Workforce training | 360 | | | | | 360 |
| Social marketing media campaign | 4,245 | | 4,245 | | | |
| Resources | 534 | | 534 | | | |
| Behaviour change indicators | 450 | | | | 450 | |
| National co-ordination services | 711 | | | | | 711 |
| Conference Support | 84 | | | 84 | | |
| Evaluation | 300 | | | | 300 | |
| Total operational budget | 1,868 | | | | | 1,868 |
| Intervention Services | | | | | | |
| Help line | 4,528 | 4,528 | | | | |
| Psychosocial interventions and support | 23,133 | 23,133 | | | | |
| Contingency | 2,313 | 2,313 | | | | |
| PG information system | 424 | | | | | 424 |
| Workforce development | 600 | | | | | 600 |
| Evaluation | 300 | | | | 300 | |
| Total operational budget | 1,668 | | | | | 1,668 |
| Research | | | | | | |
| Ongoing research programme | 3,600 | | | 3,600 | | |
| Gaming survey | 1,600 | | | 1,600 | | |
| Clinical trial | 600 | | | 600 | | |
| Total costs | 58,367 | 41,023 | 4,779 | 5,884 | 1,050 | 5,631 |
| Proportion of costs | | 70% | 8% | 10% | 2% | 10% |

Appendix B – Weight Analysis

| | NCGM | Casinos | NZ Racing | Lotteries | Change from 04 – 07 levy rates | | | |
|--------------|-------|---------|-----------|-----------|--------------------------------|---------|-----------|-----------|
| Current Levy | 1.11% | 0.51% | 0.57% | 0.14% | NCGM | Casinos | NZ Racing | Lotteries |

10/90 weighting

| | | | | | | | | |
|---|-------|-------|-------|-------|-----|-----|------|-----|
| Current Costs (excluding under-collection) | 1.52% | 0.64% | 0.50% | 0.18% | 37% | 26% | -13% | 25% |
| Under collection | 0.24% | 0.10% | 0.08% | 0.03% | | | | |
| Current Costs (including under collection) | 1.76% | 0.74% | 0.57% | 0.20% | 59% | 45% | 1% | 45% |
| Costs excluding contingency and under-collection | 1.46% | 0.62% | 0.48% | 0.17% | 32% | 21% | -16% | 20% |
| Costs less 10% excluding contingency and under-collection | 1.32% | 0.55% | 0.43% | 0.15% | 19% | 9% | -25% | 8% |
| Costs less 20% excluding contingency and under-collection | 1.17% | 0.49% | 0.38% | 0.13% | 5% | -3% | -33% | -4% |

20/80 weighting

| | | | | | | | | |
|---|-------|-------|-------|-------|-----|-----|------|------|
| Current Costs (excluding under-collection) | 1.46% | 0.67% | 0.53% | 0.26% | 32% | 31% | -7% | 86% |
| Under collection | 0.23% | 0.10% | 0.08% | 0.04% | | | | |
| Current Costs (including under collection) | 1.69% | 0.77% | 0.61% | 0.30% | 52% | 51% | 7% | 115% |
| Costs excluding contingency and under-collection | 1.41% | 0.64% | 0.51% | 0.25% | 27% | 26% | -11% | 79% |
| Costs less 10% excluding contingency and under-collection | 1.27% | 0.58% | 0.46% | 0.23% | 14% | 13% | -20% | 61% |
| Costs less 20% excluding contingency and under-collection | 1.12% | 0.51% | 0.41% | 0.20% | 1% | 0% | -29% | 43% |

30/70 weighting

| | | | | | | | | |
|---|-------|-------|-------|-------|-----|-----|------|------|
| Current Costs (excluding under-collection) | 1.41% | 0.69% | 0.56% | 0.35% | 27% | 36% | -1% | 147% |
| Under collection | 0.22% | 0.11% | 0.09% | 0.05% | | | | |
| Current Costs (including under collection) | 1.62% | 0.80% | 0.65% | 0.40% | 46% | 57% | 14% | 185% |
| Costs excluding contingency and under-collection | 1.35% | 0.67% | 0.54% | 0.33% | 22% | 30% | -5% | 137% |
| Costs less 10% excluding contingency and under-collection | 1.22% | 0.60% | 0.49% | 0.30% | 9% | 17% | -15% | 113% |
| Costs less 20% excluding contingency and under-collection | 1.08% | 0.53% | 0.43% | 0.27% | -3% | 4% | -24% | 90% |