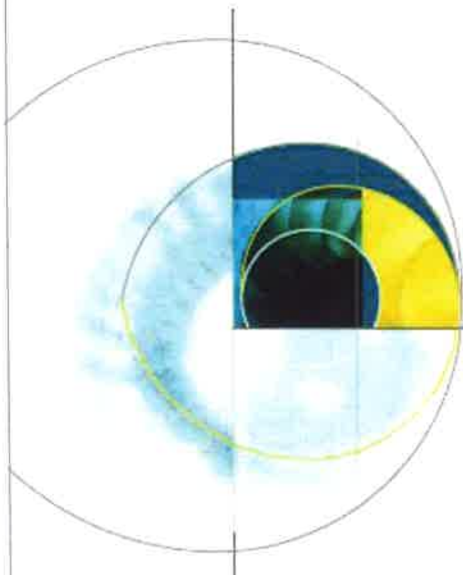
ANNEX 3
SYNERGIA LIMITED – REPORT TO GAMBLING COMMISSION



Review of Ministry of Health Service Plan and Formula for Levy Calculation

Report to Gambling Commission

19th November 2012

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CONTENTS

1. **Executive Summary and Recommendations**
2. Introduction and Purpose
3. Overview of Key Directions in Ministry Service Plan
4. Trends in Gambling and Related Harm
5. Reviewing Performance and Focus
    - Value for money
    - Public health interventions
    - Evidence of Effectiveness
6. Review of Overall Funding Requirements and Gambling Levy
7. Conclusions

Executive Summary

Trends in gambling and related harm

There has been a decline in gambling participation levels over the past decade. There are however only small declines (if any) in moderate risk/problem gambling, as evidenced by survey and presentation data. The most recent presentation data suggests a levelling out, rather than an ongoing decline.

Gambling expenditure, after a period of rapid growth from 1987 to 2004, has stabilised at around $2 billion per annum (with a possible small decline emerging over 2010-11). Expenditure on Non-Casino Gaming Machines (NCGM) declined (from 47% to 44% over five years, although remains dominant) and an increase has occurred in expenditure in Lotteries, Racing Board and other forms of gambling. Given the scale of prizes being offered through Lotteries (particularly Lotto) and the public demand for them, we believe it would take a significant change in policy before demand for Lotteries reduces.

Although NCGM remains the dominant attribution for gambling support presentations, a shift has occurred in gambling presentations in the last five years away from NCGM (from 69% of presentations to 60% over five years) and towards Lotteries, NZ Racing Board products and other forms of gambling, (with Lotteries for example increasing from 2.2% to 5.5% over five years), in line with expenditure patterns above.

Māori, Pacific, Asian, and high deprivation populations are at highest risk of gambling problems, and Māori and Pacific people are also at higher risk of broader familial or community harm from gambling. Awareness of support services is also relatively lower among these populations. Available data indicates some reductions in gambling harm among target populations.

Key directions in Service Plan and investment

The overall direction of the Ministry of Health Service Plan is consistent with the public health approach set out in the Gambling Act 2003. It aligns with the overall strategic direction of the Gambling Strategy, and the approaches are supported by an evidence base.

The work programme itself is costed through a comprehensive bottom-up costing approach, and has been shown in general to offer value for money. A range of measures detailed in the Service Plan signal a willingness to ensure services continue to offer both efficiency and effectiveness. These include current work on developing an outcomes framework; significant changes in allocation in some areas (particularly the National Coordination Service and the Gambling Helpline); and a determination to go to competitive tender for intervention services.

The continuation of the overall funding levels from the past six years further signals a willingness to operate within fiscal constraints, as demanded of the public sector. The Ministry of Health has retained the same overall budget for the next three years as the previous three years.

Review of weighting formula

The Gambling Act sets out a very specific formula for calculating the levy, and the key area for discretion within the formula is on the weighting between gambling expenditure, and gambling presentations (the latter as a proxy for gambling related harm).

Previously, a 10:90 weighting has applied, which emphasises presentations over expenditure. The effect of this is to require a larger contribution from the NCGM sector. The Ministry has recommended a 30:70 weighting, which would place a greater emphasis on expenditure, and in so doing, require a greater contribution from the other sectors – Lotteries, casinos and NZ Racing Board.

We concur with the recommended 30:70 weighting, for the following reasons:

- The NCGM sector accounts for a higher burden of gambling related harm, and the 30:70 weighting gives recognition to this.
- The shift in both expenditure and presentations towards Lotteries and NZ Racing Board products, and away from NCGM, indicates a greater share of the levy should be directed towards these sectors. A 30:70 shift would enable this to happen.
- If one accepts the public health approach of the Gambling Strategy and Service Plan, a 30:70 weighting is a logical extension of an approach that focuses beyond the acute end of the harm continuum and which takes into account the wider determinants of harm.
- A substantial part of the gambling levy investment is to build resilience in the broader population to problem gambling; this we would argue is better captured by expenditure than the presentation side of the equation.
- Presentations do not of themselves fully capture the harms that are due to gambling.

Review of weighting formula (continued)

Whilst we endorse the 30:70 weighting as the ideal benchmark, an argument could be made for a 20:80 weighting for the 2013/14 to 2015/16 period, to support a transition to the 30:70 weighting over time.

A parallel can be offered with the shift in mental health services policy away from a focus on the 3% in most acute need of services, towards the broader population with mental health needs. Focusing only on the 3% ignores the needs of the broader population and their flow into acute mental health services. With regard to the gambling levy, a shift away from a 10:90 weighting similarly reflects the importance of focusing on the broader determinants and impacts of problem gambling.

As a final point, we note the continued growth of other gambling sectors (such as overseas-based internet gambling), which are outside the scope of the levy and weighting formulas. The overall contribution to expenditure and harm are currently small and can be absorbed by the four sectors mandated by legislation. Should this grow significantly in the future, there may be a need to review if and how these other sectors can be brought within the ambit of the levy.

Recommendations

Our recommendations to the Gambling Commission on the Ministry's Service Plan are as follows:

Levy and weightings

- The $54 million proposed for the implementation of the Service Plan is based on a well-constructed analysis of costs and service requirements over the 2013/14 to 2015/16 period, and takes into account the need for fiscal constraint and ongoing delivery of value for money. We recommend that this amount is accepted.
- The total quantum of funding recognises that while some gains have been made, further work needs to be done across the spectrum of harm minimisation and problem gambling intervention, particularly with high needs populations (including Māori, Pacific and high deprivation communities). We recommend that the focus on high needs populations continues.
- The 30:70 weighting should be endorsed as providing the most valid and robust weighting that takes into account the contribution of all four sectors to the Gambling Levy.
- A 20:80 weighting could be considered as a transitional step towards 30:70 in the future.
- We note the inability of IRD to give effect to the previous recommendations regarding treatment of club/non-club levy for the time being, and that the most recent presentation data suggests less notable differences between the two sub-sectors than was evident previously. We recommend that this issue should remain under review, with a view to ascertaining if the most recent changes in presentations are a trend or a one-off anomaly, and if therefore the previous recommendations remain pertinent for the next Service Plan period.

Recommendations (continued)

Recommendations on other issues in the 2013/14 to 2015/16 Service Plan

- A continued focus on meeting the needs of high needs populations and developing tailored social marketing messages to these group is essential.
- Given the spread of social media, we recommend research is undertake to explore the scope and impact of internet-based gambling, particularly on young people.
- The contribution of other gambling sectors (including overseas-based internet gambling) to both expenditure and harm should continue to be monitored, and assessed for the desirability and feasibility of their incorporation into gambling levy calculations.
- We suggest the Ministry, in the next two years, prepare and seek submissions on a research agenda for the period beyond 2015/16. There is a good opportunity to review the scope and level of research investment given that many substantial research investments will have concluded by 2015/16.

CONTENTS

1. Executive Summary and Recommendations
2. **Introduction and Purpose**
3. Overview of Key Directions in Ministry Service Plan
4. Trends in Gambling and Related Harm
5. Reviewing Performance and Focus
    - Value for money
    - Public health interventions
    - Evidence of Effectiveness
6. Review of Overall Funding Requirements and Gambling Levy
7. Conclusions

Background

Every three years, the Ministry of Health prepares a three-year Service Plan, detailing its priorities for public health and intervention services, workforce development, and research and evaluation. The 2013/14 to 2015/16 Service Plan builds upon the 2010/11 to 2012/13 Service Plan, taking into account submissions made during its consultation process.

Within the service plan is an assessment of the investment required to fulfil the service plan, funded through a problem gambling levy on four key sectors within the gambling industry:

- Non Casino Gambling Machines (NCGM)
- Casinos
- New Zealand Racing Board (TAB, including horse racing and sports betting)
- New Zealand Lotteries Commission

The plan includes an assessment of the total quantum required through the gambling levy, and recommendations for how the levy should be apportioned through its levy rates.

The Gambling Commission is tasked with reviewing the Service Plan, and in particular, the overall quantum and weightings used to determine the contributions from each industry sector. In doing so, the review offers an opportunity to explore the underlying assumptions of the service plan and the broad approach proposed.

Focus of this report

This report, prepared by Synergia Ltd, provides an independent analysis of the 2013/14 to 2015/16 Service Plan, to inform the Gambling Commission's review and recommendations to Ministers. The report explores:

- The overall directions of the Service Plan
- Trends in gambling and gambling-related harm
- A review of the focus of services and their performance to date
- A review of the overall Gambling Levy, the allocation of the levy to service areas, and the weightings applied
- Conclusions and recommendations to the Gambling Commission.

Scope and context

Under section 318 of the Gambling Act 2003 (the "Act"), the Ministry is responsible for developing and implementing a problem gambling strategy, including undertaking a needs assessment, developing costings and funding requirements, and estimating, using the formula in section 320 of the Act, the levy rates for each gambling sector liable to pay the levy.

The Gambling Commission, in turn, reviews the service plan and the levy rates set out in the plan. This report supports the Gambling Commission's review. There are two key areas of current activity in the gambling sector that are outside the scope of this review (for the simple reason that they are unresolved at the time of discussion and reporting and unable to be built into the forecasts for the 2013/14 to 2015/15 Service Plan):

- The negotiations on the Auckland Convention Centre between the Government and SkyCity Ltd, which may lead to an increase in the number of casino gaming machines and/or tables permitted in the Auckland SkyCity casino.
- The Gambling (Gambling Harm Reduction) Amendment Bill, which is intended to provide local communities with more power to determine where NCGMs may be sited, and how the proceeds can be distributed. At the time of writing, this was before the Commerce Committee of the House of Representatives, and is not due for reporting back before March 2013.

However, there are other areas of change and uncertainty that have been noted by the Ministry in developing the Service Plan. These included:

- Review of mental health and addictions, through the Mental Health Commission's 'Blueprint II' and the draft Mental Health and Addiction Service Development Plan (the latter currently under public consultation)
- Difficulties in predicting gambling behaviour as a consequence of uncertain economic times
- The establishment of the Health Promotion Agency
- Online gambling

One issue that was a feature of the 2006 Review was a recommendation to treat club and non-club NCGM expenditure and presentations separately for the purposes of the levy calculation. We were advised by the Ministry that the Inland Revenue Department has no capacity over the next three years to implement such an initiative, as it requires significant changes to its IT systems. The Ministry also advises in the Service Plan that the evidence for the split is now more equivocal, and that such a split might achieve little based on the most recent expenditure and presentation data.

Method

The following approach was undertaken for the review:

- Analysis of gambling statistics from a variety of sources (including presentation data, expenditure data, NZ Health Survey and NZ Health and Lifestyles Survey)
- Review of the trends in expenditure across the Service Plan, dating back to 2010/11
- Rapid review of the literature on public health approaches to gambling harm minimisation and prevention
- Review of Ministry of Health documentation related to the 2013/14 to 2015/16 Service Plan
- Review of submissions
- Meeting with Ministry of Health staff to discuss the Service Plan, and with subsequent telephone discussions
- Meeting with the Gambling Commission on emerging findings and potential directions
- Attendance, presentation and feedback at sector consultation meeting
- Review and discussion with Gambling Commission.

The review occurred over October-November 2012.

CONTENTS

1. Executive Summary and Recommendations
2. Introduction and Purpose
3. **Overview of Key Directions in Ministry Service Plan**
4. Trends in Gambling and Related Harm
5. Reviewing Performance and Focus
   - Value for money
   - Public health interventions
   - Evidence of Effectiveness
6. Review of Overall Funding Requirements and Gambling Levy
7. Conclusions

Services Expenditure: Overview

The Ministry of Health's Service Plan for 2013/14 to 2015/16 reflects both a continuation of a long-term approach and confidence that the overall strategic plan and the previous three-year plan was an appropriate response to the issues of problem gambling in New Zealand.

The overall goal of the strategic plan remains unchanged and provides the focus for the proposed three-year plan:

> *"Government, gambling industry, communities and families/whānau working together to prevent the harm caused by gambling and problem gambling and to reduce health inequalities associated with gambling and problem gambling."*

In addition, the principles underpinning the strategic plan remain unchanged and guide the development of this current plan. The principles are to:

- Maintain a comprehensive range of public health services based on the Ottawa Charter and New Zealand models of health (such as Te Pae Mahutonga and Te Whare Tapa Whā)
- Fund services that target priority populations
- Ensure culturally accessible and responsive services
- Maintain a focus on improving Māori health gain
- Address health inequalities
- Strengthen communities
- Ensure services are sustainable
- Develop the workforce
- Apply an intersectoral approach
- Ensure links between public health and intervention services

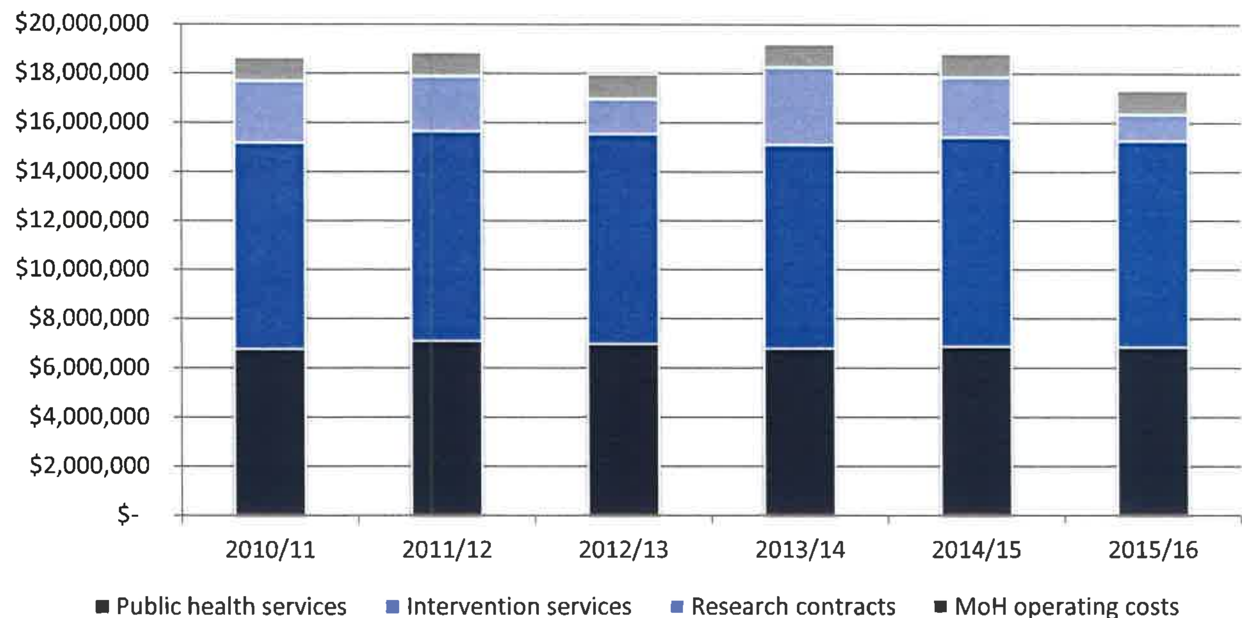
Services Expenditure: Overview

Figure 1 below shows the budgeted per annum expenditure in the Service Plan from 2010/11 to 2015/16. Expenditure for each year ranges from $17.3m to $19.2m.

Proposed expenditure for the 2013/14 to 2015/16 Service Plan is $55.3 million. This represents a decrease of 0.15% when compared to the expenditure of $55.4m in the Service Plan for 2010-13. Although small, it does represent a continuing decrease in expenditure over the last six years. The expenditure in the 2007/10 Service Plan was $55.8 million.

Taking into account a small forecasted, over-collection of levies from the current three-year period, the final levy quantum will be $54 million (discussed further in section 6).

Figure 1: Service Expenditure 2010/11 to 2015/16



Source: Ministry of Health (October 2012) Preventing and Minimising Gambling Harm. Proposed service plan and levy rates for 2013/14 to 2015/16.

Public Health Expenditure

The public health expenditure budgeted for the next three years shows a small decline from the 2010/11-2012/13 period of 1.6% (from $20.81 million to $20.47 million).

However, as by 2015/16 overall Service Plan expenditure will have decreased slightly, the Public Health share of the total expenditure budget rises from 36.3% in 2010/11 to 39.4% in 2015/16.

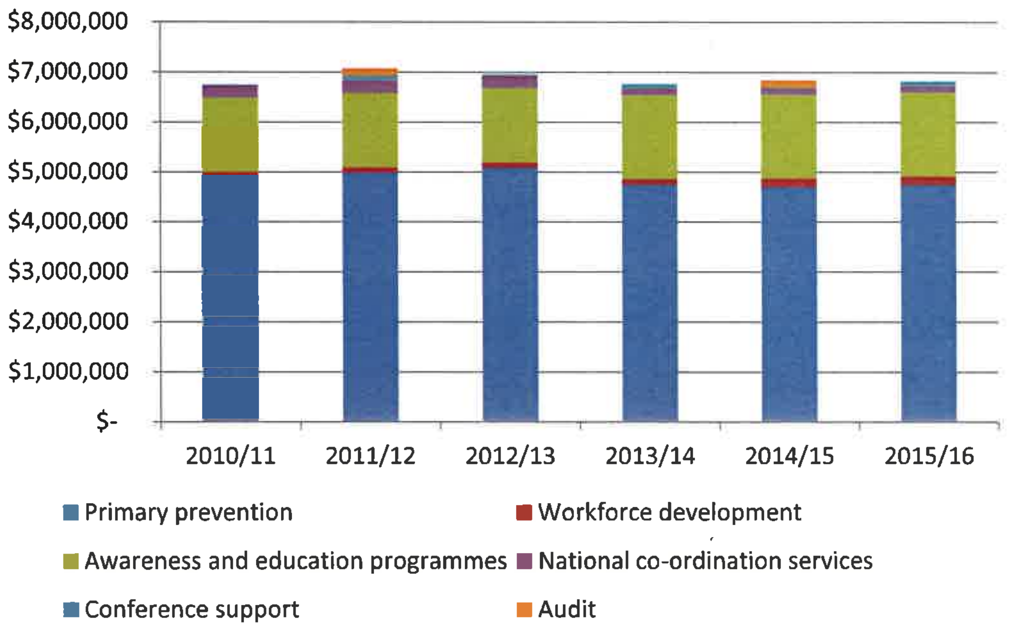
Within this service line the largest expenditure, approximately 70%, is primary prevention (Figure 2). This public health approach is a key platform in the overall strategy and includes health promotion, community action programmes, and working with territorial authorities. It declines by 5% between 2010-13 and 2013-16.

The other key area of expenditure is in awareness and education programmes, increasing from $4.4 to $5 million (14%) between the three year cycles, to build on the social marketing campaigns undertaken to date.

The Ministry has also acknowledged the need to provide greater clarity around competency-based requirements and expectations of the workforce and, as a consequence, funding for workforce development has increased by 33% to $480,000 over the three years. A key priority is building capacity in the workforce, particularly for Māori, Pacific and Asian populations. This seems appropriate given the high needs of these populations.

The plan incorporates a reduction in the national coordination service from $765,000 to $390,000 (49% decline). The Ministry expects some efficiencies can be made in this area. Again, we endorse the efforts to contain costs; we consider it would be important however to ensure that the benefits of such a service are not lost, particularly in terms of disseminating new learnings and best practice across the sector.

Figure 2: Public Health Expenditure 2010/11 to 2015/16



Source: Ministry of Health (October 2012)

Intervention Services Expenditure

The expenditure on intervention services planned for the next three years ($25,300,350) is slightly reduced from the period 2010/11 to 2012/13 (by $225,903). This is in part because of projected reductions in the funding of the Gambling Helpline and the intention to test the market for a range of intervention services.

The overall level of funding for psychosocial services has increased slightly over the three years from $20 million to $21.1 million (5% increase), reflecting current demand.

A significant change in expenditure on intervention services is the proposed reduction in the funding for the Gambling Helpline, which is reduced by $1.3 million over the three years to $3.3 million overall (28% decline).

The rationale for this is threefold:

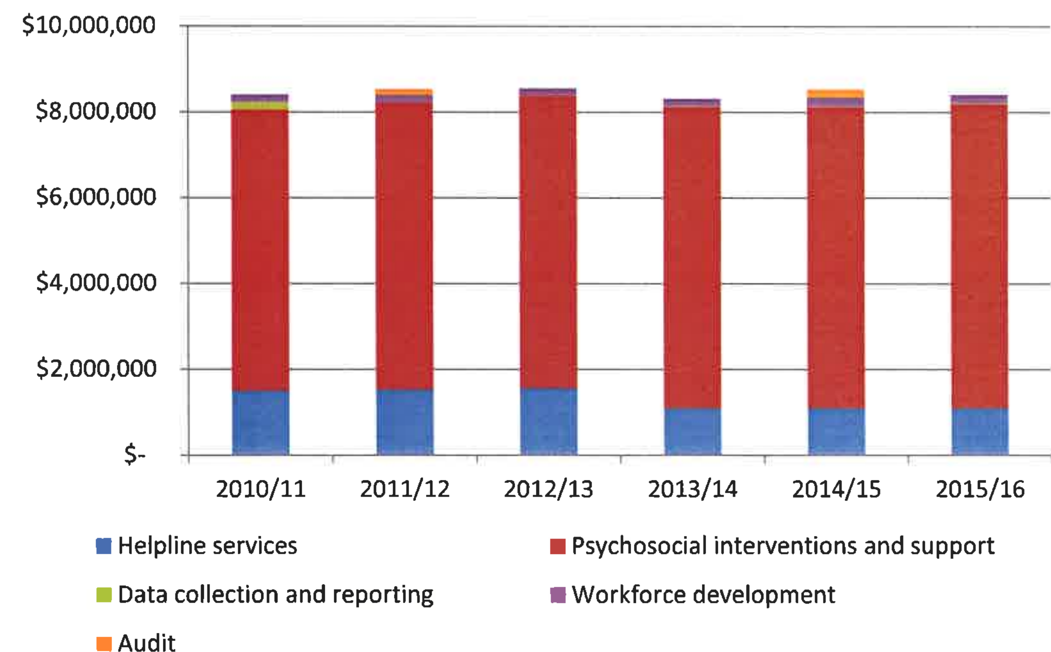
i. The number of new clients using the Gambling Helpline has declined significantly since 2002. The number using the service in 2011 was only 46% of those using the service in 2002 (see also discussion on this in section 4).

ii. The Gambling Helpline is a very expensive service when compared with similar services in New Zealand and overseas (noted in the Value For Money Review conducted in 2011).

iii. The re-integration of Gambling Helpline with Lifeline Aotearoa reduced overheads in service provision.

Given these factors such a reduction seems appropriate, given the ongoing policy drive for efficiency in government expenditure.

Figure 3: Intervention Services Expenditure 2010/11 to 2015/16



Source: Ministry of Health (October 2012).
Note that 'Data collection and reporting' (budgeted $15,000 per year 2013-2016) was classified as 'Problem gambling information system' in 2010-2013 (with a total budgeted $175,000 in this period). The 2013-16 activity is intended as a fee for service to a third party to ensure system continuity.

Research Contracts Expenditure

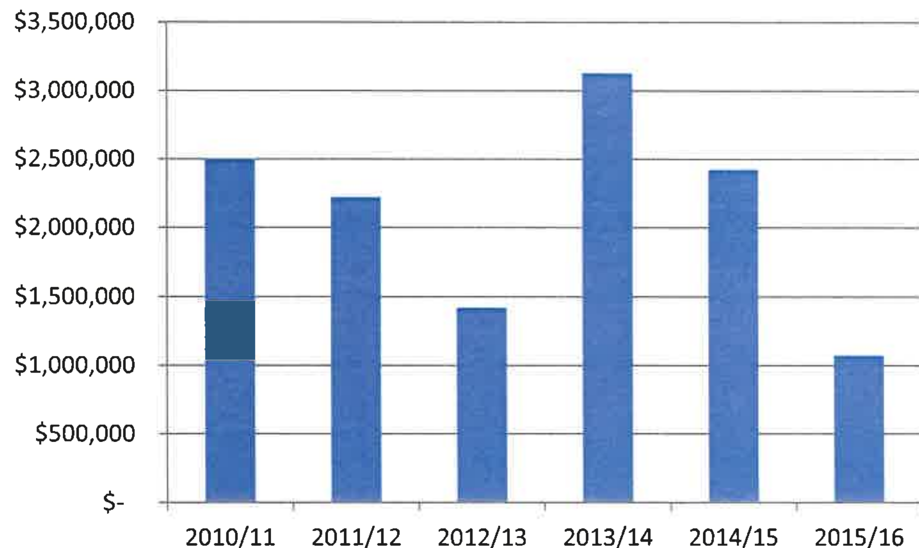
The planned expenditure on research contracts for the next three years of $6,629,751, represents a 7.9% increase over the previous three years.

Most of the projects are continuations and extensions of current research projects, with some frontloading of expenditure for larger projects.

One area that maybe considered for future research is the increased risk for young people presented by online gambling. While current use of online gambling is very small and largely restricted to New Zealand lottery and racing sites, it is a growing area of concern. Research indicates that young peoples' exposure to the internet and on-line gaming may increase their risk of developing risky gambling behaviours (King et al 2010).

Furthermore, we suggest the Ministry should, in the next two years, prepare and seek submissions on a research agenda for the period beyond 2015/16; potential areas of interest highlighted in submissions included supply-side interventions and e-therapies. There is a good opportunity to review the scope and level of research investment given that many substantial research investments will have concluded by 2015/16.

Figure 4: Research Contracts Expenditure 2010/11 to 2015/16



Source: Ministry of Health (October 2012)

Expenditure Overview

The expenditure pattern for the next three years of the Service Plan is a continuation and refinement of the last three years. The overall quantum remains largely unchanged, reducing from $55.4 million to $55.3 million. Within each expenditure line there is very little change in planned expenditure. Public health service expenditure is planned to decrease by 1.6%, interventions services by 0.9%, while research is planned to increase by 7.9%, operating expenses remain unchanged, resulting in an overall decrease of 0.15%.

The Ministry of Health's operating budget remains at the same level as the previous three years in absolute terms, and similarly reflects a willingness to work within the existing fiscal parameters.

Overall, the figures in general indicate a 'steady as she goes' approach and reflects both a comfort with the current direction and a response to the previous Service Plan review by PWC, and the KPMG 'Value for Money' report, both of which advocated a refinement of current approaches rather than any significant change.

This advice seems to have been accepted as the individual budget lines reflect continuation of the direction set in the 2010/2012 Service Plan. Furthermore, tackling issues such as the relatively expensive Gambling Helpline services and testing the market for other services will ensure that the service expenditure will be tightly managed. The publication of an outcomes reporting framework in 2013 will help ensure that the effectiveness of the money spent will also be able to be tracked, managed and improved.

CONTENTS

1. Executive Summary and Recommendations
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3. Overview of Key Directions in Ministry Service Plan
4. **Trends in Gambling and Related Harm**
5. Reviewing Performance and Focus
    - Value for money
    - Public health interventions
    - Evidence of Effectiveness
6. Review of Overall Funding Requirements and Gambling Levy
7. Conclusions

Gambling and Gambling-Related Harm Prevalence

Gambling is a well-established feature of New Zealand society. As Figure 5 shows, most recent data indicates that approximately half of the adult population participated in some form of gambling in 2011/12 (52%, down from 69% in 2002/03).

Gambling-related harm is experienced by a relatively small proportion of the population. Those at moderate risk of problem gambling, or who are classified as problem gamblers, together comprised 1.3% of the adult population in 2011/12 (Figure 6).

Nevertheless, the costs borne by this group, and their immediate families and communities, is significant. It is worth noting that:

- 1.3% of the adult population in 2011/12 equates to approximately 45,000 individuals
- A further 89,000 people were estimated in 2011/12 to be affected by someone else's gambling.
- Māori, Pacific and Asian people who gambled were more likely to be at any risk of gambling problems than those in other ethnic groups (9%, 5% and 9% prevalence respectively according to 2010 Health and Lifestyles survey data)

Figure 5: Past year gambling, 2002/03-2011/12

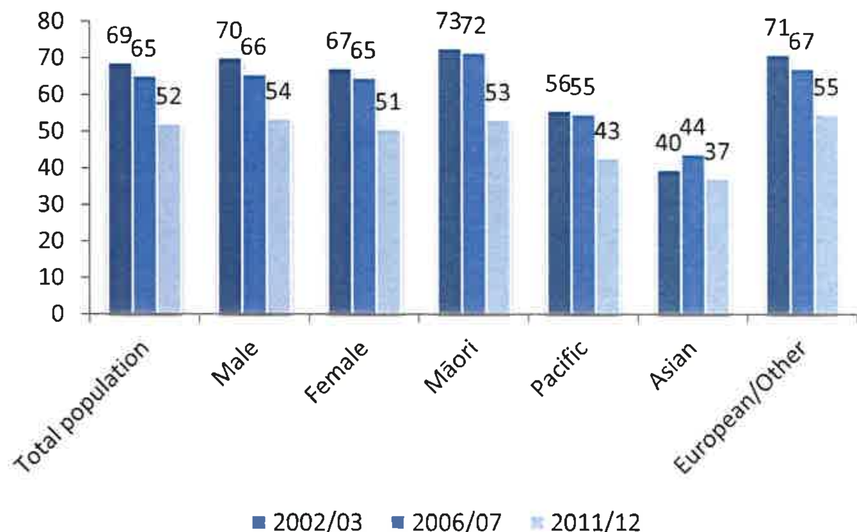
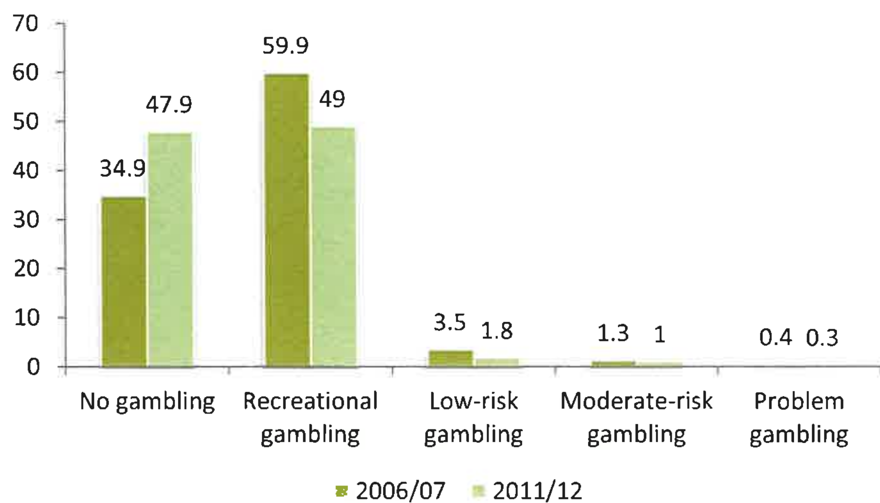


Figure 6: Gambling prevalence by level of risk of gambling problems, 2006/07 and 2011/12



Source: NZ Health Survey, 2002/03, 2006/07 and 2011/12

Gambling risks

Lotto is the most common form of gambling undertaken in New Zealand. As Figure 7 shows, there is marked variation in participation in different forms of gambling by recreation gamblers versus problem gamblers. For example, whereas 88% of recreational gamblers and 75% of problem gamblers used Lotto, only 10% of recreational gamblers and 47% of problem gamblers used gaming machines in pubs and clubs.

Figure 8 below shows the risk of gambling problems by preferred method of gambling. It indicates higher levels of risk in Racing Board products and gaming machines than Lotteries Commission products.

Figure 8: Risk of gambling problems by preferred method of gambling, 2011/12

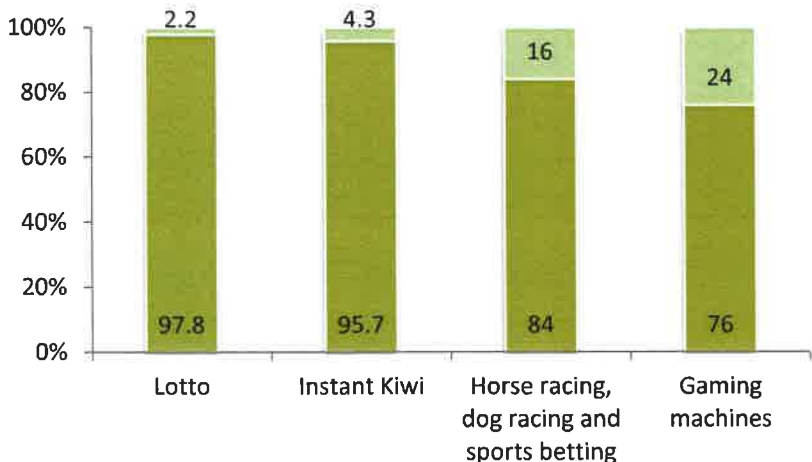
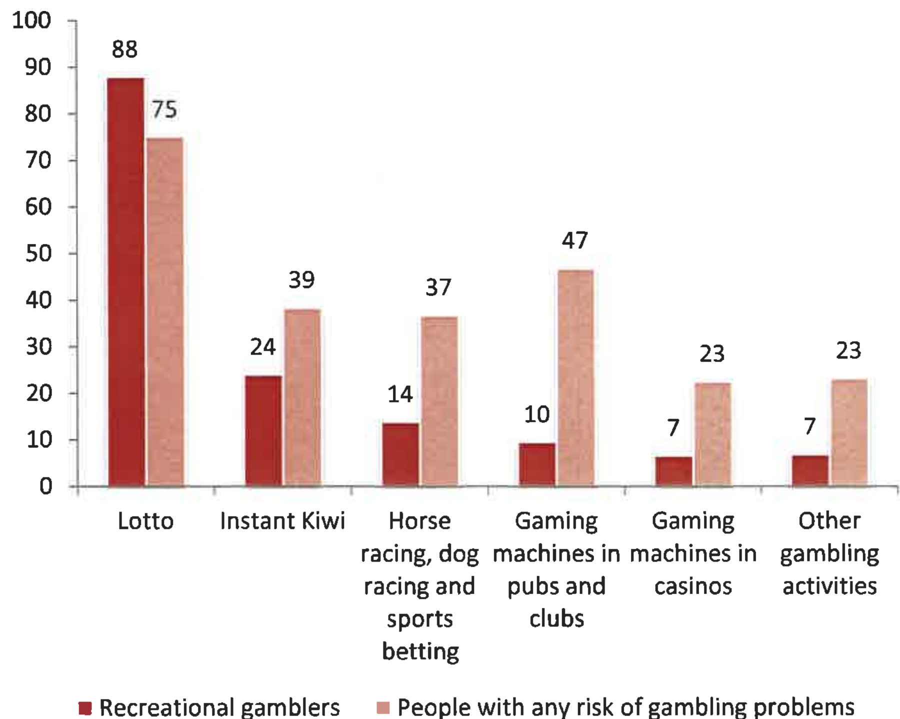


Figure 7: Prevalence of gambling and level of risk of gambling problems, 2011/12



Source: NZ Health Survey, 2011/12 (preliminary findings)

Scale of effect

In 2011/12, approximately 89,000 people experienced problems because of someone else's gambling. Table 1 below shows that those affected were substantially women (52,000), and that Māori and Pacific people were more likely to be affected.

Since 2004, presentations by families affected by someone else's gambling has averaged approximately 1200 per year; this peaked at 1778 in 2008/09 and was at 1569 in 2011/12 (note this data excludes brief interventions).

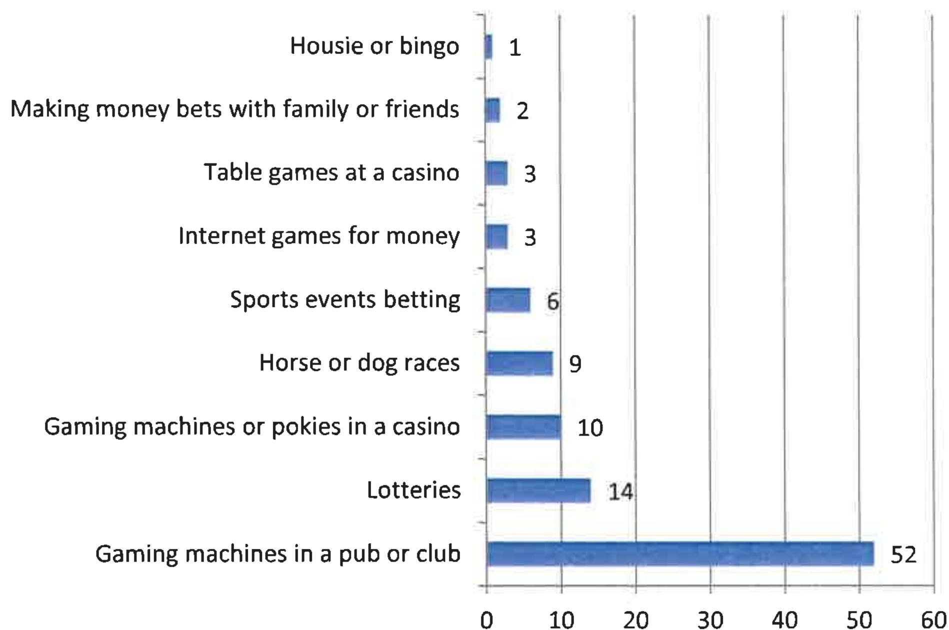
Table 1: Experience of problems because of someone else's gambling

	Prevalence (%)	Estimated number
Total population	2.5	89,000
Male	2.1	36,000
Female	2.9	52,000
Māori	6	27,000
Pacific	5.3	11,000
Asian	1.9	7000
European/Other	2.1	57,000

Source: NZ Health Survey, 2011/12 (preliminary findings)

The 2010 Health and Lifestyles Survey found that 6.4% of respondents said that there had been an argument and/or people were going without or not paying bills because of gambling in the last 12 months. Gaming machines accounted for half of this, and Lotteries 14% (Figure 9).

Figure 9: Gambling modes most often related to a family or household member going without or an argument due to gambling in the past 12 months



Source: Health and Lifestyles Survey, 2010

Gambling presentations over time

Over time, presentations for support by problem gamblers, grew steadily to peak at around 6367 in 2009/10, and have declined only marginally since then.

Table 2 below shows that NCGM has been attributed to the bulk of presentations (3708 or 60% in 2011/12). As also indicated by Table 2, presentations attributed to Lotteries and NZ Racing Board have steadily grown over the last five years:

- Lotteries-related presentations increased from 97 in 2007/08 to 339 in 2011/12 (250% increase)
- NZ Racing Board-related presentations increased from 328 in 2007/08 to 548 in 2011/12 (67% increase).

Table 2: Total clients presenting for gambling problems 2007/08 to 2011/12, by industry sector

	2007/08	2008/09	2009/10	2010/11	2011/12
Non Casino Gaming Machines	3063	3933	4160	3945	3708
Casino EGM	463	608	566	597	641
Casino Table	386	442	565	476	547
Lotteries Commission Products	97	304	332	332	339
NZ Racing Board	328	413	449	476	548
Cards	42	136	82	56	73
Housie	20	52	25	65	142
Other	42	127	187	186	223
Total	**4441**	**6015**	**6367**	**6133**	**6216**

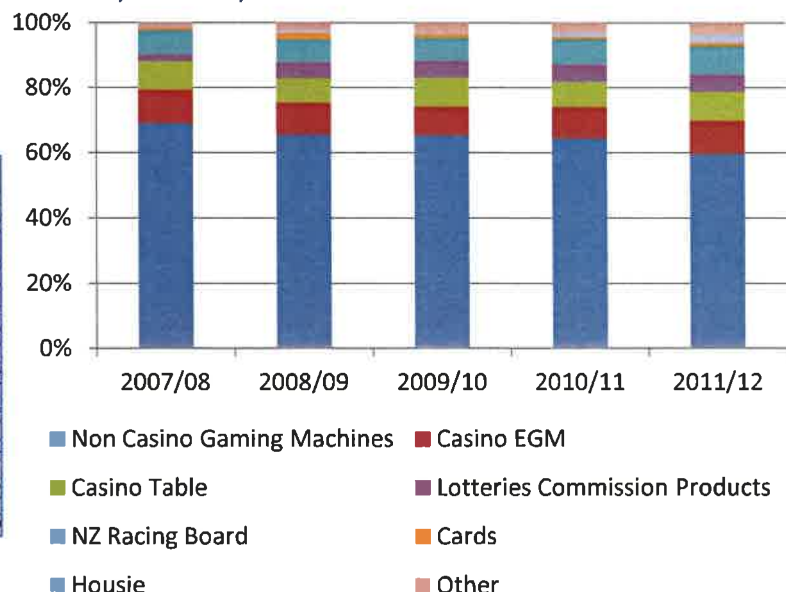
Source: Ministry of Health, 2012 (note data excludes brief interventions)
Note that figures do not add to 6216 due to rounding effects; 6216 represents the total number of unique clients.

Share of gambling presentations by industry sectors

As shown by Figure 10 below, the share of problem gambling presentations has shifted over the last five years:

- In 2007/08, NCGM comprised 69% of presentations; this had declined to 60% by 2011/12.
- Casinos share of presentations stayed at 19% over the same period
- Lotteries increased from 2.2% to 5.5% in the same period
- NZ Racing Board increased from 7.4% to 8.8%
- Taken together, all other forms of gambling increased from 2.3% to 7.0%

Figure 10: Share of presentations by gambling sector, 2007/08-2011/12



New client presentations over time

New clients point to the rate of growth of presentations; if there are fewer new clients, we can expect a declining number of overall clients over time. New presentations for support by problem gamblers grew to peak at 3854 in 2008/09. Total new clients has fluctuated since then, and was at 3406 in 2011/12 (Table 2).

NCGM was the most common attribution by new clients, although this declined to 1961 in 2010/11 and 2011/12, from a peak of 2429 in 2008/09 (19% decline). The fluctuations in new clients over the past 4-5 years makes it difficult to assess likely future patterns of presentations; a marked decline overall does however appear unlikely at this point.

Table 3: New client presentations by gambling sector, 2007/08 to 2011/12

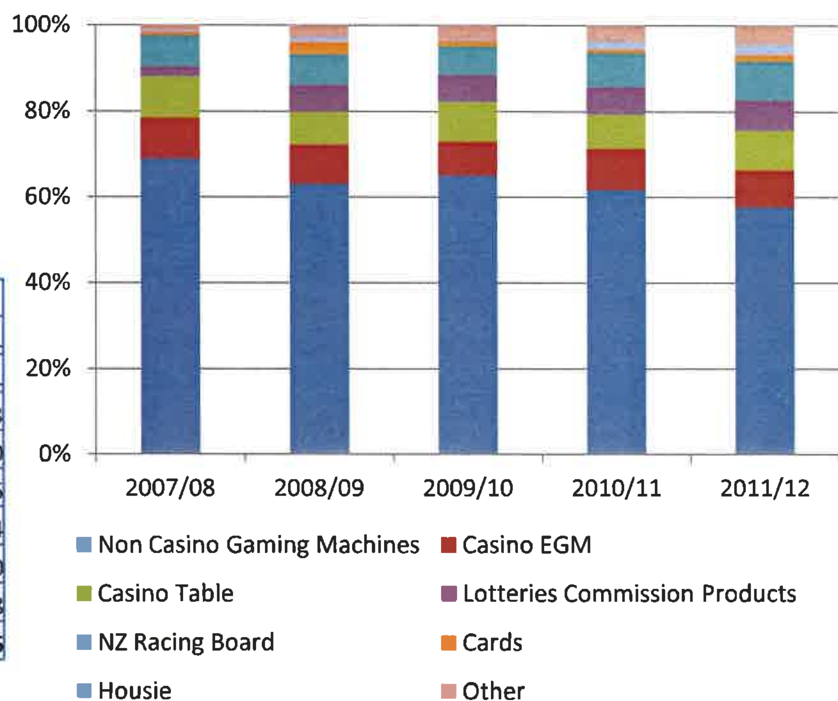
	2007/08	2008/09	2009/10	2010/11	2011/12
Non Casino Gaming Machines	1955	2429	2366	1961	1961
Casino EGM	271	362	289	312	301
Casino Table	271	286	336	250	313
Lotteries Commission Products	66	243	227	205	240
NZ Racing Board	204	271	244	249	306
Cards	24	113	46	30	54
Housie	13	44	13	58	80
Other	30	105	117	115	148
Total*	**2834**	**3854**	**3637**	**3180**	**3406**

Share of new presentations by industry sectors

Over the five years from 2007/08 to 2011/12:

- NCGM share of presentations declined from 69% to 58%
- Casinos declined from 19% to 18%
- Lotteries increased from 2.3% to 7%
- NZ Racing Board increased from 7.2% to 9.0%
- All other forms increased from 2.4% to 8.3% (Figure 11)

Figure 11: Share of new client presentations by gambling sector, 2007/08-2011/12



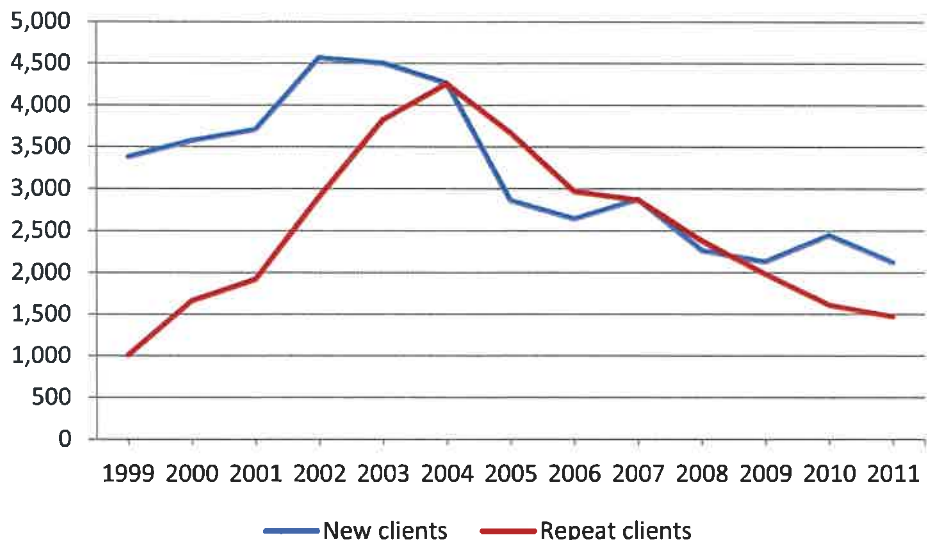
Source: Ministry of Health, 2012 (note data excludes brief interventions)

Accessing the Gambling Helpline

Data from the Gambling Helpline shows that after some initial rapid growth, demand has declined significantly since 2001 (Figure 12).

- New clients, from a peak of 4569 in 2002, declined to 2122 in 2011 (54% decline)
- Repeat clients, from a peak of 4259 in 2004, declined to 1478 in 2011

Figure 12: Gambling Helpline clients 1999-2011



Trends in gambling expenditure

The Department of Internal Affairs monitors expenditure in all four gambling classes. 'Expenditure' is classified as the gross amount wagered minus the amount paid out or credited as prizes or dividends. Expenditure is therefore the amount lost or spent by players or the gross profit of the gaming operator.

Figure 13 below shows gambling expenditure since 1987. Gambling expenditure has risen significantly over this period, from $249m to $2 billion by 2004, where it has remained since. This was driven by growth of NCGM and to a lesser degree, casino and lotteries expenditure.

However, as Figure 14 shows, NCGM expenditure declined from 47% of overall expenditure in 2007 to 44% in 2011, and casinos also declined slightly; lotteries expenditure rose over this period from 16% to 21%, and NZ Racing Board increased slightly.

Figure 13: Gambling expenditure 1987-2011

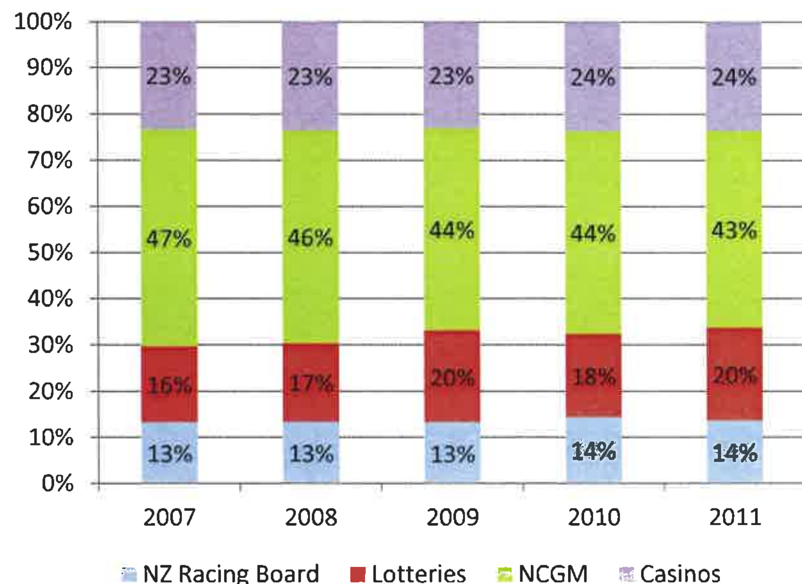
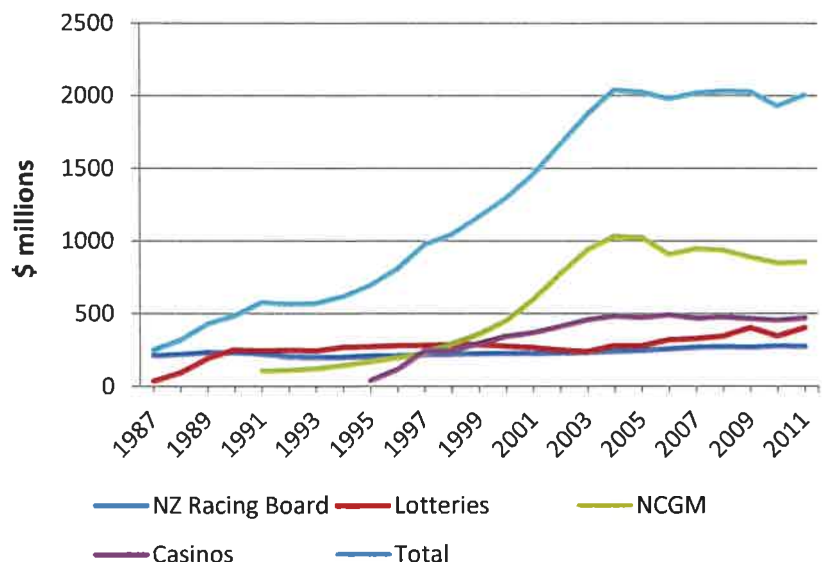


Figure 14: Share of gambling expenditure 2007-2011



Source: Department of Internal Affairs, 2012

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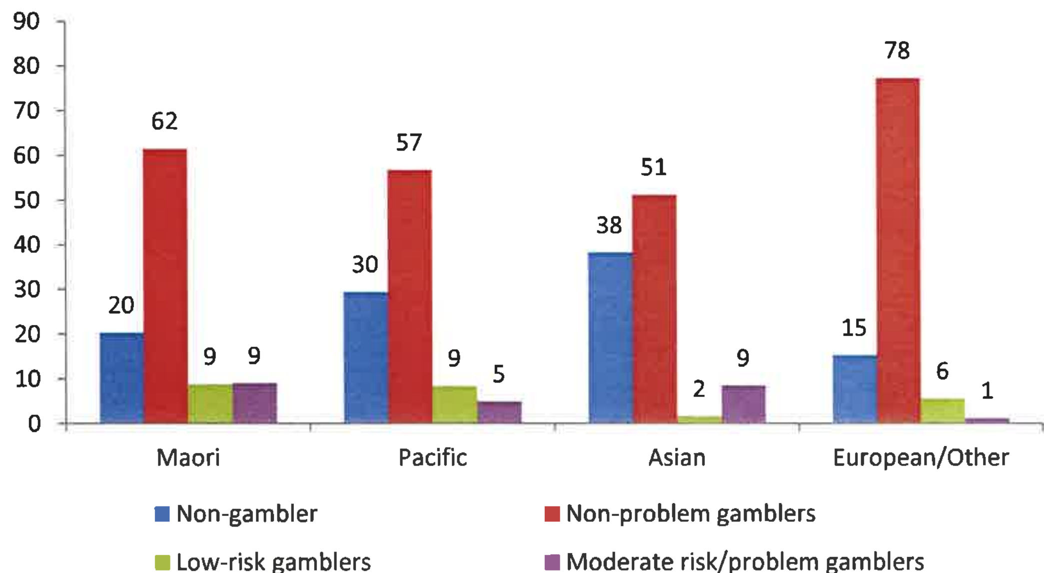
Patterns in problem gambling

The 2010 Health and Lifestyles Survey found 9% of Māori, 5% of Pacific and 9% of Asian respondents were classified as moderate risk or problem gamblers, compared to 1% of other ethnic groups (Figure 15). Moreover, the same survey found 42% of Māori reported a family or friend gambling more than intended, 36% of Pacific and 21% of Asian, compared to 21% of European. Research also indicates that:

- Men are more at risk of problem gambling than women (although women are more likely to access problem gambling services)
- People in high deprivation areas are more at risk of problem gambling than people in low deprivation areas
- Risk of problem gambling appears to be spread across all age groups.

In addition, the research highlights that although 80% of higher risk groups are aware of gambling support services, they are less likely than lower-risk groups to be aware of such services.

Figure 15: Risk of problem gambling by ethnicity, 2010



Source: Health and Lifestyles Survey, 2010

CONTENTS

1. Executive Summary and Recommendations
2. Introduction and Purpose
3. Overview of Key Directions in Ministry Service Plan
4. Trends in Gambling and Related Harm
5. **Reviewing Performance and Focus**
   - Value for money
   - Public health interventions
   - Evidence of Effectiveness
6. Review of Overall Funding Requirements and Gambling Levy
7. Conclusions

Value for Money

In 2011, a substantial review of value for money of problem gambling services was undertaken for the Ministry of Health by KPMG Ltd. This section briefly reviews key findings from the value for money analysis work and highlights points of relevance to this review.

Strengths of services provided

While the KPMG 'Value for Money' report was unable, because of a lack of outcome data, to determine the overall value for money provided by the Ministry's Gambling Services, it did make the point that when the focus was put on inputs and outputs value for money (VfM) was assessed as good.

In addition, it identified that the VfM of problem gambling services had increased significantly over the previous three years. Key strengths identified in the KPMG report were:

1. The preventative approach of public health to prevent and minimise harm.
2. Intervention services appear innovative and well designed.
3. Coverage is national and services are targeted to ethnic groups most at risk of harm.
4. Awareness campaigns achieve good levels of recall of the key messages.
5. A comprehensive dataset exists of problem gambling service usage.
6. The problem gambling levy recognises the gambling industry taking responsibility
7. Good relations between the Ministry and service providers exist which have led to a significant upward trend in performance over the past three years.
8. VfM has improved significantly in the past three years.

Value for Money: Areas of Improvement

The KPMG report identified two areas where achievement was significantly below target. They also note that in both areas they were not able to conclude if the reason was because of inappropriate targets or low provider achievement. The two area were:

- **Provider face-to-face time**: Face-to-face time averaging 15 hours per week is considerably lower than the 20 hours per week the Ministry targets for Alcohol and Other drug contracts. They did note however that the time spent face-to-face with clients had improved by 8% over the period 2008/09 and 2009/10.
- **Extent to which providers achieve intervention contract targets**: While KPMG considered the VfM indicator to be poor for this driver they did acknowledge significant improvement with 57% of providers meeting all their targets in 2009/10 compared with 25% in in 2008/09 and 19% in 2007/08.

To ensure ongoing improvement in the VfM provided by Gambling Harm services, the Ministry has a number of initiatives noted in the 2013/14 – 2015/16 Service Plan. These include:

- The outcomes reporting framework should be available early in 2013. This will increase the ability to assess the efficiency and effectiveness of the Ministry's strategy and, in particular, track ongoing improvement in the two areas noted above.
- To further increase VfM the Ministry intends to 'test the market' for a number of service contracts, one of which will be helpline services which is considered to be very expensive when compared with similar services in New Zealand and overseas.

Value for Money: Areas for Consideration

In discussing areas for consideration the KPMG report commented that there was "lack of clear evidence to support the appropriateness of weightings used to support the level of Public Health and Research spend."

To explore this further we undertook a review of the literature to ascertain the evidence supporting a Public Health approach. A key conclusion reached in the literature review was that *public health interventions can be effective in preventing problem gambling, and they are particularly useful for reaching a larger number of individuals than formal treatment programmes.* This is discussed in more detail in the section that follows.

The evidence for this was considered to be high, based on research in comparable areas of addiction studies. However the lack of research specifically related to gambling does support the Ministry's ongoing investment in public health oriented research.

Effectiveness of public health interventions in preventing gambling-related harm

Findings from Synergia-commissioned review

Given the underlying foundations of the Gambling Strategy on public health approaches, Synergia commissioned a rapid review of the effectiveness of public health interventions in this field. This was intended to complement the findings of the value for money review, and to test the strength of the evidence base for the overall approach. This section summarises findings; the full review is available as a separate document.

Public health direction of the Gambling Strategy

The Gambling Act 2003 specifies an integrated problem gambling strategy focused on public health and underpinned by a population health framework. The Act states that the strategy must include:

> *"Measures to promote public health by preventing and minimising harm from gambling, services to treat and assist problem gamblers and their families and whānau, independent scientific research associated with gambling, and evaluation".*

This approach facilitates the implementation of both educational and policy initiatives to prevent problem gambling, as well as the provision of treatment and support for problem gamblers, their families and whānau.

Scope of review

Two types of interventions were explored:

- Educational initiatives to change knowledge, attitudes, beliefs and skills to deter people from problem gambling
- Policy initiatives to prevent problem gambling through the alteration of external environmental controls on the availability and provision of gambling

The focus was substantially on the application of these interventions in the gambling arena; where evidence was limited, consideration was given to learnings from other sectors.

Key findings from review

The review suggests that public health interventions can be effective in preventing problem gambling, and which therefore gives support to the broad thrust of the 2013/14 to 2015/16 work programme. They are particularly useful for reaching a much larger number of individuals than formal treatment programmes. Further, the limited number of gamblers that present to treatment in many countries and the high drop-out rates also provides support for adopting a public health approach to problem gambling, to ensure the depth of treatment is complemented by a breadth of population approaches.

Educational interventions

- Awareness campaigns are highly effective in increasing knowledge and changing attitudes at a community level. The evidence for the impact of awareness campaigns on behaviour change however, is more moderate. While campaigns can impact on behaviour, this is most commonly experienced when the information is relevant to the person receiving it, when behavioural change is relatively easy to achieve, and when the costs of continuing the current behaviour are considerable.
- In general, the literature provides moderate evidence for the use of school-based programmes designed to prevent problem-gambling. Education on statistical awareness has limited impact on problem gambling.
- Onsite information centres at gambling venues may be good sources of information but weaker at changing behaviour. The use of such centres may reduce the onus on gambling venue staff to identify and engage with at-risk gamblers.
- Strategies to support workforce development are likely to be important in preventing problem gambling.

Policy interventions

- Restricting the availability of gambling opportunities, particularly if it applies on a per capita basis, are likely to be effective in reducing gambling (i.e. so that they actually impact on access and reduce harm).
- Employee training programmes have the potential to reduce gambling-related harm, but to require sustained follow-up to be effective; they can also be compromised by the demand for profits, the voluntary nature of the training in some countries, the lack of enforcement, and a generally low-skilled workforce with high turnover.
- Restricting alcohol and tobacco consumption at gambling venues positively impacts on gambling levels (as evidenced by a decline in NCGM use immediately following the smoking ban in public places in 2003).
- The link between advertising and behaviours gives support to policies to restrict gambling advertising.

Public Health Approach: Conclusions from the Literature

The review suggests that public health interventions can be effective in preventing problem gambling. Indeed, they are particularly useful for reaching a much larger number of individuals than formal treatment programmes. Further, the limited number of gamblers that present to treatment in many countries and the high drop-out rates also provides support for adopting a public health approach to problem gambling.

In terms of educational initiatives, upstream approaches involving families, awareness campaigns and school-based education programmes appear to be the most effective in problem gambling prevention. Although there was strong evidence for the efficacy of public health approaches in related areas of addiction, the research into public health interventions in relation to problem gambling is not as developed as other areas of addictions. It is important therefore important that the Ministry's research programme continues to develop this area.

In terms of policy initiatives, reducing the availability of gambling, particularly through restrictions on Electronic Gaming Machines (EGMs), and restrictions on alcohol and tobacco in gambling venues are seen to be effective in reducing the gambling levels and its resulting harm.

The multiple contributors to problem gambling identified in theories of gambling behaviour, suggest that gambling harm minimisation and prevention requires a multifaceted approach. Thus, gambling harm prevention is likely to involve a combination of educational and policy initiatives that combine together to maximise their impacts to prevent and reduce problem gambling.

Assessing effectiveness of the current overarching approach to minimising gambling harm

The Ministry of Health, in the proposed Service Plan, points to a range of aspects of service delivery that indicate effectiveness of its strategic direction:

- Intervention services reporting improvements in measures of problem gambling, dollars lost and control over gambling, when re-assessed after gambling
- Growing recall of gambling harm advertising between 2006/07 and 2011/12 (see Figure 16 below)
- Reduction between 2006/07 and 2010 in households going without something they needed or bills not being paid

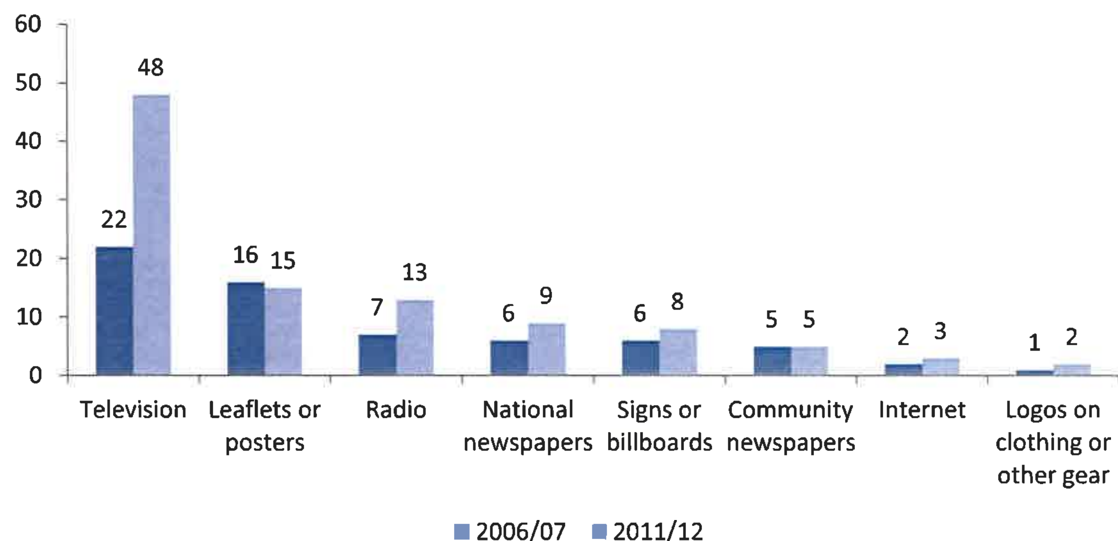
Information provided to the Ministry from the Health Promotion Agency indicated that recall figures for the Kiwi Lives campaign were higher for stage two than stage one. A particularly strong response to the advertisements was reported by Māori and Pacific peoples, those who played a number of 'continuous' gambling activities and those who had seen firsthand the effects of problem gambling. This, it is suggested, demonstrates that the medium is effective for those groups disproportionately affected by gambling harm (Ministry of Health, personal communication).

As indicated earlier, the *Value for Money Review of Problem Gambling Services* gives broad support to the overall approach, with a strong upward trend in value for money in the past three years.

From this review, the key areas of concern appear to be:

- Relatively low value for money from the Gambling Helpline
- Ongoing disparities in gambling-related harm

Figure 16: Recall of gambling harm advertising, 2006/07 and 2011/12



Source: NZ Health Survey, 2006/07 and 2011/12 (preliminary findings)

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Alignment of Service Plan with leading strategic documents in the mental health sector

Mental Health Blueprint II

The Mental Health Blueprint, released by the Mental Health Commission in 2012 following a large-scale sector consultation, sets out a ten-year vision for meeting future needs. In itself, it is not a statement of government policy, but it does signal a strategic direction for the sector that the Ministry of Health is currently formulating a response to through its Mental Health Service Development Plan (currently out for public consultation).

The following priority actions were identified in the Blueprint:

- **Providing a good start**: Respond earlier to mental health and addiction issues in children and young people to reduce lifetime impact.
- **Positively influencing high risk pathways**: Provide earlier and more effective responses for youth and adults with mental health and/or addiction issues who are at risk or involved in the justice system.
- **Supporting people with episodic needs**: Support return to health, functioning and independence for people with episodic mental health and addiction issues.
- **Supporting people with severe needs**: Support return to health, functioning and independence for people most severely affected by mental health and addiction issues.
- **Supporting people with complex needs**: Support people with complex combinations of mental health issues, disabilities, long term conditions and/or dementia to achieve the best quality of life.
- **Promoting wellbeing, reducing stigma and discrimination**: Promote mental health and wellbeing to individuals, families and communities and reduce stigma and discrimination against individuals with mental illness and addictions.
- **Providing a positive experience of care**: Strengthen a culture of partnership and engagement in providing a positive experience of care.
- **Improving system performance**: Lifting system performance by improving outcomes while at the same time reducing the average cost per person.

Draft Mental Health and Addiction Service Development Plan

The Ministry of Health released its draft Service Development Plan for the mental health and addition sector in October 2012, and is currently out for consultation. Its core directions are:

- Better use of resources/value for money, including improved face to face delivery and consult liaison contacts.
- Improving primary/secondary integration, particularly access to primary care response.
- Cementing and building on gains for the most vulnerable.
- Intervening early in the life cycle to prevent later problems.

Implications for the Gambling Service Plan

We recognise that the Gambling Service Plan sits within the primary ambit of the Gambling Act and the six-year Strategic Plan 2010/11-2015/16. Nevertheless, these more recent strategic documents pose both opportunities and challenges for the broader mental health sector, of which gambling services are a part.

We can see clear alignment of the Service Plan with both documents, particularly in its focus on improving value for money and meeting the needs of vulnerable populations.

We suggest however, that a response by the Ministry to both documents on the implications and service responses required by both documents would clarify the direction of the next three years and more importantly, the next overarching gambling strategy to emerge from 2016.

In particular, both documents highlight a life-cycle approach and early intervention; this is also a focus of other health sector activity, such as the investment in the Prime Minister's Youth Mental Health projects. This could benefit from further elaboration within the Gambling Service Plan.

CONTENTS

1. Executive Summary and Recommendations

2. Introduction and Purpose

3. Overview of Key Directions in Ministry Service Plan

4. Trends in Gambling and Related Harm

5. Reviewing Performance and Focus
    - Value for money
    - Public health interventions
    - Evidence of Effectiveness

6. **Review of Overall Funding Requirements and Gambling Levy**

7. Conclusions

Review of Overall Funding

The overall funding proposed for the next three years of the Service Plan is $55,338,328. This is a very small reduction of $84,279 (0.15%) over the previous three year period.

The funding requirement has been calculated using detailed 'bottom up' models which identifies the resource required to deliver the required services, with adjustments made for a range of factors, including population, availability of gambling opportunities, gambling expenditure, presentations and levels of deprivation. The model identifies the required FTEs by service type and also optimises the geographical and ethnic split across all 23 providers.

In addition, the Ministry has determined the service requirements based on the Needs Assessment undertaken by the Francis Group in 2009, recommendations made by the PWC Gambling Commission Report (2009) and their experience in funding and co-ordinating Problem Gambling services since 2004.

Consistent with the PWC Report to the Gambling Commission in 2009, the method used to establish the funding level appears well founded and valid.

Review of Overall Funding (continued)

There are clearly gains to be shown from the investment in gambling harm prevention and minimisation, as discussed in previous sections. Nevertheless, the scale of the problem remains significant and requires a multi-faceted approach.

For example, while there has been a reduction in overall gambling the New Zealand Health Survey found that for the period 2006/07 to 2011/12, there were no significant changes in the prevalence of problem gambling.

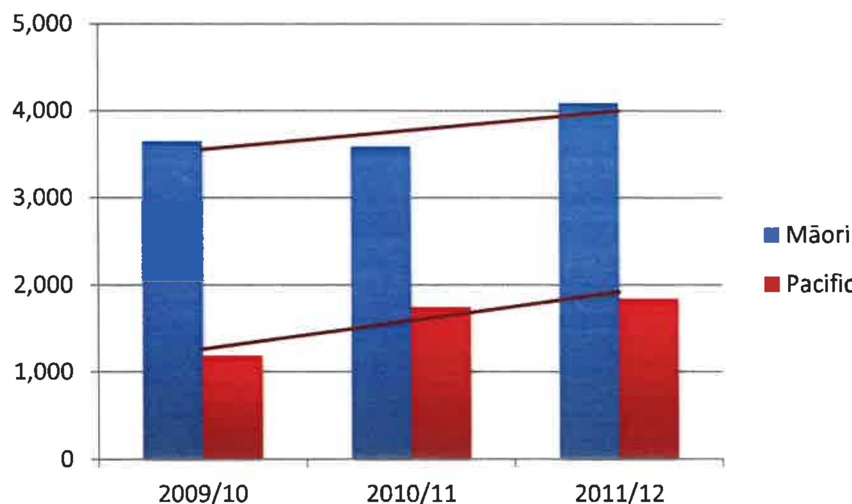
Furthermore, presentation data indicates that there has been an increase in Māori and Pacific using gambling harm services. For Māori the increase during the period 2009/10 to 2001/12 was 12.1%. For Pacific peoples, the rise in presentations over that three year period was 55.2%. While this is a positive outcome, indicating that the services are meeting the target populations and consistent with the Ministry's target of lifting the number of presentations from the current level of 23% of estimated prevalence to 30%, it does indicate a continuing need for such services.

Overall, presentations have levelled off in recent years, after a small decline, further signalling ongoing need.

Given that the evidence of ongoing need, especially among the key target populations, there does not appear to be a strong rationale for making significant reductions in the levy.

The continuation of funding at current levels also provides the opportunity to embed the gains made to date.

Figure 17: Presentation to Gambling Services (including brief interventions), Māori and Pacific



Note that unlike other presentation data cited in this report, Figure 17 includes brief intervention support. This is because the purpose here is to explore relative need, rather than the basis on which expenditure is calculated. If brief interventions are excluded, the trend is not as evident.

Review of Weighting

While the funding requirements for the next three years remain largely unchanged the levy requirement has reduced to $54,046,634. This is due to a combination of levy over-collect in the period from 2010/11 to 2012/13, Ministry under-spend during the previous three years and a small variation from the forecast to 30 June 2010. The result is a reduction of $1,291,694 (2.3%).

The formula for calculating the levy is specified in the Gambling Act (2003) and is set out below:

$$\frac{((AxW1)+(BxW2))xC}{D}$$

Where:

A = estimated current expenditure in a sector, divided by the total estimated current expenditure in all sectors subject to the Levy

B = the number of customer presentations to Problem Gambling services that can be attributed to gambling in a sector, divided by the total number of customer presentations

C = the funding requirement for the period for which the Levy is payable, taking into account any under- or over- recovery in the previous Levy period

D = forecast player expenditure in a sector for the period during which the Levy is payable

W1 (expenditure weight) and W2 (presentations weight), the sum of which is 1

The current weightings are set at 10% for W1 (expenditure) and 90% for W2 (presentations)

The Ministry has proposed, in their three year service plan that the weighting should be changed to 30% for W1 and 70% for W2.

Review of Weighting (continued)

The Ministry's three-year Service Plan clearly lays out its argument for a weighting based on 30% expenditure and 70% presentations. The shift from the current weighting of 10:90 is based on the following points:

- Presentations are not the only available indicator of harm and screening instruments such as the PGSI, or survey questions provide estimates of problem gambling harm.
- Because of this other indicators should be used, in addition to presentations, to inform the weighting decision.
- One important indicator is the impact that gambling has on the wider family or household. For example, HLS survey data explores if in the previous year, there had been an argument in their wider family or household, or if people had gone without or bills had not been paid. Using this broader indicator of harm, we see that this was associated with NCGM (52%), Lotteries (14%), Casino gaming machines (10%), and horse or dog races (9%).
- A weighting of 30:70 spreads the industry responsibility across the sector, and gives greater recognition to household harm.

In addition, we would argue that the public health focus of the Service Plan requires an approach that is wider than the acute end of the continuum covered by presentations. If the public health approach is to be continued, and we would support it doing so, then the funding levy needs to be based on the same underpinning philosophy. Once broader indicators, such as 'household harm' are taken into account then a shift away from 10:90 is indicated.

A parallel can be offered with the shift in mental health services policy away from a focus on the 3% in most acute need of services, towards the broader population with mental health needs. With regard to the gambling levy, a shift away from a 10:90 weighting similarly reflects a focus on the broader impacts of problem gambling.

If one then takes into account the need to ensure the burden falls fairly across the sector then a 30:70 weighting seems the most justifiable weighting to be adopted.

We suggest that an argument could be made for a 20:80 weighting as a transition to a 30:70 model over time. We would nevertheless contend that the 30:70 provides the most justifiable weighting.

A further issue raised in consultation was the possible separate treatment of TAB-based NCGMs (i.e. non-pub or club NCGMs). While in principle, this may be worth investigating, given that we understand there are only 30 such venues nationally, the effect may be marginal and we do not see this as a priority activity.

Impact of weighting changes

The most significant impact of a shift in the weighting of the levy would be on the Non-Casino Gaming Machine sector (reduction in levy) and the New Zealand Lotteries Commission (increase in levy). There would be smaller impacts upon casinos and the NZ Racing Board (Figure 18).

A shift to a 30:70 would reduce the levy paid by the NCGM by 6.9%, from $33.3 million to $31.1 million. The levy paid by the New Zealand Lotteries Commission would rise by 36.5%, from $4.0 million to $5.4 million. The New Zealand Racing Board and the Casinos would have rises in their levy of 8.3% and 2.7% respectively. A shift to 20:80 would reduce the levy paid by NCGM by 3.1%, to $32.3 million, and the Lotteries levy would increase by 20% to $4.7 million. The New Zealand Racing Board and the Casinos would have rises in their levy of 5% and 1.4% respectively. (Table 4 and Figure 18)

Table 5 below details the relative contribution of each sector to the levy under three scenarios (10:90, 20:80 and 30:70). Even with the shift to 30:70, the NCGM sector retains the bulk of the levy, but the levy would be apportioned more across other sectors.

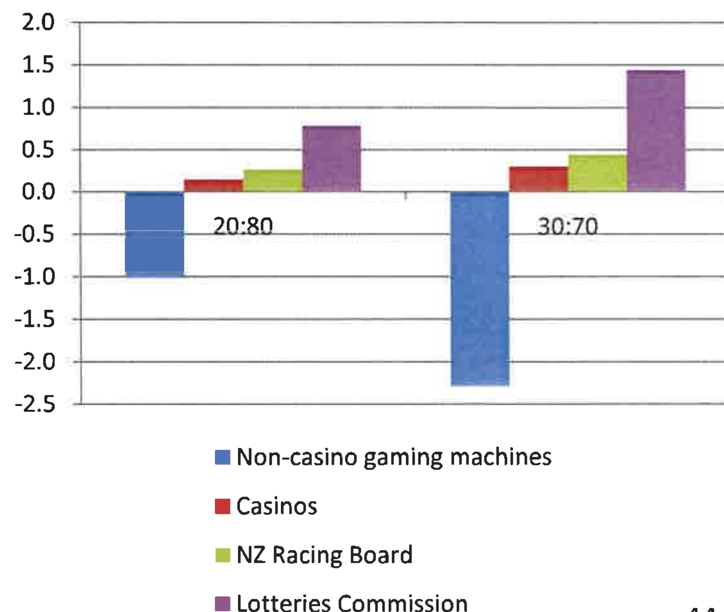
Table 4: Contribution of each sector under different weighting scenarios

	Non-casino gaming machines	Casinos	NZ Racing Board	Lotteries Commission
10:90	$33.4m	$11.3m	$5.4m	$4.0m
20:80	$32.3m	$11.5m	$5.7m	$4.7m
30:70	$31.1m	$11.6m	$5.8m	$5.4m

Table 5: Share of contribution of each sector under different weighting scenarios

	Non-casino gaming machines	Casinos	NZ Racing Board	Lotteries Commission
10:90	61.7%	21.0%	10.0%	7.3%
20:80	59.6%	21.2%	10.4%	8.7%
30:70	57.6%	21.6%	10.8%	10.0%

Figure 18: Change in sector gambling levies resulting from shift to 20:80 and 30:70 weightings (millions)



CONTENTS

1. Executive Summary and Recommendations
2. Introduction and Purpose
3. Overview of Key Directions in Ministry Service Plan
4. Trends in Gambling and Related Harm
5. Reviewing Performance and Focus
    - Value for money
    - Public health interventions
    - Evidence of Effectiveness
6. Review of Overall Funding Requirements and Gambling Levy
7. **Conclusions**

Concluding remarks

The 2013/14 to 2015/16 Service Plan marks an ongoing refinement of an approach to preventing and minimising gambling harm that has been well tested over the past nine years. For this, the third review of the plan, we find that a well-structured approach has been followed that is broadly consistent with the public health framework that guides legislation and strategy in this area.

We are confident that the overall approach taken is consistent with the evidence base for public health and service interventions in the gambling arena.

We concur with the recommendations from the 2010 Value For Money review regarding the development of a robust outcomes framework to monitor performance of gambling intervention services, and anticipate its implementation in 2013. This will support analysis of investment strategies into the future.

There have been some encouraging signs in overall levels of gambling-related harm, but there remains a clear and pressing need for investment in public health and intervention services, supported by a portfolio of research that builds a solid base of evidence of effectiveness, to guide activity in the sector in the future. For these reasons, we endorse the overall gambling levy that is proposed. There is a clear need to ensure that activity continues to work with populations of need.

Our recommendations regarding the weightings for the levy reflect a changing profile of expenditure and harm that is showing a greater spread across all forms of gambling than has occurred in previous years. Although NCGM retains the greatest share of harm, there is a strong case to be made for a greater levy contribution to be made by other sectors. The proposed shift to the 30:70 weighting reflects a stronger factoring of broader harm impacts, beyond simply the acute end of problem gambling presentations.

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