

**ANNEX 3**

**SYNERGIA'S REPORT TO THE GAMBLING COMMISSION**

REVIEW OF MINISTRY OF HEALTH  
STRATEGY TO PREVENT AND  
MINIMISE GAMBLING HARM,  
SERVICE PLAN AND FORMULA  
FOR LEVY CALCULATION



SYNERGIA

Report for the Gambling Commission

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# CONTENTS

<b>1. EXECUTIVE SUMMARY AND RECOMMENDATIONS</b> .....	<b>7</b>	<b>3.1 STRATEGIC PLAN 2019/20 TO 2021/22</b> .....	<b>16</b>
1.1 STRATEGIC CONTEXT.....	7	3.2 SERVICES EXPENDITURE: OVERVIEW.....	17
1.2 TRENDS IN GAMBLING AND RELATED HARM.....	7	3.3 PUBLIC HEALTH EXPENDITURE.....	17
1.3 GAMBLING EXPENDITURE.....	8	3.4 INTERVENTION SERVICES EXPENDITURE.....	19
1.4 GAMBLING PRESENTATIONS AND GAMBLING HARM.....	8	3.5 RESEARCH CONTRACTS EXPENDITURE.....	19
1.5 KEY DIRECTIONS IN STRATEGY, SERVICE PLAN AND INVESTMENT.....	9	3.6 EXPENDITURE OVERVIEW.....	21
1.6 REVIEW OF LEVY FORMULA.....	11	<b>4. TRENDS IN GAMBLING AND RELATED HARM</b> ..	<b>22</b>
1.7 RECOMMENDATIONS.....	12	4.1 TRENDS IN GAMBLING EXPENDITURE.....	22
<b>2. INTRODUCTION AND METHOD</b> .....	<b>14</b>	4.2 GAMBLING AND GAMBLING-RELATED HARM PREVALENCE.....	24
2.1 BACKGROUND.....	14	4.3 GAMBLING RISKS.....	26
2.2 FOCUS OF THIS REPORT.....	14	4.4 SCALE OF EFFECT.....	27
2.3 SCOPE AND CONTEXT.....	15	4.5 GAMBLING PRESENTATIONS OVER TIME.....	28
2.4 METHOD.....	15	4.6 NEW CLIENT PRESENTATIONS OVER TIME.....	30
<b>3. OVERVIEW OF KEY DIRECTIONS IN MINISTRY SERVICE PLAN</b> .....	<b>16</b>	4.7 ACCESSING THE GAMBLING HELPLINE.....	32
		4.8 PATTERNS IN PROBLEM GAMBLING.....	33
		<b>5. REVIEWING PERFORMANCE AND FOCUS</b> .....	<b>34</b>
		5.1 VALUE FOR MONEY.....	34

5.2	OUTCOMES FRAMEWORK .....	34
5.3	ALIGNMENT OF SERVICE PLAN WITH LEADING STRATEGIC DOCUMENTS .....	34
<b>6.</b>	<b>REVIEW OF OVERALL FUNDING REQUIREMENTS AND GAMBLING LEVY .....</b>	<b>35</b>
6.1	REVIEW OF OVERALL FUNDING .....	35
6.2	REVIEW OF WEIGHTING .....	37
6.3	IMPACT OF WEIGHTING CHANGES .....	39
6.4	ESTIMATED LEVY UNDER-RECOVERY OR OVER-RECOVERY, BY SECTOR (R) .....	40
<b>7.</b>	<b>CONCLUSIONS .....</b>	<b>41</b>
<b>8.</b>	<b>REFERENCES .....</b>	<b>42</b>



## LIST OF FIGURES

Figure 1: Service expenditure 2015/16 to 2021/22.....	17
Figure 2: Public Health expenditure 2015/16 to 2021/22.....	18
Figure 3: Intervention services expenditure 2015/16 to 2021/22.....	19
Figure 4: Research contracts expenditure 2012/13 to 2015/16.....	20
Figure 5: New service and innovation pilots expenditure.....	21
Figure 6: Gambling expenditure 1996 to 2017.....	23
Figure 7: Share of gambling expenditure 2010 to 2017.....	24
Figure 8: Past year gambling 1985 to 2016.....	24
Figure 9: Gambling prevalence by level of risk of gambling problems, 2012 to.....	25
Figure 10: Risk of problem gambling by monthly participation in specific gambling activities 2016.....	26
Figure 11: Participation in specific gambling activities by risk of problem gambling 2016.....	27
Figure 12: Gambling modes related to household harm in the past 12 months 2016.....	28
Figure 13: Share of client presentations (excluding brief interventions) by gambling sector 2014/15 to 2016/17.....	30
Figure 14: Share of new presentations (excluding brief interventions) by gambling sector 2014/15 to 2016/17.....	31
Figure 15: Gambling helpline clients 1999 to 2015.....	32
Figure 16: Presentations to Gambling Services (including brief interventions) Māori and Pacific 2012/13 to 2016/17.....	36
Figure 17: Change in sector gambling levies resulting from shift to 20:80 and 30:70 weightings (\$m).....	40

## LIST OF TABLES

TABLE 1: EXPERIENCE OF PROBLEMS BECAUSE OF SOMEONE ELSE'S GAMBLING .....	28
TABLE 2: TOTAL CLIENT PRESENTATIONS (INCLUDING BRIEF INTERVENTIONS) BY GAMBLING SECTOR 2014/15 TO 2016/17 .....	29
TABLE 3: CLIENT PRESENTATIONS (EXCLUDING BRIEF INTERVENTIONS) BY GAMBLING SECTOR 2014/15 TO 2016/17 .....	29
TABLE 4: NEW TOTAL CLIENT PRESENTATIONS (INCLUDING BRIEF INTERVENTIONS) BY GAMBLING SECTOR 2014/15 TO 2016/17 .....	30
TABLE 5: NEW CLIENT PRESENTATIONS (EXCLUDING BRIEF INTERVENTIONS) BY GAMBLING SECTOR 2014/15 TO 2016/17 .....	31
TABLE 6: PREVALENCE OF PROBLEM AND MODERATE-RISK GAMBLING BY ETHNICITY 2015 .....	33
TABLE 7: EXPECTED CONTRIBUTION BY SECTOR UNDER DIFFERENT WEIGHTING SCENARIOS .....	39
TABLE 8: SHARE OF CONTRIBUTION BY SECTOR UNDER DIFFERENT WEIGHTING SCENARIOS .....	39



## ABBREVIATIONS

EGM	Electronic Gaming Machines
HPA	Health Promotion Agency
NCGMs	Non-Casino Gaming Machines
NGS	National Gambling Study
NZLC	New Zealand Lotteries Commission
NZRB	New Zealand Racing Board



## 1. EXECUTIVE SUMMARY AND RECOMMENDATIONS

### 1.1 Strategic context

Over 2018, the Ministry of Health has consulted on its proposals for a Strategy to Prevent and Minimise Gambling Harm (2019/20 to 2021/22) which is a development of the strategic plan/framework published in 2016/17. This plan is a continuation of a long-term approach that has remained relatively consistent since it was first published in 2005. This report, from Synergia Ltd, provides advice to the Gambling Commission in its consideration of both the Strategy and the Service Plan for the period 2019/20 to 2021/22.

The Strategy sets the overall direction of activity to prevent and minimise gambling harm, and to reduce related health inequities, based on a public health approach. The Service Plan details the services that will be funded and the apportionment of funding to services via the Gambling Levy.

The intention of the Ministry is that each three-yearly plan will consist of a rolling nine-year strategic plan and a three-year service plan.

### 1.2 Trends in gambling and related harm

The decline in gambling participation noted in 2012, has plateaued, with the overall gambling rate remaining unchanged since 2012. Furthermore, the level of harm, as measured by the problem gambling severity index (PGSI), has remained unchanged for the last five to seven years at about 5% of the population.

Of concern is recent research (Browne et al, 2017) indicating that nearly 50% of all gambling harm is attributable, not to problem gamblers but to low-risk gamblers, due to the large numbers within this group. They estimate that 18% of the total harm can be attributed to problem gamblers. While there is debate about this approach (Delfabbro, 2018), it does highlight a key point that there is a need to develop a “more refined and comprehensive assessment of harm”. [presentation by Prof. Paul Delfabbro] to support informed policy, especially now that gambling has been integrated into the Ministry’s unit for Mental Health and Addiction.

The most popular forms of gambling, in terms of participation, are the NZ Lotteries Commission Products (Lotto).

The concentration of gambling outlets in deprived areas continues. This is a major concern given that people in these areas are much more likely to experience gambling harm and financial problems.

Online gambling is now a key component of gambling behaviour in NZ with people purchasing Lotto and NZ Racing Board (NZRB) products on line. In addition, there is an increasing convergence of games and gambling, potentially making gambling products such as the virtual reality-enabled Instant Kiwi Tickets much more addictive (Hook and Rippon, 2018).

Total client presentations to gambling support services, excluding brief interventions, have decreased by 5 percent from 7,210 in 2014/15 to 6,271 in 2016/17. If gambling participation and gambling harm was also decreasing this would be viewed as good news.

However, the reverse is true and it is concerning that despite the trends in gambling participation, expenditure and harm, the numbers seeking support is now decreasing so that client presentations excluding brief interventions) is 13% lower than it was in 2014/15. In contrast presentations from those citing Lotto as the reason have risen by 31% over the same period, so that they are now second only to Non-Casino Gaming Machines (NCGM).

This is discouraging as it does not reflect a drop in the numbers gambling, the expenditure of those gambling, or the harm that is being generated. Why people are not presenting, despite the need for support services is a key issue that the Ministry's strategy must aim to address.

In previous reports we noted encouraging trends, with reductions in harm and expenditure, along with increases in those seeking help. We are concerned that these trends now appear to be slowing and in some cases reversing. Expenditure is rising, the level of harm has stabilised at around 5% of the population and the numbers seeking help is decreasing. These are all signs that the strategy, that has been in place for a number of years, needs to be reviewed and raises questions whether or not a strategy of 'refocusing and revitalising' while necessary, will do enough to shift the trends in a more positive direction.

Comments by the sector at the Gambling Commission Consultation Meeting on 30 January made it clear that significant changes are required, and the Ministry of Health needs to use the period of this plan to work in close collaboration with the sector to not just 'refocus and revitalise' the strategy but to undertake a major rethink. The Ministry noted in its presentation at the meeting that

they needed to 'co-design' new service approaches. That scope is too limited as those services operate in a broader context and that broader context needs to be incorporated into any re-design efforts. That is why we are calling for a 'rethink', not just a refocus.

### 1.3 Gambling expenditure

Gambling expenditure continues to increase, especially expenditure on lottery products. Total gambling expenditure in 2016/17 was 5.6% greater than that spent in 2015/16 and 11.6% more than that spent in 2014/15. This increase is coming from NCGM, Casinos and Lotto products. Since 2014/15 they have grown by 6.4%, 8.5% and 32.0% respectively. Looking at longer-term trends it is clear that Lotto products are, by far, the fastest growing. Since 2009/10 expenditure on NCGM has increased by 2.4%. Casino expenditure has risen by 30.0%. Expenditure on NZRB products has increased by 21.0%. Expenditure on Lotto products has increased by 60.0%.

In terms of relative expenditure, NCGMs has declined from 39.1% in 2014/15 to 37.3% in 2016/17. Casino expenditure has remained relatively static, dropping from 25.2% to 24.5% over that period. NZRB products have also declined very slightly, from 15.5% to 14.5%. Lotto products have increased from 20.1% to 23.8%.

We see no reason to believe that these trends are going to change.

### 1.4 Gambling Presentations and Gambling

#### Harm

Although NCGM remains the dominant attribution for gambling support presentations, they have dropped significantly, falling from



3,743 in 2014/15 to 3,060 in 2016/17<sup>1</sup>. This is a drop of 16.7%. Over the same period gambling support presentations where Casinos are the main attribution has dropped from 661 to 563, (14.8%). The numbers where NZRB products are the main attribution has dropped from 729 to 593 (18.7%) In contrast the numbers seeking gambling support services where Lotto products is the main attribution has increased from 624 to 820, an increase of 31.4%.

Māori, Pacific, Asian, and high deprivation populations continue to be at highest risk of gambling problems. Māori and Pacific people are also at higher risk of broader familial or community harm from gambling. Given this situation, it is of concern that while the overall numbers of NCGMs clearly shows a decline they are continuing to be concentrated in highly deprived areas with around 50% of the class 4 gaming machines being located in decile 8 and above. This has remained largely unchanged since 2012. It is also of concern that the number of TAB and Lotto outlets are also concentrated in highly deprived areas, with nearly 50% located in decile 8 and above. In contrast the percentage of venues in decile 1, 2 and 3 is around 10% for EGM venues, 10% for TAB outlets and 12% for Lotto outlets. It is clear that the industry is targeting these areas and given the research indicating that there is a correlation between levels of deprivation and the risk of problem gambling severity, this concentration of gambling outlets in highly deprived areas is of concern.

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<sup>1</sup> These numbers exclude brief interventions.

We note however that the Ministry is not addressing this issue in their plan as it is on a separate work programme for the Ministry and the Department of Internal Affairs (DIA). While we acknowledge this, the outcome of that programme will have significant implications for gambling harm.

## 1.5 Key directions in Strategy, Service Plan and investment

We generally support the overall directions of both the Strategic Plan and the Service Plan, which are consistent with the public health approach set out in the Gambling Act 2003. They align with the overall strategic direction of the Gambling Strategy, and the approaches are supported by an evidence base. However, we do have some concerns that our outlined below:

The work programme itself remains largely unchanged, as do the Ministry's operating costs. The Service Plan signals again the need to look for ongoing service innovations and to contain costs. Whilst we endorse the efforts made to deliver service improvements and manage expenditure, the amount requested has not changed over the last nine years. This represents, in real terms, a significant drop in funding over that period and raises questions of whether or not it is sufficient to deliver a strategy that delivers on the goals of the strategy. The implied approach is that the Ministry has decided that \$55 million is a budget envelope they need to work within and their 'refocusing and revitalising' is then designed to fit within that

budget. Given that there are significant signs, outlined above, that the strategy is not reducing the harm generated by gambling, we suggest that the Ministry, in close collaboration with the industry and providers, incorporate into the next three-year cycle a thorough review of the sector, resulting in a much more detailed and fully costed strategy. That then is used to determine the levy during the next review period. Rather than accept a historically determined budget envelope, the Ministry should assess what the needs are and develop a comprehensive strategy based on those needs. The levy should be based on the level of gambling harm and a robust strategy designed to address it.

Related to the above point is the intention to use the \$5 million underspend on pilot projects. We agree that a major focus of these pilots needs to be on the inequities that exist around Māori and Pacific and are happy that the Ministry's priority areas includes: "researching gambling-related health inequities experienced by vulnerable at-risk populations, particularly Māori, Pacific peoples, Asian and youth/children".<sup>2</sup> However, we are concerned that while these may result in some service improvements the broader structural questions will remain unanswered. For example, what is driving the reduction in the numbers seeking help, given that harm is not reducing? Given that most gambling harm arises not from problem gamblers, but from those who are at low and moderate risk, why are the public health messages focused on problem

gamblers? Given that the overall strategy is grounded in a public health approach are the public health messages consistent with the research? Given that the industry is targeting those on lower incomes, through the location of gambling outlets in poorer areas, why are public health messages not emulating what has been learnt about alcohol consumption and targeting 'safe levels of gambling expenditure', especially for those on low incomes. Effective public messages are important given the amount spent by the gambling industry trying to convince people to spend money on their specific product. The NZ Lotteries Commission alone spends more money on marketing and outlet support than the whole of the gambling levy<sup>3</sup>. Currently the public health message about gambling harm is not clear.

These questions indicate that some allocation needs to be made to review the overall approach and not limit the 'revitalising and refocusing' just to pilot projects.

Having said that, we are fully supportive of the proposed research project to increase understanding of why Māori and Pacific peoples experience enduring inequities related to gambling harm, and to provide evidence on effective ways to reduce these inequities. Our only concern is that this was in the last three year plan and was not implemented. We would want to ensure that this is not repeated during the next three year cycle.

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<sup>2</sup> Ministry of Health, 2018, *Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22*: Consultation document, Wellington: Ministry of Health, P. 66

<sup>3</sup> NZ Lotteries Commission (2018). Lotto New Zealand Annual Report 2017/18. | <https://assets.mylotto.co.nz/assets/uploads/f1ecf8cc6-e22b-11e8-8852-eeb1d7a3b241.pdf>

The extension of the Sky City Auckland casino facilities is also of concern. Since the last report they have increased their gaming tables by 50, gaming machines have increased by 230 and they have also introduced 240 fully automated gaming machines. All of these are into a location with high numbers of Maori and Pacific people, who are at greater risk of gambling harm. Potential impacts include the harm from potentially increased levels of gambling or transferring gambling from NCGMs. The Ministry should be clear on how it is going to monitor and evaluate these impacts.

In addition, we note, and support the Ministry's recognition of some key trends that have potentially disturbing consequences. These include the increasing use of online gambling and the gamification of gambling specially by the NZRB and the Lotteries Commission. We also note the continuing rise in expenditure on Lotto products and because, as noted above, most gambling harm arises from low and moderate risk gamblers the impact of the increasing amount spent on these products needs to be monitored closely.

#### 1.6 Review of levy formula

The Gambling Act sets out a very specific formula for calculating the levy which was modified as a result of the Gambling Amendment Act 2015.

The key area for discretion within the formula is on the weighting between gambling expenditure, and gambling presentations; the two together provide proxies for the continuum between prevention services and treatment services.

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 – NZLC, casinos and NZRB. The Ministry also states that any weighting within the range of 5:95 to 30:70 would be appropriate. We do not accept that a 5:95 or 10:90 are appropriate weightings. Our reasons for this are:

- A shift to a 5:95 weighting puts further emphasis on the acute end of gambling harm and runs counter to the research and to the Public Health approach required by the legislation.
- There has been a steady decline in both expenditure and presentations attributed to NCGMs and the weighting needs to reflect this shift.
- The NCGM sector accounts for a higher burden of gambling related harm, and a 30:70 weighting still gives recognition to this.
- A weighting formula that increases the weight on expenditure is consistent with the public health approach of the Gambling Strategy and Service Plan. A 30:70 weighting is an appropriate step in the direction of looking beyond the acute end of the harm continuum and takes into account the wider determinants of harm.
- Expenditure on gambling by those in highly deprived populations adds financial pressure to families already under stress. An increased weighting on expenditure would reflect this.
- A substantial part of the gambling levy investment (around 34%) is on public health strategies that aim to build resilience in the broader population to problem gambling, support

safe gambling environments and supportive communities; a larger expenditure component would better reflect this aspect of how funds generated through the levy are distributed.

- Presentations do not of themselves fully capture the harms that are due to gambling; a greater weighting towards expenditure would reflect this.
- Declining share of expenditure and stable attributed presentations in the NCGM sector, although risk of gambling-problems remains dominated by this sector.
- Increase in share of expenditure and an increase in attributed presentations by the Lotteries sector.
- Stable share of expenditure but increased presentations by the Casinos sector.
- Relatively stable share of expenditure and increased presentations by the Racing Board's sector.

In addition, an almost total emphasis on presentations ignores the broader social determinants and is arguably inconsistent with the principles of the Gambling Act, which focuses across the continuum of gambling issues. A shift away from a 10:90 weighting towards 30:70 reflects the importance of focusing on the broader determinants and impacts of problem gambling.

## 1.7 Recommendations

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

### 1.7.1 Levy and weightings

- The \$55 million proposed for the implementation of the Service Plan is approximately the same as the amount spent for the previous Service plan, which has failed to bring substantial change to the level of gambling harm. We recommend that the Ministry, during the next three years works closely with providers to undertake a fundamental review of the strategy and service plan and produce a more detailed and fully costed plan. The levy proposal should then be based on that plan, rather than assume that the amount of \$55 million is the appropriate sum.
- The Plan recognises the uneven distribution of harm and the need to focus on the specific concerns of high needs populations (including Māori, Pacific and high deprivation communities). We recommend that the focus on high needs, especially Māori and Pacific populations continues.
- In past reviews we have recommended a weighting between 20:80 and 30:70. Due the changing patterns noted above we now recommend a weighting of 30:70.
- We do not agree with the inclusion of a 05:95 or a 10:90 weighting as being within the acceptable range. It runs counter to a Public Health approach and ignores the significant growth in gambling expenditure, and the harm that results from it.

### 1.7.2 Recommendations on other issues in the 2019/20 to 21/22 Service Plan

- The significant increase of gambling products, including the introduction of fully automated machines, at the SkyCity Casino Auckland will increase the density of gaming

machines in an already crowded market with a high number of low income Māori and Pacific people. This is likely to have a substantial impact on the gambling environment in Auckland. Monitoring and evaluating these impacts should be an explicit part of the Service Plan's research agenda and funding.

- The service plan and the research it refers to comment on the impact of gambling on children, yet there is little in the Plan, other than a proposal to conduct some research, that says how this impact is going to be assessed or minimised. The importance of focusing on the needs of children was emphasised in the Vulnerable Children's Act 2014 and needs to be given a higher profile in the plan.
- It is essential that the focus on meeting the needs of high needs populations (such as Māori, Pacific and Asian populations) is maintained, including developing tailored prevention initiatives, and better understanding the drop in presentations.
- The contribution of other gambling sectors (including overseas-based internet gambling, and New Zealand based options – including free products) to both expenditure and harm should continue to be monitored, and assessed for the desirability and feasibility of their incorporation into gambling levy calculations.
- Marketing, by the gambling industry seeks to make gambling socially acceptable and, as pointed out in the needs assessment commissioned by the Ministry (Hook and Rippon

et al, 2018), Lotto is seen by many as 'stretching' the boundaries of what is allowed:

*"Examples of recent campaigns by Lotto NZ include using children in advertising linked with the possibility of achieving dreams (such as winning Lotto and sailing on a pirate ship to rescue his father from working in a fishing boat), and providing for future generations (by burying Lotto winnings in gold bars)" (Hook and Rippon et al, 2018).*

The Ministry needs to design a more focused public health campaign with very clear messages that present a more realistic picture of gambling and its consequences. Unlike the Ministry's public health messages on alcohol and tobacco, for example, it is unclear what the public health message is in regards to gambling. Rectifying this needs to be a high priority during the term of this service plan.

- Given the increase in gambling expenditure, the strong links between expenditure and harm and the evidence that the increasing number of large Lotto prizes is driving up expenditure the Ministry needs to work with the DIA to explore the possibility of limiting the size of potential prize pools.

## 2. INTRODUCTION AND METHOD

### 2.1 Background

In 2018, the Ministry consulted on and presented its Strategy to Prevent and Minimise Gambling Harm (2019/20 to 2021/22).<sup>4</sup> The Strategic Plan sets out the overarching approach to preventing and minimising gambling harm, high-level objectives, and priorities for action; whilst the Service Plan sets out the service priorities to prevent and minimise gambling harm in the three-year period.

The Ministry is responsible for ensuring that the strategy is reviewed every three years, and for implementing the result of that review. To support the review the Ministry commissioned Allan + Clarke (Allan + Clarke, 2018) to review the submissions to their proposal and Sapere (Hook and Rippon, 2018) to undertake a needs assessment

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
- Casinos
- New Zealand Racing Board (TAB, including horse racing and sports betting)

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<sup>4</sup> Ministry of Health. 2018. *Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22: Proposals document*. Wellington: Ministry of Health.

- New Zealand Lotteries Commission

The plan includes 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 consulting on the Strategy and rates, and making recommendations on the total annual amount of the problem gambling levy, and the levy rate for each gambling sector. In doing so, the review offers an opportunity to explore the underlying assumptions of the service plan and the broad approach proposed.

### 2.2 Focus of this report

This report, prepared by Synergia Ltd, provides an independent analysis of the 2019/20 to 2021/22 Strategic Plan, and the 2019/20 to 2021/22 Service Plan, to inform the Gambling Commission's review and recommendations to Ministers. The report explores:

- The overall directions of the Strategy and 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.

### 2.3 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.

### 2.4 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, National Gambling Study and NZ Health and Lifestyles Survey)
- Review of the trends in expenditure across the Service Plan, dating back to 2010/11
- Review of Ministry of Health documentation related to the Strategy and the 2019/20 to 2021/22 Service Plan
- Review of submissions made to the Ministry of Health's Strategy and 2019/20 to 2021/22 Service Plan
- Meeting with Ministry of Health staff to discuss the Service Plan
- Meeting with the Gambling Commission on emerging findings and potential directions

The review occurred over October 2018 to January 2019.



### 3. OVERVIEW OF KEY DIRECTIONS IN MINISTRY SERVICE PLAN

#### 3.1 Strategic Plan 2019/20 to 2021/22

The overall goal of the strategic plan has not changed since it was originally outlined in 2015:

*'Government, the gambling sector, communities and families/whānau working together to prevent and minimise gambling harm, and to reduce related health inequities.'*

Underpinning the Strategy are 11 strategic objectives:

Objective 1: There is a reduction in gambling-harm-related inequities between population groups (particularly Māori, Pacific and Asian peoples, as the populations that are most vulnerable to gambling harm).

Objective 2: Māori have healthier futures, through the prevention and minimisation of gambling harm.

Objective 3: People participate in decision-making about activities in their communities that prevent and minimise gambling harm.

Objective 4: Healthy policy at the national, regional and local level prevents and minimises gambling harm.

Objective 5: People understand and acknowledge the range of gambling harms that affect individuals, families/whānau and communities.

Objective 6: A skilled workforce is developed to deliver effective services to prevent and minimise gambling harm.

Objective 7: Services enhance people's mana and build life skills and resiliency to improve healthy choices that prevent and minimise gambling harm.

Objective 8: Gambling environments are designed to prevent and minimise gambling harm.

Objective 9: Services raise awareness about the signs and range of gambling harms that affect individuals, families/whānau and communities and how to respond.

Objective 10: People access effective treatment and support services at the right time and place.

Objective 11: A programme of research and evaluation establishes an evidence base that underpins all activities to prevent and minimises gambling harm.

These eleven objectives are organised around an outcomes framework, that focus on:

- Developing a system that supports change
- Ensuring public health services and gambling environments are designed to minimise gambling harm
- Enabling people and communities to minimise gambling harm
- Ensure people and communities are better off

Recognising that, despite past successes in reducing gambling harm, the number of people affected by gambling harm is now

increasing, the Ministry sees a need to 'refocus and revitalise' the strategy. The refocusing and revitalising is, in the view of the Ministry, needed if further gains are to be made in reducing gambling harm, health inequities and inequity in the experience of gambling harm, especially as experienced by Māori and Pacific.

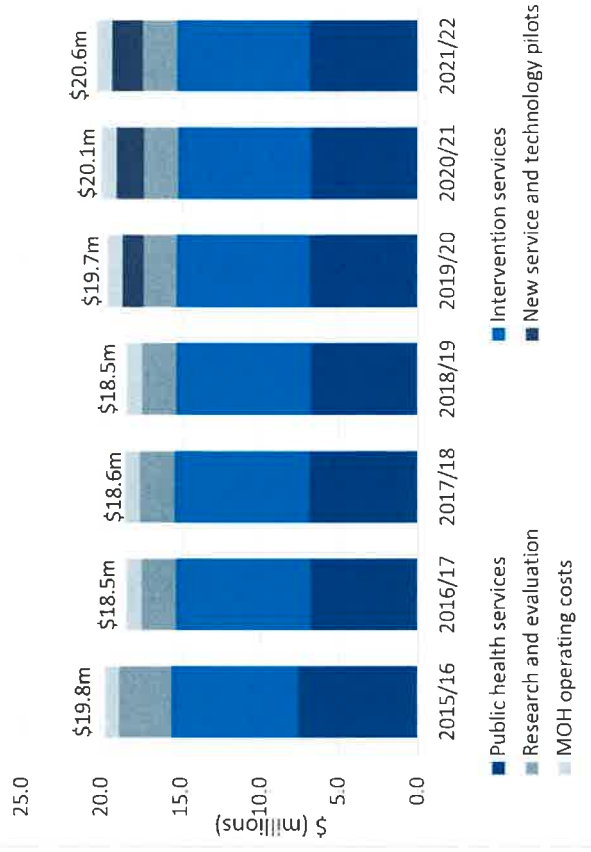
### 3.2 Services Expenditure: Overview

The Ministry of Health's Service Plan for 2018/19 to 2021/22 reflects a continuation of the approaches established by earlier Strategic and Service Plans with the addition of a previous underspend to undertake a number of pilot projects.

Figure 1 on the following page shows the budgeted per annum expenditure in the Service Plan from 2015/16 to 2021/22. Expenditure for each year over this period ranges from \$19.8m in 2015/16 to \$18.5m in 2018/19. Planned expenditure from 2019/20 to 2021/22 ranges from \$19.7m to \$20.6m per annum.

Total proposed expenditure for the 2019/20 to 2021/22 Service Plan is \$60.339 million. This figure is larger than previous expenditure due the roll-over of a \$5.0 million underspend in the current cycle.

Figure 2: Service expenditure 2015/16 to 2021/22



(source: Ministry of Health)

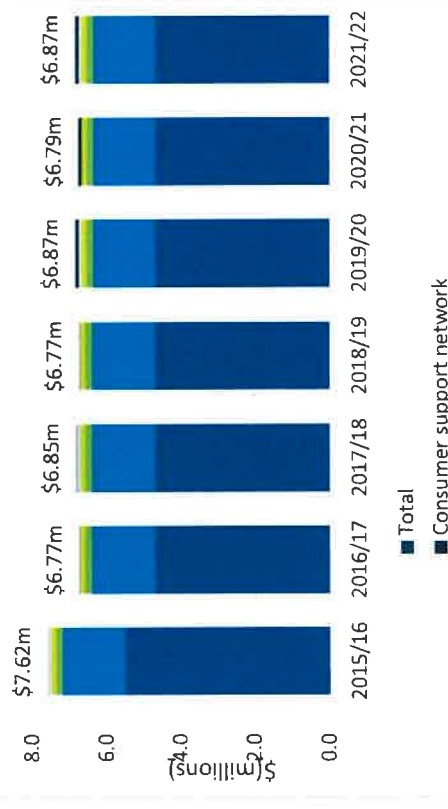
### 3.3 Public Health Expenditure

Public health expenditure shows a small increase from \$20.47 million in the period 2013/14 to 2015/16, \$20.39 million in the period 2016/17 to 2018/19, to \$20.53 million in the forecast period 2019/20 -2021/22, comprising 34% of the Ministry's total budget for the implementation of the service plan.

Within this service line, primary prevention remains the largest expenditure, at approximately 69%, (Figure 2). The focus of primary prevention activities includes improved policy and implementation, development of safe gambling environments, supportive communities, aware communities and effective screening environments. Given the inequities that continue to persist in the gambling harm statistics, it is important that the emphasis on primary prevention continues.

The second key area of expenditure is awareness and education programmes, which remain unchanged at \$5 million (25%). A major component of this expenditure is the Health Promotion Agency's (HPA) health promotion programme. A key focus of this work needs to be on the HPA developing a very clear message around gambling, that does not just focus on problem gamblers. It needs to answer a very simple, yet important question, What is the key message the Ministry is trying to get across to the NZ public in regards to gambling? Currently that is unclear.

Figure 3: Public Health expenditure 2015/16 to 2021/22



(source: Ministry of Health)

In the previous service plan (2016/17 - 2018/19) the Ministry acknowledged the need to develop greater clarity around competency-based requirements and expectations of the workforce. As a consequence, funding for workforce development was increased by 33% to \$480,000. Having identified those core competencies, the focus will now shift to increase uptake in training programmes so as to support the workforce in identifying and achieving appropriate formal qualifications. In addition, the service plan intends to provide an increasing focus on cultural competency training to support those working with Māori, Pacific and Asian communities. To achieve this Ministry has further increased the

budget line for workforce development by another \$60,000 bringing the current investment in workforce development to \$540,000.

The national coordination service figure of \$390,000 has been maintained from the previous plan for the period 2019/20 to 2021/22.

### 3.4 Intervention Services Expenditure

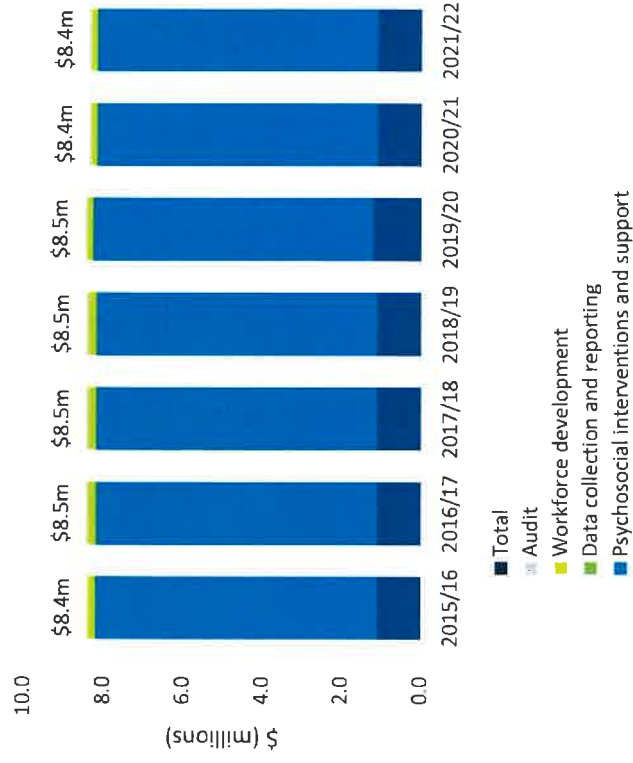
The expenditure on intervention services planned for the next three years (\$25.24 million) remains largely unchanged from the previous period 2015/16 to 2018/19 (Figure 4).

The majority (85% for 2019/20 – 2021/22) of intervention services expenditure is spent on psychosocial interventions and support. There are no significant changes in expenditure on intervention services for the next three years (Figure 4).

Expenditure on workforce development also remains largely unchanged. A key development however is that with the integration of gambling into the unit focusing on alcohol and drug addiction the Ministry intends to adopt comparable standards across the broader addiction workforce, providing greater career mobility and pathways and help to build a more resilient and sustainable workforce.

This is potentially a significant shift that we support. We would also hope that the integration not only leads to comparable standards across the workforce but is able to lead to comparable approaches where what has been learnt in one area can inform actions in another.

Figure 4: Intervention services expenditure 2015/16 to 2021/22



(source: Ministry of Health)

### 3.5 Research Contracts Expenditure

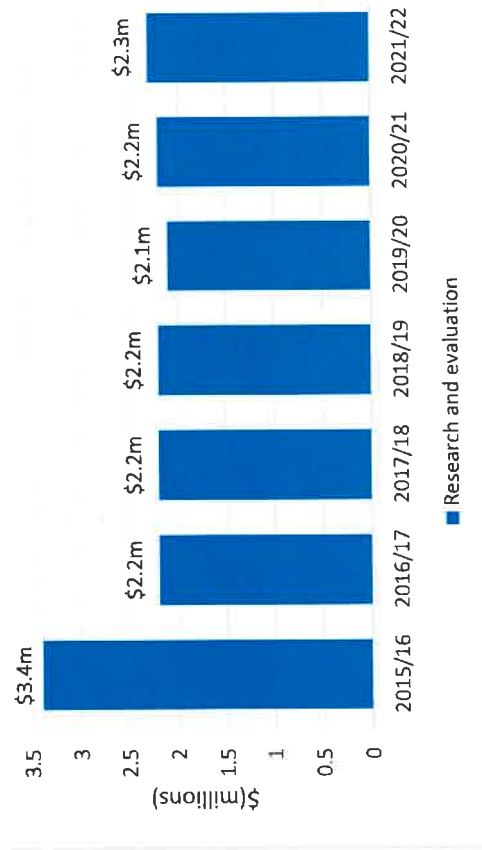
The planned expenditure on research contracts for the next three years of \$6.63 million is the same as the previous three years (Figure 5).

The research focus highlights the need to move beyond studies of 'prevalence and incidence' and become more 'action-orientated'. We support this shift in focus. We endorse this shift in emphasis and

the three priority areas, namely researching gambling related health inequities experienced by vulnerable at-risk populations, introducing programme evaluation more widely into all activities funded by the Ministry and researching the convergence of gaming and gambling, in particular, how this may impact in the next two to three years as opportunities to gamble online from traditional and overseas providers increase.

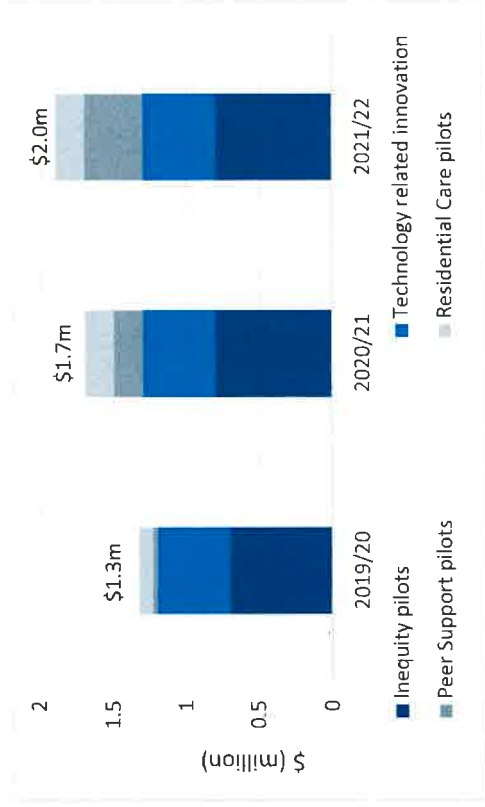
However, we would also recommend that the Ministry undertakes research into the understanding of, and response to, key public health messages. We are concerned that they are not clear and potentially undermine efforts to minimise gambling harm.

Figure 5: Research contracts expenditure 2012/13 to 2015/16



(source: Ministry of Health)

Figure 5: New service and innovation pilots expenditure



(source: Ministry of Health)

In addition, the Ministry plans to allocate the \$5 million underspent during the last three-year period to projects that will pilot and assess:

- i. new ways of providing public health and intervention services in geographical areas or communities that are currently under-served, to address inequities
- ii. innovative uses of technology to manage or mitigate gambling harm
- iii. peer-support services and a small amount of residential care for gambling harm.

### 3.6 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, although the \$5 million underspend does allow an increase to \$60.34 million. Within each expenditure line there is very little change in planned expenditure with the addition of pilot initiatives funded by the \$5 million underspend.

## 4. TRENDS IN GAMBLING AND RELATED HARM

### 4.1 Trends in gambling expenditure

The DIA monitors expenditure in all four gambling sectors. '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 operators.

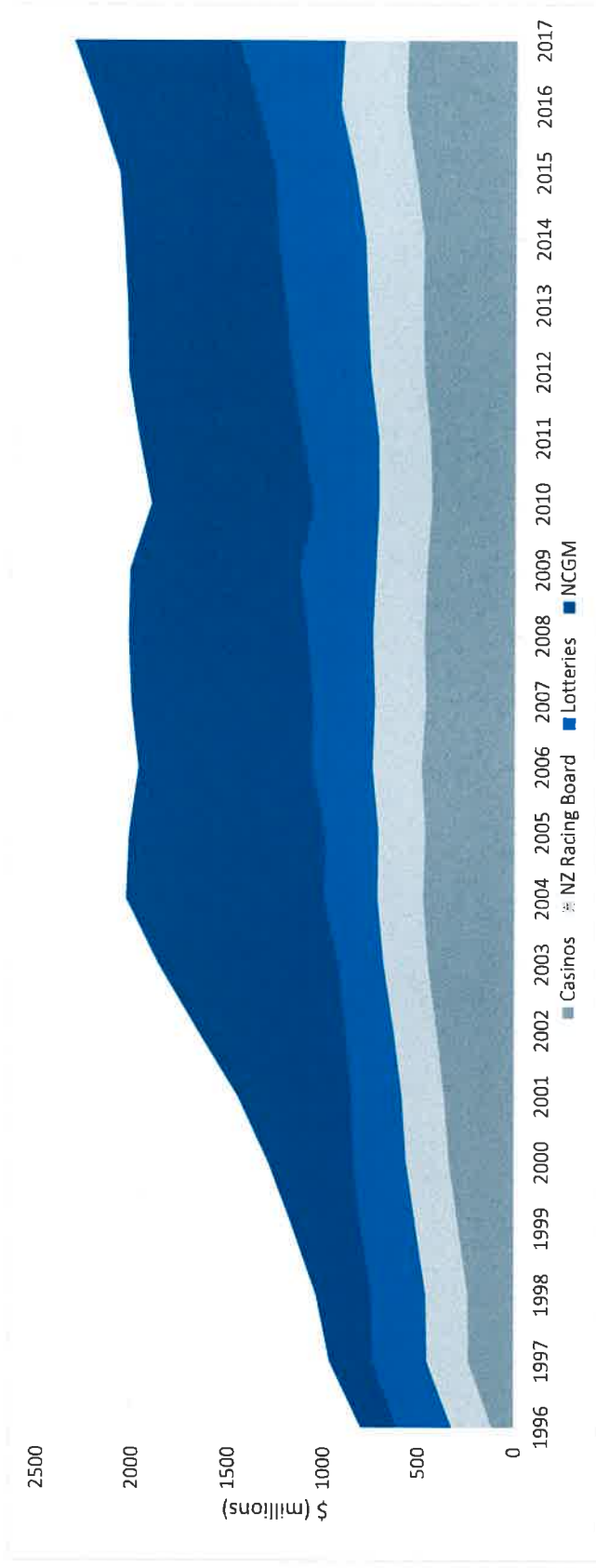
Figure 6 shows gambling expenditure since 1996. Gambling expenditure rose significantly from \$806m in 1996 to \$2b in 2004; and remained relatively stable, reaching \$2.1b in 2014. More recently, gambling expenditure reached \$2.3b in 2017. This was driven by large increases in expenditure on Lotto gambling products.

This reverses recent trends. However, while the number of NCGMs is decreasing expenditure per machine is rising, contributing to the overall growth in gambling expenditure. This rise in expenditure per machine is considered to be driven, in part, by the introduction of Stand Alone Progressive Prize (SAPP) machines which were introduced in 2010.

Furthermore, advertising focuses on making gambling socially acceptable so that, for example, Lotto and sports betting become ingrained into the culture of NZ (Hook and Rippon, 2018).



Figure 6: Gambling expenditure 1996 to 2017



(source: Department of Internal Affairs)

In recent years, while expenditure on NCGMs has continued to increase (from \$870m in 2013 to \$870m in 2017) its share of total gambling expenditure has declined from 40% in 2013 to 37% in 2017. Expenditure on Lotto products has increased from \$432m in 2013 to \$555m in 2017. Its share of total gambling expenditure has also increased, from 21% in 2013 to 24% in 2017 (Figure 7).

Figure 7: Share of gambling expenditure 2010 to 2017



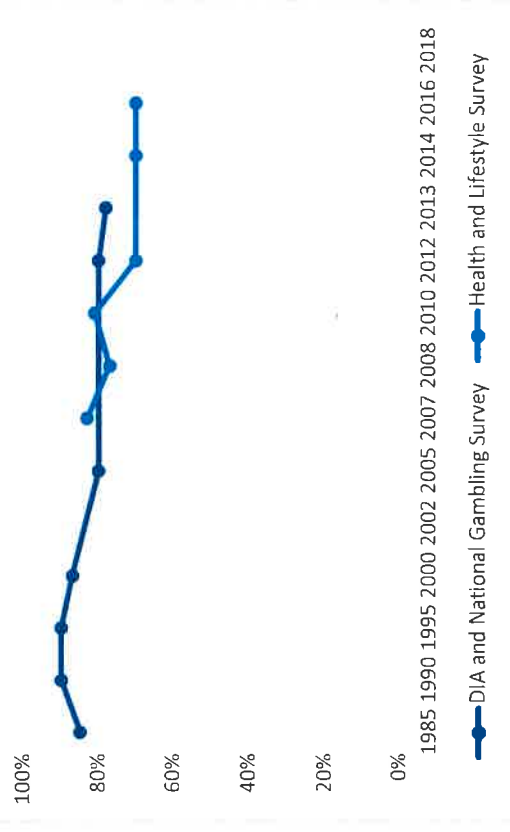
(source: Department of Internal Affairs)

## 4.2 Gambling and gambling-related harm prevalence

Gambling is a well-established feature of New Zealand society. The NGS indicated 80% of New Zealanders had participated in a form of gambling in the year prior to the study in 2012. In 2016, the Health and Lifestyles Survey identified that 70% of New Zealanders had

participated in at least one form of gambling activity in the previous 12 months (Figure 8).

Figure 8: Past year gambling 1985 to 2016



(source: Health and Lifestyles Survey, 2016; National Gambling Study, 2012)

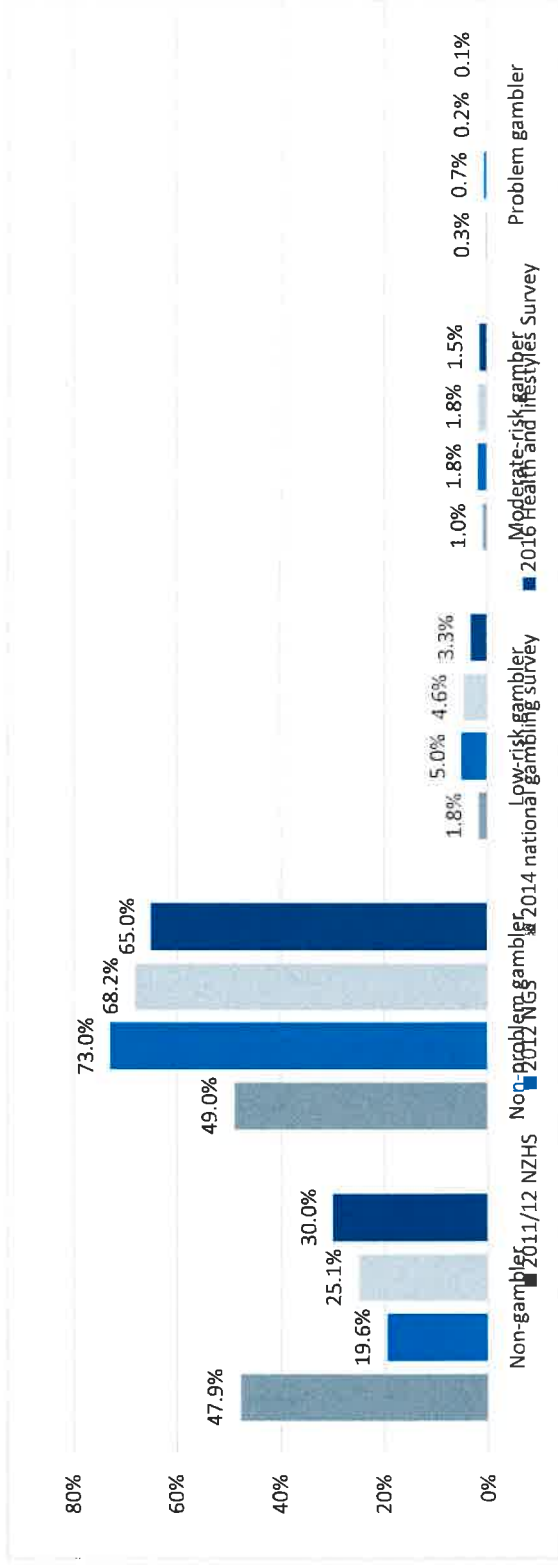
While the study methodologies are different, both the NGS and the Health and Lifestyles Survey show participation has been decreasing since 1995 (90% participation; Figure 8). However, recent research<sup>5</sup>

<sup>5</sup> Abbott M, Bellringer M, Garrett N. 2018. New Zealand National Gambling Study: Wave 4 (2015). Report number 6. Auckland:

Auckland University of Technology. Gambling and Addictions Research Centre.

indicates that the number of problem gamblers has plateaued at around 5 percent of the population.

**Figure 9: Gambling prevalence by level of risk of gambling problems, 2012 to 2016** (source: New Zealand Health Survey, 2012; National Gambling Study, 2014; Health and Lifestyles Survey, 2016)

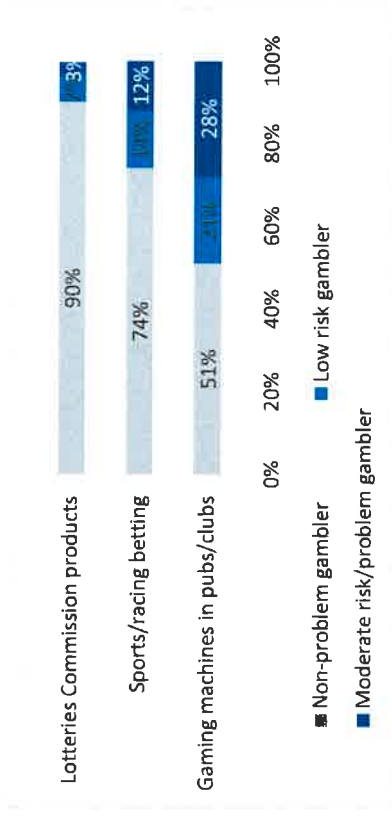


### 4.3 Gambling risks

Figure 10 shows there is clear variation in participation in different forms of gambling by non-problem gamblers compared to low-risk and moderate-risk or problem gamblers. While Lotto is the most common form of gambling undertaken in New Zealand by gamblers of all levels of risk, prevalence rates for, horse or dog races, gaming machines in pubs, clubs and casinos, sports betting, and gambling over the internet all show higher participation by at-risk gamblers.

Figure 11 shows the risk of gambling problems by preferred method of gambling. It indicates higher levels of risk in gaming machines and Racing Board products than Lotteries Commission products.

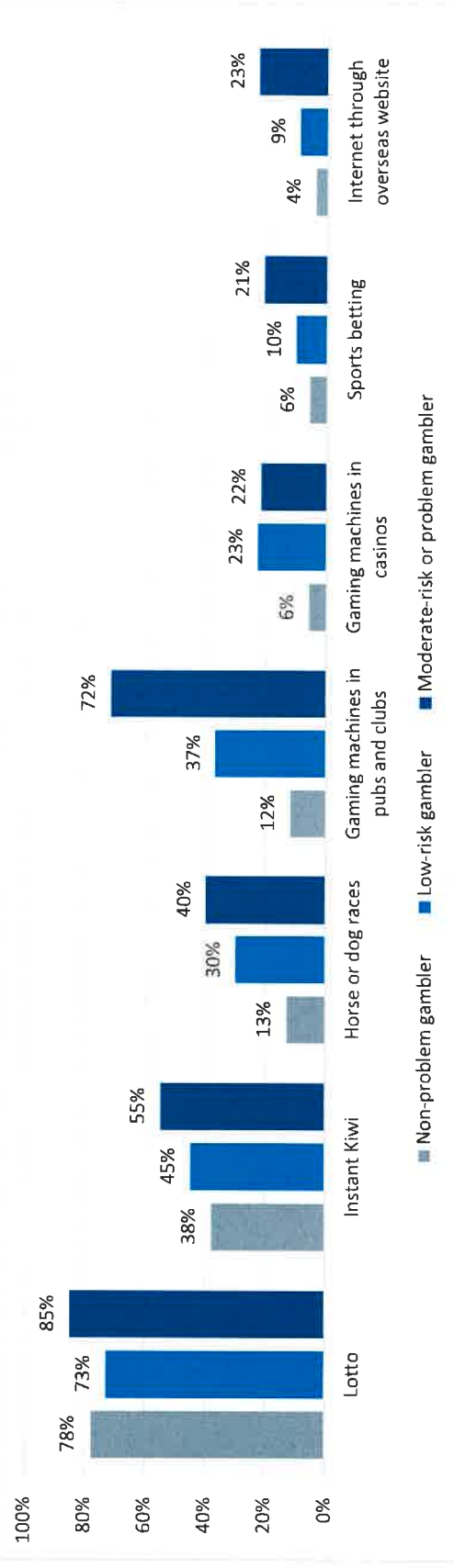
Figure 10: Risk of problem gambling by monthly participation in specific gambling activities 2016



(source: Health and Lifestyle Survey, 2016)



Figure 11: Participation in specific gambling activities by risk of problem gambling 2016



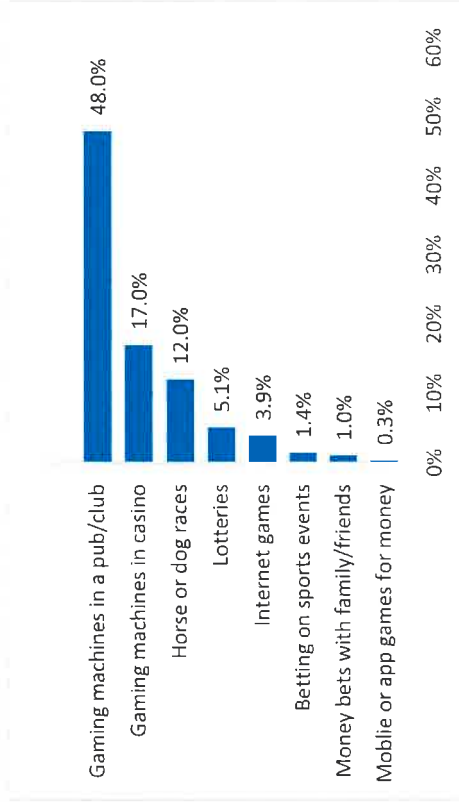
(source: Health and Lifestyle Survey, 2016)

#### 4.4 Scale of effect

The 2016 Health and Lifestyles survey found that 10% of gamblers 'had an argument in their household about time or money spent on gambling', with 4.7% of people recalling this happening in the previous 12 months. 7.7% of respondents had had someone in their wider family or household go without something they needed because too much was spent on gambling, with 3.3% indicating that this had occurred with the previous 12 months.

The 2016 Health and Lifestyles Survey identified that most of these problems (48%) were attributed to gaming machines in a pub or club (Figure 12).

Figure 12: Gambling modes related to household harm in the past 12 months  
2016



(source: Health and Lifestyles Survey, 2016)

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.

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

	Prevalence (%)	Estimated number
<b>Total population</b>	<b>2.5</b>	<b>89,000</b>
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: New Zealand Health Survey 2013/12)

In addition to the 89,000 who have experienced problems because of someone else's gambling, the 2015 NGS (Abbot et al 2018) estimates that rates of problem gambling have not changed significantly over the past 15 years, despite considerable growth in the adult population. This indicates that the number of New Zealanders with gambling problems, and experiencing gambling-related harm, has likely increased over this period. The Browne research (Browne et al, 2017) raises the possibility that harm is much more broadly spread than is currently thought.

#### 4.5 Gambling presentations over time

Since 2014/15, presentations for support by problem gamblers have decreased by 8.9%, from 12,742 presentations to 11,609 presentations in 2016/17 (Table 2). Excluding brief interventions, presentations decreased by 13% over the same period to reach 6,271.

The majority of total presentations are attributed to non-casino gaming machines (5,986 or 51% in 2016/17). However, presentations from this sector have declined by 421 presentations (6.6%) from three years ago. The largest growth in presentations has come from the Lotteries Commission sector, with a 14% increase between 2014/15 to 2016/17 (Table 2).

Table 2: Total client presentations (including brief interventions) by gambling sector 2014/15 to 2016/17

	2014/15	2014/15	2016/17	Change (%)
<b>NCGM</b>	6407	6801	5986	-6.6
<b>Casino EGM</b>	1081	1039	1180	9.2
<b>Casino table</b>	1310	1144	975	-25.6
<b>Lotteries Commission</b>	1170	1493	1333	14
<b>NZ Racing Board</b>	1224	1277	1044	-14.7
<b>Other</b>	1550	1387	1090	-29.7
<b>Total</b>	12742	12420	11609	-8.9

(source: MoH intervention client data)

The majority of full and follow-up interventions are also attributed to non-casino gaming machines (3,060 or 49% in 2016/17). However, presentations from this sector have declined by 610 presentations (16.7%) since 2014/15, presentations for Lotteries have increased by 198 (31.4%), while presentations from the Casino and Racing sectors have decreased by around 14%(Table 3).

Table 3: Client presentations (excluding brief interventions) by gambling sector 2014/15 to 2016/17

	2014/15	2015/16	2016/17	Change (%)
<b>NCGM</b>	3674	3251	3060	-16.7
<b>Casino EGM</b>	788	657	678	-14

Casino table	661	564	563	-14.8
<b>Lotteries Commission</b>	624	812	820	31.4
<b>NZ Racing Board</b>	729	696	593	-18.7
<b>Other</b>	734	614	557	-24.1
<b>Total</b>	7210	6596	6271	-13

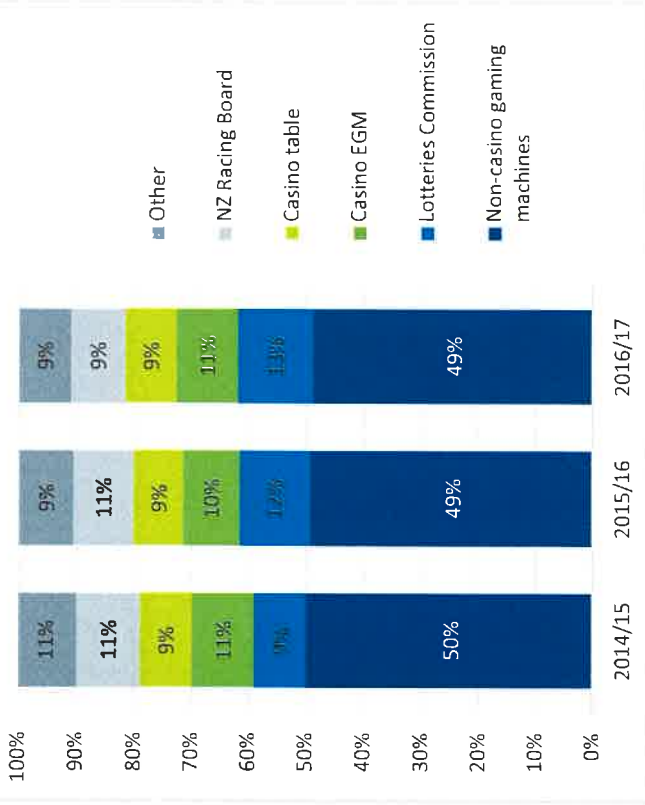
(source: MoH intervention client data)

#### 4.5.1 Share of gambling presentations by industry sectors

The share of gambling presentations (excluding brief interventions) by sector has shifted over the last five years. Figure 13 shows:

- In 2016/17, Non-casino gaming machines was the largest contributor towards client presentations with almost half (49%) of clients indicating non-casino gaming machines as their primary gambling mode.
- Non-casino gaming machines' share of presentation decreased by 1% from 50% in 2014/15.
- Lotteries increased from 9% in 2014/15 to 13% in 2016/17.
- Casinos' share of presentations has remained constant at 20%
- NZ Racing Board decreased from 11% to 9% over the same period.
- All other forms decreased from 11% to 9%.

Figure 13: Share of client presentations (excluding brief interventions) by gambling sector 2014/15 to 2016/17



(source: MoH intervention client data)

#### 4.6 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 total client presentations have decreased by 13% between 2014/15 and 2016/17 (Table 4). The number of new

presentations (8,329) is substantially lower than the peak of 10,498 new presentations in 2009/10.

Non-casino gaming machines was the most common primary gambling mode by new clients, although this declined by 9.1% from 4,747 in 2014/15 to 4,317 in 2016/17.

Table 4: New total client presentations (including brief interventions) by gambling sector 2014/15 to 2016/17

	2014/15	2015/16	2016/17	Change (%)
<b>NCGM</b>	4747	4407	4317	-9.1
<b>Casino EGM</b>	727	703	840	15.6
<b>Casino table</b>	1003	836	679	-32.3
<b>Lotteries Commission</b>	926	1221	911	-1.62
<b>NZ Racing Board</b>	927	946	742	-20
<b>Other</b>	1250	1102	842	-32.6
<b>Total</b>	<b>9579</b>	<b>9214</b>	<b>8329</b>	<b>-13</b>

(source: MoH intervention client data)

New client presentations for full and follow-up interventions (table 5) has decreased by 23.3% from 2014/15 to 2016/17. The only increase in presentations was from the Lotteries Commission (6.3%). The majority of new full and follow-up interventions are still attributed to non-casino gaming machines (1,519 or 48 percent in 2016/17) (Table 5).

Table 5: New client presentations (excluding brief interventions) by gambling sector 2014/15 to 2016/17

	2014/15	2015/16	2016/17	Change (%)
<b>NCGM</b>	2071	1669	1519	-26.6
<b>Casino EGM</b>	434	323	343	-21
<b>Casino table</b>	358	267	276	-23
<b>Lotteries Commission</b>	383	556	407	6.3
<b>NZ Racing Board</b>	439	374	300	-31.7
<b>Other</b>	436	337	318	-27.1
<b>Total</b>	<b>4121</b>	<b>3526</b>	<b>3162</b>	<b>-23.3</b>

(source: MoH intervention client data)

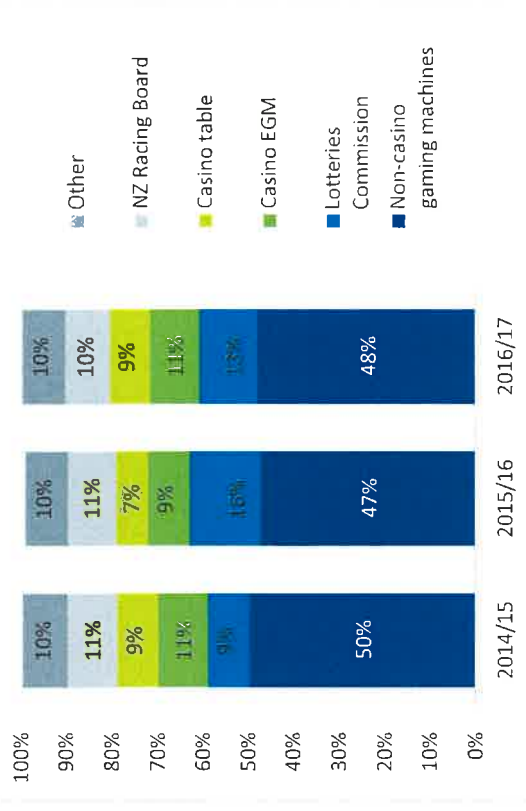
#### 4.6.1 Share of new presentations by industry sectors

Over the three years from 2014/15 to 2016/17 the share of new presentations by industry sector shows similar trends to the share of all presentations:

- Non-casino gaming machines share decreased from 50% in 2014/15 to 48% in 2016/17.
- Lotteries increased from 9% to 13% in the same period.
- Casino's share remained the same for the period at 20%.
- New Zealand Racing Board decreased slightly from 11% to 10%.

- All other forms remained consist at 11% (Figure 14).

Figure 14: Share of new presentations (excluding brief interventions) by gambling sector 2014/15 to 2016/17



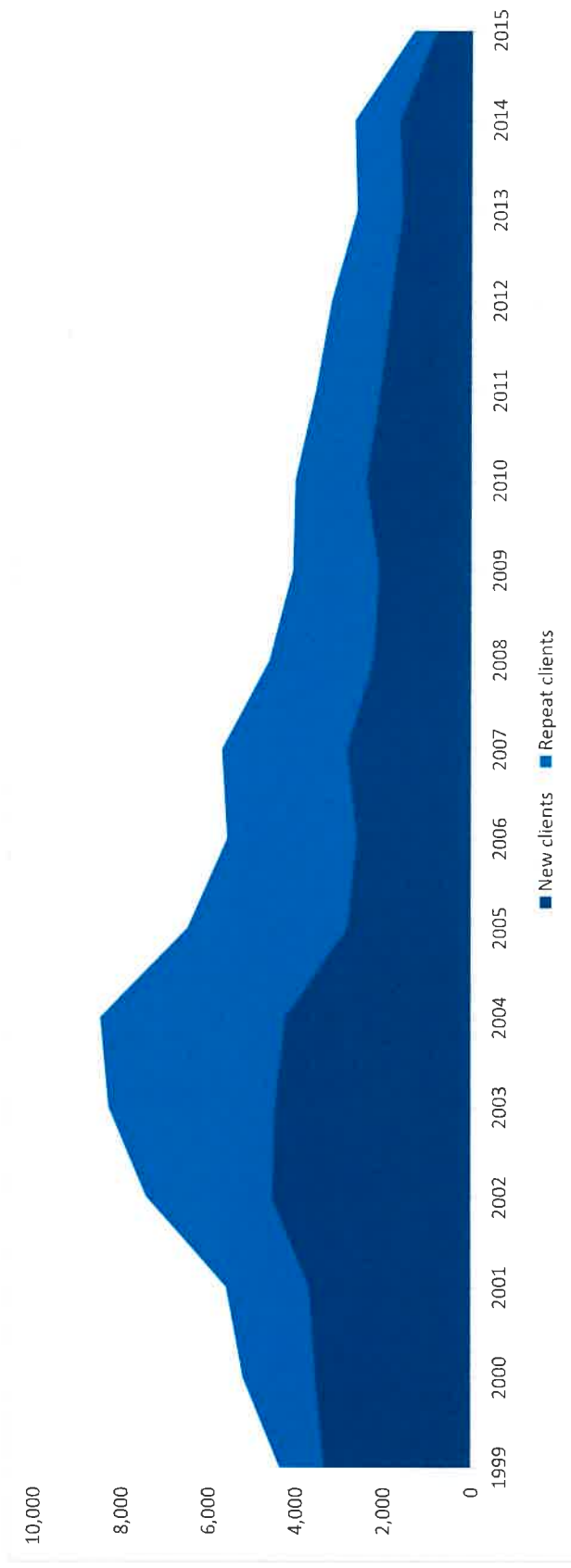
(source: MoH intervention client data)

## 4.7 Accessing the Gambling Helpline

Data from the gambling helpline shows that after some initial growth where demand peaked at 8,524 in 2004, demand has declined year on year to 1,339 in 2015 (Figure 15).

- New clients fell from a peak of 4,567 in 2002 to 836 in 2015
- Repeat clients peaked at 4,258 in 2004 and fell to 503 in 2015

Figure 15: Gambling helpline clients 1999 to 2015



(source: Gambling Helpline report for national statistics)

Given this continuing decline, at a time when harm has not reduced the value of and viability of this service needs to be reviewed. Use of

the service has been steadily declining since 2004 and the significant drop in 2015 only serves to question the way the service is

currently operating. Given that need has not reduced the decline in the use of the Gambling Helpline needs to be understood.

#### 4.8 Patterns in problem gambling

The NGS and 2016 Health and Lifestyles Survey examined the different socio-demographic risk factors for current problem gambling and moderate-risk gambling combined. The following patterns were found:

- Males had a greater risk of problem or moderate-risk gambling than females.
- People of Māori, Pacific, and to a lesser extent Asian, were at greater risk than European/Other (
- **Table 6**).
- People aged 18-39 were at higher risk than those 40 years and older.
- Unemployed people had greater risk than employed people.

- People living in mid to high levels of deprivation were more likely to be moderate risk/problem gamblers than those living in low levels of deprivation.

**Table 6: Prevalence of problem and moderate-risk gambling by ethnicity 2015**

Ethnic group	Low risk gambler	Moderate-risk/Problem gambler
European/Other	4.1	0.9
Māori	6.4	8.6
Pacific	8.8	7.6
Asian	4.5	1.2

(source: National Gambling Study, 2015)

## 5. REVIEWING PERFORMANCE AND FOCUS

### 5.1 Value for Money

Since our last review the Ministry has further developed its outcomes framework which provides a mechanism to go beyond a focus on inputs, such as time providers spend face-to-face with clients, to assessing the money spent against the achievement or non-achievement of the key objectives outlined in the framework.

While it is not possible to be definitive, the current data raises serious questions about whether or not progress is being made and therefore whether or not the country is getting value for the \$55 million per annum being spent on minimising gambling harm. Unlike our previous reviews, we are now questioning whether or not the money is in fact being well spent.

### 5.2 Outcomes Framework

The outcomes framework consists of a set of 11 measurable objectives, over 50 short-term to medium-term and long-term priorities.

In 2018 the Ministry reviewed progress towards gambling harm reduction. The key findings were

1. The level of harm in New Zealand has 'remained relatively stable for the last five to seven years (at about 5%).
2. The number of people presenting for gambling support has not increased in line with population growth.

3. While inequalities have reduced in absolute terms, disparities in exposure to gambling and experience of gambling related harm persist.

Thus, gambling harm has not reduced, the inequities persist and not only have presentations not risen in line with population growth, they have in fact declined considerably. It is hard to argue that much progress is being made in terms of outcomes.

### 5.3 Alignment of Service Plan with leading strategic documents

The overarching strategy goes to some effort to demonstrate alignment with He Korowai Oranga, New Zealand's Māori Health Strategy and Ala Mo'ui: Pathways to Pacific Health and Wellbeing 2014-2018, the government's plan for improving health outcomes for Pacific peoples.

The strategy to prevent and minimise gambling harm also notes that the Inquiry into Mental Health and Addiction, while it does not include gambling harm in its scope it does acknowledge gambling as a risk factor for other mental health and addiction issues. This inquiry has now reported and therefore needs to be monitored, as it may have some consequences for the overall approach and priorities.

## 6. REVIEW OF OVERALL FUNDING REQUIREMENTS AND GAMBLING LEVY

### 6.1 Review of Overall Funding

The overall funding proposed for the 2019/20 to 2021/22 Service Plan is \$60.34 million. This amount includes the \$5 million underspend from the last funding cycle which will be rolled over.<sup>4</sup> Whilst this is an increase over the previous funding cycle, it represents no real funding growth since the previous funding cycle and in reality, no real change since 2011. Since 2011 general CPI has shown an increase of close to 8.5%. Hence the proposed funding actually represents a 8.5% decrease in real terms over this period.

This lack of increase in funding continues to put pressure on providers to deliver the service levels required. It is unclear the extent to which the sector can continue to absorb the increased costs of providing services, while maintaining the same service levels and reinforces our view that a fundamental review of the sector needs to be undertaken during the three year of the proposed plan.

While the Ministry has determined the service requirements informed by the Gambling Harm Needs Assessment undertaken by Sapere in 2018 (Hook and Rippon, 2018) the very fact that the figure of \$55million continues to remain unchanged, despite the issues noted

above, indicates that the Ministry has taken this sum as a 'given' and adjusted its expenditure to fit within it.

Our key issue is that funding needs to be based on need and the actions needed to address that need. It is clear that the current approach, while containing much that is of value, needs not just a refocus but a rethink. A rethink that is done in close collaboration with providers and the gambling industry.

Since our last report problem gambling has, at best, remained static, gambling expenditure continues to rise and presentations have decreased.

In terms of Māori and Pacific peoples' use of gambling services, Māori, presentations have decreased from 4,564 in 2013/14 to 4,273 in 2016/17 (6.4% decrease). For Pacific people, presentations have decreased by 12.5% over the last four years. The overall proportion of Māori and Pacific people presenting to intervention services has remained relatively consistent, measuring 56% in 2016/17 (Figure 16)

<sup>4</sup> NB: the way the Ministry treats the \$5million underspend as part of the 'R' calculation is still unclear so these figures, and how they are

represented, may change in the final report. The key message, that funding has remained largely static, remains unchanged.

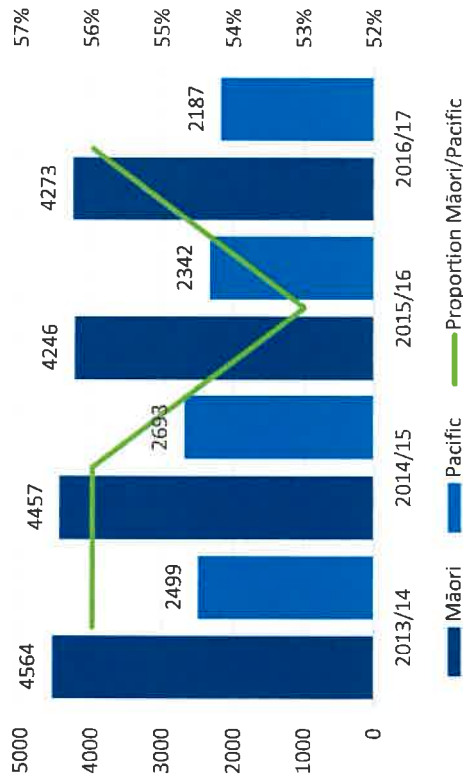


When brief interventions are excluded, the overall proportion of Māori and Pacific people presenting to full or follow-up interventions increased slightly from 52% in 2014/15 to 54% in 2016/17.

enhance such services to better meet the needs of these populations.  
 Given that expenditure continues to rise, presentations are decreasing, and the prevalence of gambling harm remains static, there is no rationale to reduce the levy. If anything, there is evidence to suggest that the levy should be increased to reflect the population growth and increased costs to providers.

**Figure 16: Presentations to Gambling Services (including brief interventions) Māori and Pacific 2012/13 to 2016/17**

(Source: MoH intervention client data)



While this does indicate services are being accessed by the target populations, it is concerning to see the decreasing rates of presentations for these priority populations. It does indicate a continuing need for these services and also highlights the need to

## 6.2 Review of Weighting

The funding requirements for the next three years remain largely unchanged

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

$$\frac{((AxW1) + (BxW2))x C}{D} + R$$

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

R = the estimated under-recovery or over-recovery of levy from a sector in the previous levy periods

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



The Ministry has proposed, in its three-year service plan that the weighting should be changed to 30% for W1 and 70% for W2, although it considers any weighting from 30:70 to 5:95 would be reasonable.

The Ministry's three-year Service Plan lays out a broad argument for a weighting based on 30% expenditure and 70% presentations and given the changing patterns there is more data to support an increase in the weighting given to expenditure.

Our argument for a shift towards 30:70 remains unchanged. 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.

We do not accept that a 5:95 or 10:90 are appropriate weightings. Our reasons for this are:

- A shift to a 5:95 weighting puts further emphasis on the acute end of gambling harm and runs counter to the Public Health approach required by the legislation.
- There has been a steady decline in both expenditure and presentations attributed to NCGMs and the weighting needs to reflect this shift.
- The NCGM sector accounts for a higher burden of gambling related harm, and the 30:70 weightings still give recognition to this.

- A weighting formula that increases the weight on expenditure is consistent with the public health approach of the Gambling Strategy and Service Plan. A 30:70 weighting is an appropriate step in the direction of looking beyond the acute end of the harm continuum and takes into account the wider determinants of harm.
- Expenditure on gambling, which is increasing, by those in highly deprived populations adds financial pressure to families already under stress. An increased weighting on expenditure would reflect this. This is of special significance, given that much of the harm resulting from this expenditure is experienced by children.
- A substantial part of the gambling levy investment (around 34%) is on public health strategies that build resilience in the broader population to problem gambling, support safe gambling environments and supportive communities; a larger expenditure component would better reflect this aspect of how funds generated through levy are distributed.
- Presentations do not of themselves fully capture the harms that are due to gambling; a greater weighting towards expenditure would reflect this.

In addition, an almost total emphasis on presentations ignores the broader social determinants and is arguably inconsistent with the principles of the Gambling Act, which focuses across the continuum of gambling issues. A shift away from a 10:90 weighting towards 30:70 reflects the importance of focusing on the broader determinants and impacts of problem gambling.

If one also takes into account the need to ensure the burden falls fairly across the sector than a 30:70 weighting seems justifiable.

Furthermore, while we accept the Ministry's contention that there could be some acceptable variation around this weighting we do not support staying at 10:90, nor do we support putting an even greater weighting on presentations by shifting to 5:95, as they both run counter to the Public Health emphasis of the legislation and the acknowledgment that presentations only reflect a small percentage of total gambling harm.

### 6.3 Impact of weighting changes

The most significant impact of a shift in the weighting of the levy would be on the NCGM 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 (Table 7).

A shift to a 30:70 would reduce the levy paid by the NCGM by 7.1%, from \$25.03 million to \$23.26 million. The levy paid by the New Zealand Lotteries Commission would rise by 20%, from \$6.43 million to \$7.72 million. The New Zealand Racing Board and the Casinos would have rises in their levy of 8.6% and 1.8% respectively (Table 7 and 8).

A shift to 20:80 would reduce the levy paid by NCGM by 3.5%, to \$24.15 million, and the Lotteries levy would increase by 1.5% to \$7.17 million. The New Zealand Racing Board and the Casinos would have rises in their levy of 4.3% and 1.8% respectively. (Table 7 and 8)

Table 7: Expected contribution by sector under different weighting scenarios

	NCGM	Casinos	NZ Racing Board	Lotteries Commission
<b>10:90</b>	\$25.03m	\$11.01m	\$5.58m	\$6.43m
<b>20:80</b>	\$24.15m	\$11.21m	\$5.82m	\$7.17m
<b>30:70</b>	\$23.26m	\$11.21m	\$6.06m	\$7.72m

(source: MoH Strategy proposals document)

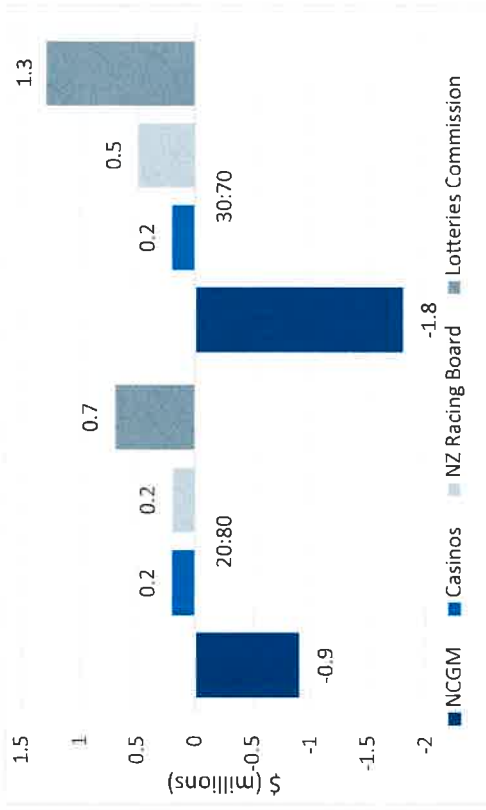
Table 8 details the relative contribution of each sector to the levy under three scenarios (10:90, 20:80 and 30:70). Even with a shift to 30:70, the NCGM sector retains the bulk of the levy, but the levy would be apportioned more across other sectors.

Table 8: Share of contribution by sector under different weighting scenarios

	NCGM	Casinos	NZ Racing Board	Lotteries Commission
<b>10:90</b>	52.1%	22.9%	11.6%	13.4%
<b>20:80</b>	50.0%	23.2%	12.0%	14.8%
<b>30:70</b>	48.2%	23.2%	12.6%	16.0%

(source: MoH Strategy proposals document)

Figure 17: Change in sector gambling levies resulting from shift to 20:80 and 30:70 weightings (\$m)



(source: MoH Strategy proposals document)

#### 5.4 Estimated levy under-recovery or over-recovery, by sector (R)

Amendments to the Gambling Act in 2015 introduced a further factor in the levy calculations, by taking into account any under-recovery or over-recovery from that sector in previous levy periods (R). The effect of this is to apportion over-recovery or under-recovery directly for each sector, rather than being shared across sectors, as previously occurred.

The Ministry strategy estimates the level of over-recovery by 30 June 2019 will be \$6.958 million. In addition there is an underspend of \$5 million. While we have, in this review followed the Ministry's assumption that it can use the \$5 million dollar underspend we are aware that this is not fully accepted.

As the method by which R is calculated is an issue of statutory interpretation it is outside the brief of this report to comment on. As noted above however we are assuming that the Ministry's assertion that the \$5 million underspend can be considered in addition to the levy, is correct.

## 7. CONCLUSIONS

The 2019/20 to 2021/22 Strategy, continues well-established strategic and service funding directions that have been implemented over the last nine years.

For this, the fifth review of the plan, a methodical and evidence-based approach has been followed that is broadly consistent with the public health framework that guides gambling-related legislation and strategy. Thus the general direction remains unchanged. However, the Ministry acknowledges that if further gains are to be made the plan needs to be 'refocused and revitalised'.

We endorse the use of the Outcomes Framework and support its use to track progress in achieving the 11 stated objectives and overall goal to 'prevent and minimise gambling harm, and to reduce related health inequities'. The effective use of this framework will support the ongoing analysis and refinement of investment strategies into the future.

However, there are some discouraging signs in overall levels of gambling-related harm, rising expenditure and decreasing presentations and we are not convinced that the 'refocusing and revitalising' which is dependent on the use of the \$5 million underspend to undertake pilot projects, goes far enough.

The data and concerns expressed to us by major providers of gambling services indicate that undertaking pilot projects is not enough. A major rethink of the strategy needs to be undertaken and this should be given high priority during the next three year period of the plan.

For these reasons, while we support the overall gambling levy that is proposed we stress the need for a more fundamental review of the strategy. That review should not assume that the \$55 million, which has become the accepted amount required, is in fact the appropriate figure.

Our recommendations regarding the weightings for the levy reflect the increasing 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, rapidly increasing expenditure and presentations on NZLC and online products supports the case 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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